

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

MFSA MEDIA RELEASE: EBA PRELIMINARY ENQUIRY - MFSA NOT IN BREACH OF UNION LAW

The European Banking Authority (“EBA”) found no breach of Union law by the Malta Financial Services Authority (“MFSA”) it was announced this morning. As a result, the EBA decided to close the preliminary enquiry into a potential breach of Union law by the MFSA.

While the MFSA welcomes the recommendations from the EBA to further improve supervision of Malta’s financial services industry, it is pleased that its supervisory actions with respect to Pilatus Bank have been recognised, as well as its ongoing commitment to improve its overall supervisory practices especially on anti-money laundering (“AML”) supervision. The MFSA looks forward to future collaboration with the EBA, as well as other supervisory bodies in the EU, to improve AML supervision and ensure a strong AML environment within Malta and across the EU. Money laundering in Europe is a reality which cannot be dismissed and the increased sophistication of financial crime requires ongoing improvement in supervisory practices and approaches across Europe.

Joseph Cuschieri, CEO of the MFSA said: “The MFSA welcomes the recommendations made by the EBA which are in line with our strategy to strengthen the Authority’s supervisory capabilities through, amongst other actions, business process re-engineering, cutting edge regulatory technology and investment in supervisory capacity. We are committed to ongoing collaboration with the EBA and other authorities to deliver a supervisory environment which enhances trust in the MFSA and Malta as a jurisdiction. It is clear that there were lessons to be learnt from the Pilatus Bank case, but it is also clear, and recognised by the EBA, that there has been an uncompromising commitment to identify and address these issues by the MFSA.”

The MFSA has already started to implement a number of key strategic initiatives aimed at strengthening the Authority’s supervisory capacity and regulatory performance. These include:

- Reviewing and improving internal authorisation procedures to strengthen the engagement between the Financial Intelligence Analysis Unit (FIAU) and the MFSA’s anti-money laundering (“AML”) team;
- Reviewing and improving protocols for cooperation with the FIAU for conducting supervision of credit institutions both during authorisation and on an on-going basis;
- Process Improvement and digitisation of procedures and knowledge management for conducting due diligence and fit and proper checks both during authorisation and throughout the licensee’s lifecycle;
- Integrating AML and Combating the Financing of Terrorism (“AML/CFT”) risks in the risk assessment framework and in the business model analysis of banking supervision at the MFSA;
- Reviewing the organisation of financial supervision to further integrate AML/CFT risks into prudential supervision;

- Major investment in cutting edge knowledge management tools, business intelligence, regulatory and supervisory technology tools;
- A Business process re-engineering programme aimed at improving the efficacy and efficiency of the Authority's supervisory processes and procedures which includes automation;
- Increase in Human Resources to "right size" the Authority;
- Launching an extensive AML training programme.

Joseph Cuschieri continued: "Our long term view of the MFSA and the strategic initiatives we are implementing should strengthen the Authority and minimise the risk of financial crime infiltration. Having said this, it is crucial that AML/CFT supervision is re-thought and discussed in more depth at an EU level to ensure that AML supervision across EU member states is streamlined and strengthened both at a technical and policy level. Ongoing collaboration and exchange of information between member states is key to stronger AML/CFT in Europe and the MFSA is ready and willing to play its part in this process"

ENDS

Communications Unit
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