



Anti-money laundering and counter-terrorist financing measures

Maldives

Mutual Evaluation Report

October 2025





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EXECUTIVE SUMMARY

1. This report provides a summary of the AML/CFT measures in place in the Maldives as at the date of the on-site visit 13-23 January 2025. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the Maldives' AML/CFT system and provides recommendations on how the system could be strengthened.

Key Findings

- a) While the Maldives has a good understanding of its ML risks and a limited understanding of TF risks, there is no national AML/CFT strategy or coordinated approach to combat ML, TF or PF.
- b) The Financial Intelligence Unit (FIU) is providing good quality financial intelligence in support of the Maldives' predicate crime investigations, and to a lesser extent in ML and TF investigations. Law enforcement agencies (LEAs) are using financial intelligence to varying degrees.
- c) ML/TF investigations, prosecutions and convictions in the Maldives are not wholly in line with the risk profile.
- d) Proceeds and instrumentalities of crime are not confiscated in line with the Maldives' ML/TF risk profile, and the one ML-related confiscation was overturned. Mechanisms are in place to detect the illegal movement of cash across borders, but these are not implemented in line with risk.
- e) Deficiencies with the legal framework and related guidance to implement targeted financial sanctions (TFS) for TF and PF do not support the Maldives in implementing TFS, to address its serious TF risks and exposure to PF.
- f) The Maldives has not identified the subset of Non-Profit Organisations (NPOs) at risk and no regular, comprehensive nor coordinated monitoring and supervision of NPOs has been conducted.
- g) The implementation of AML/CFT obligations is reasonably demonstrated by financial institutions (FIs), particularly banks, and they are subject to supervisory activities which are not wholly in line with risk and limited by technical deficiencies related to CDD and PEPs. Risk-based supervision of designated non-financial businesses and professions (DNFBPs), particularly for the high-risk real estate sector, is not implemented. Despite significant presence of illegal and unregulated money changing businesses (MCBs) and hawala-like operations, there are no strategic plans or concerted efforts to discourage such activity and apply sanctions, with limited coordination among supervisors and LEAs.

- h) The Maldives has not reasonably assessed the ML/TF risks and vulnerabilities associated all types of legal persons and the measures to promote transparency of beneficial ownership (BO) information do not sufficiently mitigate the risks of abuse for ML/TF.
- i) The Maldives has a wide-ranging legal framework for mutual legal assistance (MLA) and extradition requests and seeks formal and informal international cooperation moderately in line with its risk profile.

Risks and General Situation

2. The Maldives faces significant ML risks, with the most significant proceeds of crimes generated from drug trafficking and corruption offences, organised crime, fraud and embezzlement. The strategic geographic location of the Maldives positions it at a heightened risk for transnational crimes, and as a transit point for ML, drug trafficking, and human trafficking.

Overall Level of Effectiveness and Technical Compliance

Assessment of Risk, coordination and policy setting (Chapter 2 - IO.1; R.1, R.2, R.33 & 34)

3. The Maldives conducted a ML/TF risk assessment in 2022; however, no version of the report is accessible to the public, and no formal updates have been provided since then. The national risk assessment (NRA) identifies the overall ML risk for the Maldives as significant, identifying major ML threats and vulnerabilities. Although the NRA assesses TF risks as high, it lacks a thorough analysis of specific TF threats and vulnerabilities within the Maldives.

4. The Maldives has demonstrated a good understanding of ML risks, specifically recognizing drug trafficking, organised crime, bribery, and corruption as the primary proceeds-generating crimes. However, its understanding of TF risks is limited, focusing mainly on terrorism and violent extremism, while lacking awareness of associated TF activities of supporting terrorists and their families. Furthermore, the Maldives demonstrates insufficient knowledge of the illegal and unregulated secondary market for foreign exchange, illegal fishing practices, and the use of hawala, which are not adequately addressed in the NRA.

5. The awareness of the findings of the NRA varies among FIs and DNFBPs. While most reporting entities (REs) acknowledge ML risks within their sectors, their understanding of these risks in the broader national context is limited. Additionally, awareness of TF risks is less developed than that of ML risks, particularly among specific sectors and authorities involved, including DNFBPs.

