

# MONEYVAL: Fifth Round Evaluation Report on Malta

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## News

On 12 September 2019, MONEYVAL published its [Fifth Round Mutual Evaluation Report](#) on Malta. It calls on the Maltese authorities to strengthen the practical application of measures combatting money laundering and the financing of terrorism.

Malta is a relatively large international finance centre, and its internationally exposed banking sector is highly vulnerable to money laundering (ML). It has a significant shadow economy and cash is in widespread use.

MONEYVAL acknowledges that the country has taken steps to improve the AML/CFT framework, e.g.:

- Establishing special registers for companies, trusts, and associations incorporated or administered in Malta;
- Significant changes in the legislative instrument implementing UN and EU sanctions;
- Transposal of provisions of [EU Directive 2015/849](#).

A formal national risk assessment was conducted, and the results demonstrated that the authorities have a broad understanding of the vulnerabilities within the system. However, the importance of certain factors – notably predicate offences, financing of terrorism, legal persons – is not sufficiently understood. Several agencies, like the Financial Intelligence Analysis Unit (FIAU), have also adapted their frameworks, taking account of the vulnerabilities identified through the national risk assessment. Though the FIAU is considered to be an important source of financial intelligence for the police, the information provided by the FIAU constitutes evidence in only a limited number of ML cases and even less in FT related investigations.

ML investigations and prosecutions do not appear to be in line with the country's risk profile, due also to limited resources, both human and financial. ML is mainly investigated together with the predicate offence on which the investigation is based. The report emphasizes that Malta has not yet achieved convictions for ML concerning legal persons. Although the courts routinely order the confiscation of assets, the report stresses that there are serious shortcomings in asset-tracing policy, especially in respect of assets located abroad or those transferred to third parties in name.

The country has a sound legal framework as regards fighting FT. However no risk assessment has been carried out, and there have been only a few investigations so far that have not resulted in any prosecutions or convictions. Some progress has still been made, as Malta recently elaborated a national counter-terrorism strategy, which however could not be provided to the assessment team.

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The understanding of ML/FT risks varies across the sectors. Banks and casinos demonstrate a good understanding, but non-bank financial institutions and other non-financial businesses have a much lower understanding. In addition, the supervisory authorities also lack resources to conduct risk-based supervision.

The report stresses the lack of an in-depth analysis of how all types of legal persons and legal arrangements can be misused for ML and FT purposes. There are shortcomings in the multi-pronged approach to obtaining beneficial ownership information. The fines for failing to submit beneficial ownership information on legal persons are also not effective, dissuasive, and proportionate compared to the nature and scale of business undertaken in the country.

The report also stresses that the sanctions for non-compliance with AML/CFT requirements are not considered effective, proportionate and dissuasive. Lastly, Maltese legislation sets out a comprehensive framework for international cooperation, and the FIAU proactively interacts with its foreign counterparts in a timely and qualitative manner.

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