The 2019 REQ Review

Credit Institutions, Financial Institutions and Insurance

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Financial Intelligence Analysis Unit
2019 REQ: Agenda

- 2019 REQ Statistics
- Common Mistakes
- Administrative Penalties & Enforcement Process
2019 REQ Statistics
Statistics: REQ Submissions → Credit Institutions

100% Submitted

Submitted  Non-Submitters
Statistics: REQ Submissions → Financial Institutions

- Submitted: 92%
- Non-Submitters: 8%
Statistics: REQ Submissions → Insurance & Pensions

- Submitted: 98%
- Non-Submitters: 2%
Have you / your institution performed a Business Risk Assessment?

- **Credit Institutions**: 96%
  - Yes: 96%
  - No: 4%
- **Financial Institutions**: 80%
  - Yes: 80%
  - No: 20%
- **Insurance & Pensions**: 71%
  - Yes: 71%
  - No: 29%
Do your / your institution’s internal procedures provide for a regular update of the Business Risk Assessment, or for a periodic assessment verifying that the risk assessment is still complete and up to date?

- Credit Institutions: 83% Yes, 13% No, 4% Not Applicable
- Financial Institutions: 75% Yes, 7% No, 18% Not Applicable
- Insurance & Pensions: 64% Yes, 36% Not Applicable
What is the schedule/frequency for performing audits with regard to proper compliance with the Maltese AML/CFT regulations?
REQ Statistics: Recordkeeping

If the FIAU requests specific customer or alert investigation records, are you / is your institution in a position to retrieve such records immediately? *If you / your institution have received reminders or else requested extensions for deadlines imposed

<table>
<thead>
<tr>
<th></th>
<th>Credit Institutions</th>
<th>Financial Institutions</th>
<th>Insurance &amp; Pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>No</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Yes, Always</td>
<td>65%</td>
<td>82%</td>
<td>64%</td>
</tr>
<tr>
<td>Yes, most of the time</td>
<td>35%</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>Depending on the request</td>
<td>0%</td>
<td>9%</td>
<td>7%</td>
</tr>
<tr>
<td>Not applicable</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Breakdown of total customers identified: Please list % of "high risk" customers.

<table>
<thead>
<tr>
<th>Category</th>
<th>0%-19%</th>
<th>20%-39%</th>
<th>40%-100%</th>
<th>Not available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Institutions</td>
<td>88%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>75%</td>
<td>7%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Insurance &amp; Pensions</td>
<td>86%</td>
<td>0%</td>
<td>0%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Of the total number of customers, how many PEPs and/or close associates and family members (collectively referred to as PEPs) are in your / your institution's customer base (including BOs)?
Of the total number of PEPs (if applicable), what is the % of foreign (non-EU or non-EEA) PEPs in your / your institution's customer base as at 31/12/2018 (including BOs)?

<table>
<thead>
<tr>
<th>Category</th>
<th>0%-19%</th>
<th>20%-39%</th>
<th>40%-79%</th>
<th>80%-100%</th>
<th>Not Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Institutions</td>
<td>70%</td>
<td>4%</td>
<td>4%</td>
<td>22%</td>
<td>0%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>89%</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
<td>7%</td>
</tr>
<tr>
<td>Insurance &amp; Pensions</td>
<td>60%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>40%</td>
</tr>
</tbody>
</table>

- Credit Institutions
- Financial Institutions
- Insurance & Pensions
REQ Statistics: Products (Credit Institutions)

Please indicate which activities are performed by your institution as at 31/12/2018, and indicate the percentage of the total volume (%)

![Bar chart showing the distribution of activities performed by institutions as of 31/12/2018. The chart indicates the percentage of total volume for different activity categories ranging from 0% to 80%. The categories include Retail Banking and Credit Cards/Prepaid Cards, with specific percentages for different volume ranges.](image_url)
Cash withdrawals (coins and/or notes) amounting to €10,000 or more processed by Credit Institutions in 2018 on behalf of customers: Value (in €)
Do the products have limitations or not allow for cash withdrawals or cash transactions (placed by consumers in payment service accounts with a credit institution, for instance)?

- Yes: 53%
- Not applicable: 47%

Do the products and services offered facilitate cash-based activity immediately pro- or pre-ceding non-cash activity (i.e., electronic)?

- Yes: 40%
- No: 40%
- Not applicable: 20%
Please indicate the contract structure of the products offered by your institution as at 31/12/2018

- **Individual contract: life insurance contracts offered to individuals (Policy Form): Volume (%)**
  - 0% - 19%: 21%
  - 20% - 79%: 0%
  - 80% - 100%: 7%
  - Not Applicable: 21%

- **Group contract: life insurance contracts offered by an employer or other large-scale entity to its workers or members (Policy Form): Volume (%)**
  - 0% - 19%: 64%
  - 20% - 79%: 0%
  - 80% - 100%: 29%
2019 REQ
Common Mistakes
REQ 2019: Common Mistakes

**Question**: Breakdown of total customers identified: Please list % of "high risk" customers.
**Answer**: 2%

**Question**: Breakdown of total customers identified: Please list % of "medium risk" customers.
**Answer**: 3%

**Question**: Breakdown of total customers identified: Please list % of "low risk" customers.
**Answer**: 74%

**Question**: Does a percentage of your customer base have a risk rating outside of the "high", "medium" and "low" categories?
**Answer**: No
**Question:** Have you / your institution performed a Business Risk Assessment?
**Answer:** No

**Question:** Did the Business Risk Assessment conducted take into account: the risks and controls related to your / your institution’s customers?
**Answer:** Yes

** Question:** Of the total number of PEPs (if applicable), what percentage are foreign (non-EU or non-EEA) PEPs as at 31/12/2018 (including BOs)? [Relates to Credit / Financial Institutions]
**Answer:** -3

**Question:** What percentage of customer BOs are domiciled in a high risk jurisdiction (as defined by the institution's policies and procedures)?
**Answer:** -3
REQ 2019: Common Mistakes

Safe Deposit Boxes

**Question:** Please provide the necessary information in relation to Safe Deposit Boxes as at 31/12/2018: Number of customers

**Answer:** Not Available

**Question:** Please provide the necessary information in relation to Safe Deposit Boxes as at 31/12/2018: Number of boxes

**Answer:** Not Available
REQ 2019: Common Mistakes

**Short-term maturity products (Policy Duration): Volume & Value (%)**

What are short-term maturity products?

The above-mentioned questions embedded in the REQ should be disregarded. Kindly input only those which are considered as 'long-term maturity products' of the Company, as referred to under Regulation 2 of the PMLFTR 2018 in the appropriate fields. Since this question is to be disregarded and Subject Persons cannot leave a question unanswered, please answer this question with zero (“0”).
Administrative Penalties & Process
Periodical Reporting Obligation

- **Regulation 19 of the PMLFTR** - In fulfilment of its supervisory functions under the Act, the Financial Intelligence Analysis Unit may require subject persons to submit periodical reports on the measures and procedures they maintain and apply pursuant to regulation 5 and any other information or documents as the Financial Intelligence Analysis Unit may consider necessary.
The imposition of administrative penalties and the enforcement process

Failure to submit the REQ 2019 or not submit the REQ in a timely manner has led to the issuance of a potential breaches letter on a total of 207 subject persons.

Currently:
Ongoing process of reviewing representations, presentation to the CMC and issuance of letters reflecting the administrative measure to be taken.