6. Currently, the Maldives lacks a national strategy for AML/CFT and does not have mechanisms for the regular review of national policies. Coordination among relevant agencies remains informal and sporadic, with no documented plans to combat ML/TF. Although a formal framework for national coordination exists through the National Coordination Committee (NCC), the absence of an adopted National Strategic Plan means the Maldives lacks cohesive national AML/CFT strategy and a formal policy review mechanism. While there are informal coordination mechanisms among competent authorities, the absence of documented policies and standard operating procedures (SOPs) constrains the sustainability and effectiveness of these efforts.

7. Additionally, the Maldives does not have a legislative framework that facilitates the implementation of exemptions or simplified measures to enhance financial inclusion consistent with the lower risk areas identified in the NRA. The resource allocation for AML/CFT activities does not align

with NRA findings, despite the recognized significant ML risks. There is currently no formal framework for policymaking and operational coordination to prevent and combat PF, consequently, coordinated PF initiatives are non-existent in the Maldives.

Financial Intelligence, ML Investigations, Prosecutions and Confiscation (Chapter 3 – 10.6, 7-8; R.1, R.3, R.4, R.29-32)

8. Various agencies in the Maldives utilize financial intelligence in their investigations, albeit to differing extents. The LEAs are authorized to obtain information directly from FIs; however, the use of the FIU channel for proactive information requests varies among agencies. The FIU has direct online access to the several key government databases, while access to other databases, such as criminal records, tax records, and property registration records, remains limited, with information obtained only upon request. Currently, there are no SOPs or manuals outlining the process for requesting this information or the expected response timelines. Suspicious transaction reports (STRs) received from REs via the reporting portal undergo a semi-automated validation and prioritization process for analysis and response. While the FIU employs a manual process for the prioritization of STRs, it has established measures to safeguard data integrity and accuracy. Nevertheless, the reliance on manual procedures presents considerable challenges, particularly with regard to scalability and timeliness, in the context of an increasing volume of STRs.

9. To date, the FIU has produced only one strategic analysis report related to trade-based money laundering (TBML). However, this report has neither been publicly released nor formally disseminated to REs. The findings were instead shared with LEAs through the FCWG. While competent authorities acknowledge the value of the financial intelligence provided by the FIU for investigating predicate crimes, it lacks consistent application in ML and TF investigations, and there is no systematic case-specific feedback mechanism between LEAs and the FIU, which hinders the FIU's ability to assess the effectiveness of its products and limit its capacity to refine the relevance of its analysis. The effectiveness of FIU's financial intelligence in facilitating successful investigations, prosecutions, convictions, and asset recovery in light of Maldives's risk profile remains limited.

10. The Maldives Police Service (MPS) is the primary agency responsible for investigating and prosecuting ML. The Maldives do not conduct operational activities wholly in line with higher risk areas of ML as identified in the NRA. Whilst there are attempts at sustained reforms for improvement at the working level across law enforcement and partner agencies, there is no strategic policy at the national level to combat ML.

11. Financial analysts working in each investigative agency are predominantly self-trained and lack formal processes and procedures during ML initiation and investigation stages. Existing relationships, both intra and inter-agency, are positive and generally informal, however the Maldives has not demonstrated the investigation of a broad range of ML schemes or complex ML cases to date with most investigated cases demonstrated to the assessment team relating to fraud. Some alternative measures are being used in lieu of prosecution; however, these are not in line with the Maldives' risk profile.

12. The Maldives has an incomplete legal framework for confiscation which is not adequately implemented. Further, the Maldives lacks a policy and operational framework for confiscating proceeds and instrumentalities of crime, or property of corresponding value, as a policy objective. There is no comprehensive national asset recovery framework in the Maldives and there is no asset management mechanism nor procedures to preserve the value of seized assets. Competent authorities prioritise investigation rather than asset seizure or confiscation and have no formal SOPs or guidelines relating

to tracing, targeting, seizing or confiscating property or assets. The Maldives does not maintain comprehensive statistics on seizures and confiscations to guide national policy objectives.

13. LEAs have predominately seized properties relating to predicate offences rather than ML cases with no confiscations of property of corresponding value. The approach to seizing or confiscating high-value goods is in its nascent stages with the major focus on cash and cash equivalent, with no confiscations of property of corresponding value. 25 confiscation orders have been granted and the one ML-related confiscation order later overturned. It is unclear what proportion of this confiscated property has been realised to date. There have been no TF-related seizures or confiscations which is not in line with the Maldives' risk profile. Minimal international cooperation has been pursued by competent authorities to seize or confiscate the assets that have been moved offshore. The Maldives is not utilising the legal framework for cross border movement of cash and BNIs to its full extent, nor in line with the risk profile.

Terrorist and Proliferation Financing (Chapter 4 – 10.9, 10, 11; R.1, R.4, R.5-8, R.30, R31 & R.39)

14. TF efforts in the Maldives lack prioritization and are not formally integrated into the national counter-terrorism strategies. Despite the high risks associated with TF, there have been no convictions for TF, and the limited number of investigations do not align with the TF risks identified in the NRA.

15. The National Counter Terrorism Centre (NCTC) is tasked with leading the national effort against terrorism and violent extremism. Within its remit, it advises government authorities to combat individuals or groups financing or supporting such activities. However, the Maldives has not demonstrated effective implementation in addressing the critical area of TF. This represents a significant gap in its broader CT and CFT strategy, hindering the establishment of a comprehensive national approach to these issues. The MPS is the primary agency responsible for investigating and prosecuting TF with support from the Prosecutor General's Office (PGO) during prosecution stages. Overall, the capacity for combating TF in the Maldives is weak, primarily due to a lack of prioritization in developing staff, systems, and procedures. LEAs and judicial authorities have not received nationally coordinated training in TF investigations, leading to a reliance on self-training. Additionally, there are no manuals or guidelines available for TF investigations, and law enforcement agencies exhibit a limited understanding of the necessary components for proving TF offences.

16. While there have been attempts at reform and improvement within LEAs, these changes are not reflected at the national level through effective strategy or policy implementation. Moreover, the effectiveness of dissuasive sanctions for TF offenses cannot be evaluated, as no such sanctions have been applied due to the absence of any TF convictions. Finally, there is no evidence that any disruptive measures have been employed in situations where prosecution or convictions for TF are not feasible, indicating a critical gap in addressing the challenges posed by TF in the Maldives.

17. The Maldives lacks implementation of the legal framework and guidance for applying United Nations Security Council Resolutions (UNSCRs) 1267 and 1373, which hinder the effective use of TFS to combat TF. The existing framework lacks provisions for domestic designations and the Maldives has not utilized its powers to enforce foreign designations through freezing orders. Major gaps in asset freezing obligations exist alongside insufficient guidance for stakeholders to comprehend their TFS responsibilities. There is no explicitly designated authority responsible for proposing individuals or entities for listing under the 1267 or 1988 Committees, nor is there a mechanism to identify and assess potential targets for designation. While there is a standing order in place for REs to freeze persons and entities designated by the UN, the Maldives does not have clear mechanism of disseminating information on designations to all REs. Overall, there is insufficient action taken to deprive terrorists,

their organisations, and financiers of their assets, as evidenced by the absence of criminal freezing or confiscation orders. The existing measures implemented in the Maldives are not aligned with the high TF risk profile identified in the NRA.

18. The Maldives has not identified the subset of NPOs at risk of abuse for TF. The understanding of NPOs' exposure to TF risks in the Maldives is inconsistent and lacks a risk-based supervisory approach. Administrative changes in the Ministry responsible for NPO registration and oversight affect the accuracy of NPO database records and hinder targeted outreach and monitoring of at-risk NPOs. Currently, there is no systematic monitoring of NPOs in the Maldives, and the Registrar's activities are confined to registration without verifying compliance or supervising operations. This situation has led to many unregulated and unlicensed NPOs due to the regulator's limited capacity. Furthermore, the Maldives fails to coordinate inter-agency efforts regarding at-risk NPOs.

19. The Maldives is not implementing TFS-PF as there is a very limited legal framework, the freezing order is narrow in scope and there is no enforceable obligation for all natural and legal persons in the Maldives to freeze funds or assets of persons or entities designated under the relevant UNSCRs under Chapter VII of the United Nations Charter. Further, as there is no competent authority for CPF explicitly set out in law, there is no clear mechanism to disseminate designations to all REs without delay and overall, these deficiencies hinder the effectiveness of TFS-PF implementation. The Maldives has not prioritised efforts to combat the financing of proliferation of WMD at the policy and operational levels and there is a broad lack of awareness from relevant authorities about their PF-related obligations. The Maldives has not proactively taken action to identify funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) in relation to PF UNSCRs. FIs, DNFBPs, or authorities have not identified or frozen any funds in connection to PF which is inconsistent with the broader risk profile in the Maldives including strategic geographical links.

Preventive Measures (Chapter 5 - IO4; R.9-23)

20. Banks, which hold the majority of financial sector assets, demonstrated a reasonable understanding of ML risks, with other FIs and DNFBPs demonstrating a weaker understanding of ML risks. TF risks are not well understood across all FIs and DNFBPs despite the higher TF risk profile of the Maldives. There are no local Virtual Asset Service Providers (VASPs) in operation in the Maldives but there is some exposure to foreign VASPs providing services to people in the Maldives and no prohibitions on the use of virtual assets (VAs) in the Maldives.

21. The implementation of AML/CFT obligations is reasonably demonstrated by FIs, particularly banks, but is undermined by gaps in the legislation and regulatory framework. DNFBPs did not demonstrate the application of adequate AML/CFT measures consistent with their risk profile.

22. Guidance has been issued to FIs, and none to DNFBPs, and these have not been regularly reviewed or updated. Banks have been the focus of outreach by the FIU in keeping with the risk profile, and this has resulted in almost all STRs in the Maldives generated by banks. There have been minimal STRs from NBFIs and none from DNFBPs which is inconsistent with the ML/TF vulnerabilities identified in these sectors in the Maldives.

Supervision (Chapter 6 - IO3; R.14, R.26-28, R.34, R.35)

23. Over 90% of the financial sector assets are held by the eight commercial banks in the Maldives, including three that are locally incorporated, one as a subsidiary of a foreign bank, and four foreign bank branches. The sector's ML risk level is considered as medium high, with money changers and

remitters assessed as high and medium high risk in particular, given their strategic importance in the risk and context of the Maldives. The Maldives Monetary Authority (MMA) is the licensing authority for most of these FIs, except for securities dealers, and shares responsibilities with the FIU for AML/CFT supervision. The Maldives does not have a legal framework to regulate VASPs, nor has it issued any prohibitions relating to VA/VASP activity.

24. Fit and proper checks are reasonably implemented to prevent criminals from entering the market, with the exception of MCBs for which adequate fit and proper checks were not in place prior to the change in regime in late 2024. There are numerous cases, and almost 100 STRs during the review period, related to unlicensed MCBs operating as an illegal and unregulated secondary market. Similarly, there are hawala-like service providers in operation with minimal coordinated actions having been taken to identify such service providers and impose sanctions.

25. The DNFBP sectors are relatively small, with the self-regulatory bodies for lawyers and accountants lacking adequate measures to verify information received during fit and proper checks. There is no licensing framework for dealers in precious metals and stones (DPMS), trust and company service providers (TCSPs) or real estate agents, which is not in keeping with the high ML risk associated with real estate. The FIU is the designated AML/CFT supervisor for DNFBPs and the understanding of ML/TF risks and compliance with AML/CFT obligations across these sectors is low.

26. The FIU undertakes risk-based AML/CFT supervision, with the risk rating tool it applies to form supervisory plans requiring some improvements. The FIU's limited supervisory resources have been focussed on the banking sector, which is largely in line with risk. The lack of AML/CFT supervisory activities for MCBs and minimal onsite AML/CFT inspections for money-value transfer services (MVTs) is not in keeping with risk. The FIU's guidance and outreach activities have focused on banking sector with minimal outreach for MVTs and MCBs and none for the real-estate sector.

27. The FIU applies few remedial actions for certain FIs for non-compliance but lacks demonstration of effective, proportionate and dissuasive sanctions or significant positive impacts on compliance. Other supervisors have either applied minimal or no enforcement measures.

Transparency and Beneficial Ownership (Chapter 7 - IO5; R.24-25)

28. The Maldives has strengthened its legal framework for the registration of legal persons and requirements for basic and BO information to be collected through the amendments to the Companies Act which came into force in 2024. Information on the creation and types of all legal persons is publicly available and stored by the Registrar of Businesses established under the Ministry of Economic Development and Trade (MEDT).

29. The 2022 NRA does not assess the ML/TF risks relevant to the different types of legal persons present in the Maldives. The risks associated with legal persons are not well understood by authorities in the Maldives. The Maldives does not have specific legislation for regulating legal arrangements, nor has the Maldives identified the nature and extent of legal arrangements, including waqfs, operating in the Maldives.

30. There are gaps in the BO information which legal persons provide to the registry. Competent authorities are able to obtain this BO information through the secure portal for access to the Business Registry in a timely fashion; however, this information has not been systematically verified. Competent authorities may compel the production of basic and BO information of legal persons collected by REs,

but the Maldives did not demonstrate this was actively sought and used for ML and predicate offence investigations in line with the Maldives' risk and context.

31. There are a range of sanctions for non-compliance of various obligations in relation to transparency of BO information, however it has not been demonstrated that the competent authorities have taken enforcement actions effectively and applied dissuasive sanctions accordingly.

International Cooperation (Chapter 8 - IO2; R. 36-40)

32. The Maldives' legal framework for MLA allows the provision of wide-ranging assistance in relation to ML/TF and associated predicate offences and there is also an adequate legal framework for extradition requests. The level of formal international co-operation sought by the Maldives is somewhat in line with its risk profile although no MLA outgoing requests have been made relating to drug trafficking which is a high-risk offence. The Maldives has utilised MLA and other forms of cooperation to some extent in a constructive and timely manner.

33. The Maldives is taking steps to increase the ability to provide and seek extradition in line with the risk profile by entering into bilateral extradition treaties. To date, the Maldives has not made or received any extradition requests. Instead, the Maldives utilises administrative measures in lieu of extradition as they are deemed more efficient.

34. The Maldives has a solid network of international and regional counterparts and most competent authorities regularly use these networks and channels to exchange information. Maldives actively seeks and relies on its informal international cooperation as the primary channel to exchange information largely due to their domestic evidential requirements and it is considered more efficient and timely than formal MLA. While the Maldives lacks comprehensive statistics to demonstrate the full extent of its international cooperation, most competent authorities are regularly working with their international counterparts to exchange information relating to financial intelligence.

35. The Maldives has made and received minimal requests for BO information for legal persons and legal arrangements during the period under review, and it is not clear for what purpose these requests relate to, i.e. supervision or financial intelligence.

Priority Actions

- a) Finalise and implement a comprehensive national AML/CFT strategy and action plan, with clear priorities, including a focus on high-risk predicate offences such as corruption. The Maldives should disseminate the 2022 NRA and establish a process for its regular review, update and further dissemination to ensure it addresses emerging risks and informs policy and operational responses.
- b) Enhance understanding of ML/TF risks across all competent authorities, particularly regarding TF and emerging threats like illegal and unregulated secondary market, illegal fishing and the use of hawala.
- c) Enhance the use of FIU disseminations by developing internal procedures, providing targeted training, and integrating financial intelligence into ML and TF case development. The FIU's analytical capabilities should be strengthened by addressing resource constraints, increasing automation of STR processing and ensuring the production of strategic analysis aligned with the national risk profile to support operational and policy decision-making.
- d) Develop and implement a robust multi-agency policy approach to enable an effective, transparent and timely response to ML offences through improving financial investigations and prosecutions especially for high-risk activities such as corruption and drug trafficking.
- e) Establish a national policy objective for asset recovery, aligned to ML/TF risks and in harmony with other legislative reforms on proceeds of crime.
- f) Ensure the NCTC fulfils its mandated role in leading and coordinating CFT efforts by being suitably resourced and developing a national, risk-based CFT strategy that is aligned with the Maldives' threat landscape. The strategy should clearly define the roles and responsibilities of key government agencies. Additionally, the Maldives should establish mechanisms to regularly monitor the implementation of the CFT strategy and ensure the accountability across all stakeholders involved in TF investigations and prosecutions.
- g) Establish a formal and comprehensive framework for implementing TFS without delay under UNSCR1267 and operationalise TFS measures under UNSCR1373 without delay, by generating clear guidelines and SOPs for relevant agencies and REs.
- h) Designate and sufficiently resource a central authority responsible for the registration, monitoring and supervision of NPOs. The authority should identify the subset of NPOs that fall within the FATF definition and are at risk of TF abuse, and implement proportionate, risk-based supervision and monitoring measures.
- i) Enhance and implement a comprehensive legal framework for TFS-PF.
- j) Address the technical deficiencies in the legal framework for preventive measures for FIs, DNFBPs and VASPs, specifically in relation to CDD (R.10), PEPs (R.12) and obligations for DNFBPs (R.22-23).
- k) Undertake coordinated action to identify and apply sanctions to illegal and unlicensed money changers and hawala-like operators.
- l) Undertake coordinated legislative and regulatory reform to clarify regulation of the real estate sector, maintain accurate and up-to-date records to prevent the abuse of the real estate sector for ML/TF.

- m) Based on an accurate understanding of ML/TF risks of the different types of legal persons, the Maldives should implement measures to prevent their misuse for ML/TF purposes including measures to verify the information in the BO registry in a systematic way to ensure accuracy and currency of the information provided and implement measures to strengthen compliance, including applying the available sanctions for non-compliance
- n) Expand the use of regional and international networks to pursue ML, TF and predicate investigations in line with risk.

EXECUTIVE SUMMARY

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings (High, Substantial, Moderate, Low)

IO.1 - Risk, policy and coordination	IO.2 - International cooperation	IO.3 - Supervision	IO.4 - Preventive measures	IO.5 - Legal persons and arrangements	IO.6 - Financial intelligence
Moderate	Moderate	Low	Low	Moderate	Moderate
IO.7 - ML investigation & prosecution	IO.8 - Confiscation	IO.9 - TF investigation & prosecution	IO.10 - TF preventive measures & financial sanctions	IO.11 - PF financial sanctions	
Low	Low	Low	Low	Low	

Technical Compliance Ratings (C – compliant, LC – largely compliant, PC – partially compliant, NC – non-compliant)

R.1 - Assessing risk & applying risk-based approach	R.2 - National cooperation and coordination	R.3 - Money laundering offence	R.4 - Confiscation & provisional measures	R.5 - Terrorist financing offence	R.6 - Targeted financial sanctions – terrorism & terrorist financing
PC	NC	LC	PC	LC	NC
R.7 - Targeted financial sanctions – proliferation	R.8 - Non-profit organisations	R.9 - Financial institution secrecy laws	R.10 - Customer due diligence	R.11 - Record keeping	R.12 - Politically exposed persons
NC	NC	LC	PC	LC	PC
R.13 - Correspondent banking	R.14 - Money or value transfer services	R.15 - New technologies	R.16 - Wire transfers	R.17 - Reliance on third parties	R.18 - Internal controls and foreign branches and subsidiaries
LC	PC	NC	PC	NC	PC
R.19 - Higher-risk countries	R.20 - Reporting of suspicious transactions	R.21 - Tipping-off and confidentiality	R.22 - DNFBPs: Customer due diligence	R.23 - DNFBPs: Other measures	R.24 - Transparency & BO of legal persons
PC	LC	C	PC	PC	PC
R.25 - Transparency & BO of legal arrangements	R.26 - Regulation and supervision of financial institutions	R.27 - Powers of supervision	R.28 - Regulation and supervision of DNFBPs	R.29 - Financial intelligence units	R.30 - Responsibilities of law enforcement and investigative authorities
PC	PC	LC	PC	LC	LC
R.31 - Powers of law enforcement and investigative authorities	R.32 - Cash couriers	R.33 - Statistics	R.34 - Guidance and feedback	R.35 - Sanctions	R.36 - International instruments
PC	LC	LC	PC	PC	PC
R.37 - Mutual legal assistance	R.38 - Mutual legal assistance: freezing and confiscation	R.39 - Extradition	R.40 - Other forms of international cooperation		
LC	PC	LC	LC		

MUTUAL EVALUATION REPORT OF THE MALDIVES

Preface

This report summarises the AML/CFT measures in place in the Maldives as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the Maldives' AML/CFT system and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology. The evaluation was based on information provided by the Maldives, and information obtained by the evaluation team during its on-site visit to Maldives from 13-23 January 2025.

The evaluation was conducted by an assessment team consisting of:

- Mr Ian Collins, UK (law enforcement assessor)
- Mr Shuai HAN, China (financial assessor)
- Ms Natalie Sin, Hong Kong, China (legal assessor)
- Ms Erica Stuke, US (financial assessor)
- Mr Shailesh Thakur, India (FIU assessor)
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- Ms Catherine Haché (Canada),
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- FATF Secretariat

The Maldives previously underwent a second round APG Mutual Evaluation in 2011, under the 2004 FATF Methodology. The report of that evaluation is available at www.apgml.org.

1. The Republic of Maldives is an archipelago of 1,192 islands in the Indian Ocean, spread out over roughly 9,000 square kilometres (3,400 square miles), with a distance of almost 1,000 kilometres (621 miles) from north to south. The Maldives has a land mass of roughly 298 square kilometres (115 square miles) and is administratively divided into 20 atolls. The population (according to the 2022 Census) is 515,122¹ with 41% of the resident population living on or near the island of Malé, the capital of the Maldives. Out of the 515,122 people living in Maldives, approximately 26% people are foreign nationals, predominantly from South and Southeast Asia.² It is the smallest Asian country in both population and land area. Its closest neighbours to the north are India's Laccadive Islands. To the northeast is the Indian subcontinent and Sri Lanka. To the south it borders the British Indian Ocean Territory³ about 2,600 kilometres (1,600 miles) further east, across the Indian Ocean, is Malaysia. To the west the Horn of Africa is approximately 3,000 kilometres (1,800 miles) away.

2. The Maldives is a presidential republic with a president as head of government and head of state. The Maldives became an independent nation on 26 July 1965 after having been a British protectorate for 78 years. After having been governed by the same leader since 1978 the Maldives transitioned to a multi-party democracy in 2008.

3. The Maldives is a lower middle-income country with a small market-based economy. Its 2025 GDP was estimated at USD7.48 billion.⁴ The major income generator is the tourism industry, which has recovered strongly from the global COVID-19 pandemic, followed by the fishing industry. Another sector that significantly contributes to the Maldives' economy is real estate industry with a share of 9.2% GDP for 2024 Q2.⁵ The exact volume and amount of real estate transactions is not known by Maldives authorities.

4. The Special Economic Zone Act (2014) allows for the provision of offshore financial services in the Maldives' Special Economic Zone (SEZ) with approvals from the SEZ Board of Investment and Maldives Monetary Authority. "Offshore financial services" refer to banking or non-banking businesses that ordinarily provide financial services only to non-residents but may also engage in limited domestic lending. No permits or licences have been issued for operations in the SEZ to date.

5. Financial inclusion has been steadily increasing in the Maldives and is high with 91% of the adult population owning a bank account, with internet/mobile banking usage used on an almost daily basis by 60% or respondents to the 2022 National Financial Inclusion Survey.⁶

¹ This includes 382,751 Maldivians and 132,371 Foreigners. Approximately 26% of the population are foreigners. For every 3 Maldivian, there is one Foreigner living in the Maldives (Maldives Bureau of Statistics, 'Maldives Population and Housing Census' 2022, Accessed 10 January 2025).

² *Statistical Pocketbook of Maldives 2024*, Maldives Bureau of Statistics Ministry of Housing , Land & Urban Development, viewed 24 October 2024, <<https://statisticsmaldives.gov.mv/mbs/wp-content/uploads/2024/10/Statistical-Pocketbook-of-Maldives-2024.pdf>>.

³ Also known as the Chagos Islands.

⁴ International Monetary Fund, 2-25 GDP data, <https://www.imf.org/external/datamapper/NGDPD@WEO/MDV?zoom=MDV&highlight=MDV>, accessed 9 May 2025

⁵ *Quarterly National Accounts*, 2024 Quarter 2, Maldives Bureau of Statistics, viewed on 7 November 2024, <<https://statisticsmaldives.gov.mv/mbs/wp-content/uploads/2024/09/QNA2024Q2.pdf>>.

⁶ MMA, National Financial Inclusion Survey 2022.

ML/TF Risks and Scoping of Higher-Risk Issues

Overview of ML/TF Risks

6. The Maldives faces significant ML risks, with the most significant amounts of proceeds of crimes generated from drug trafficking and corruption offences, organised crime, bribery, fraud and embezzlement.

7. The Maldives' ML/TF/PF risks are subject to strategic geographical links, particularly to neighbouring jurisdictions with significantly larger economies and perceived higher ML/TF risks. As an archipelagic nation, the Maldives attracts many foreign nationals who establish businesses, positioning it as a strategic transit point for international trade. The Maldives' ML/TF risks also emanate from a significant illegal and unregulated secondary market utilising informal remittance through hawala-like operations and foreign exchange services, often utilised by these foreign nationals. The Maldives also has dispersed maritime borders with exposure to international shipping routes which may create risk exposure to PF. The strategic geographic location of the Maldives positions it at a heightened risk for transnational crimes, and as a transit point for money laundering, drug trafficking, and human trafficking.

8. The Maldives does not produce illegal drugs; rather, it serves as a transit point for narcotics trafficked from neighbouring countries through both air and sea routes. As of 2023, the country is recognized as a strategic hub for heroin, cocaine, and cannabis trafficking, with established connections to organised crime networks in South⁷ and Southeast Asia.⁸ The Maldives faces considerable challenges in combating drug trafficking due to porous borders and limited enforcement capabilities. Law enforcement agencies have also identified the use of social media platforms for drug sales. Discussions with relevant authorities during the onsite visit revealed growing concerns about the connection between criminal gangs and drug trafficking. This observation aligns with findings from the 2022 NRA, which noted a decline in homicide and gang-related violence as criminal organisations have become more discreet in their drug trafficking and money laundering operations.

9. To date the Maldives has not undertaken a risk assessment on the types of legal persons which could operate in its SEZ as there has been no business activity. To date no permits have been granted under the SEZ Act for legal persons to operate in the designated SEZ, however there is currently an application under consideration.

10. Bribery and corruption are identified as significant threats in the context of ML.⁹ Media reports further highlight the prevalence of corruption across various sectors in the Maldives, including in both government and state-owned enterprises.¹⁰ Transparency Maldives' 2020 report highlights substantial gaps in public procurement regulations, which likely create ample opportunities for corrupt practices.¹¹ The Financial Intelligence Unit's (FIU) Annual Report 2023 indicates an increased trend in STRs, revealing the involvement of politically exposed persons (PEPs) in corruption, embezzlement, and the

⁷ *Situational Analysis of Drugs in the Maldives* 2021, The National Drug Agency Republic of Maldives, pp. 37 and 42, viewed on 3 November 2024, <<https://health.gov.mv/storage/uploads/jo6xxlYr/mg4nsbtq.pdf>>.

⁸ *The 2023 Global Organized Crime Index: Maldives* 2023, pp. 3-4.

⁹ The 2023 Corruption Perception Index (CPI) scores the Maldives at 39 out of 100 and ranks it 93rd out of 180 countries. This score reflects a one-point decline from the previous year and positions the Maldives among the two-thirds of countries that score below 50, indicating widespread corruption. <https://www.transparency.org/en/cpi/2023/index/mdv>.

¹⁰ *Report: The High Cost of Corruption in the Maldives* 2023, Corporate Maldives, 7 May, viewed on 1 November 2024, <<https://corporatemaldives.com/the-high-cost-of-corruption-in-the-maldives/>>.

¹¹ *Maldives Public Procurement System Study* 2020, Transparency Maldives, viewed on 1 November 2024, <<https://transparency.mv/wp-content/uploads/2022/02/Procurement-Study-1.pdf>>.

misuse of authority through intermediaries such as family members and third parties. Moreover, government-owned enterprises are implicated in public procurement projects, raising concerns about the integrity of these processes.¹²

11. The NRA highlights significant concerns regarding fraud and embezzlement in the Maldives, particularly emphasizing the rise of sophisticated scams. Key findings include the proliferation of seemingly legitimate phishing emails and investment schemes that promise high returns for minimal fees. Criminals are reportedly utilizing forged documents to engage with banks for illicit payments, and the 2023 analysis of STRs and Transaction Activity Reports (TARs) reveals trends such as the employment of multiple corporate entities to facilitate apartment sales and cryptocurrency transactions.¹³ The increasing sophistication of fraud schemes remains a significant challenge, with emerging trends such as recruitment fraud targeting expatriate workers, internet banking fraud involving compromised credentials, credit and debit card fraud, and impersonation of financial institutions and government entities.

12. The TF risk in the Maldives is assessed as high, considering significant vulnerabilities within the country, including the vulnerabilities associated with ML risk as described above, as well as the cash economy, porous borders, weaknesses in STR reporting, limited capacity of LEAs and challenges with regulation of NPOs all presenting vulnerabilities for TF. There is a lack of understanding from both the public and private sectors relating to TF risks, particularly regional TF risks.

13. The Maldives has also been reported at one time as the highest contributor of Foreign Terrorist Fighters (FTFs), per capita, to conflict zones such as Syria and Iraq.¹⁴ In 2021, approximately 173 Maldivians successfully travelled to these conflict areas, while 432 individuals were intercepted or deported, raising concerns about domestic radicalisation and the outflow of fighters.¹⁵ Open-source media indicates that Maldivians have actively provided financial support to ISIS networks, serving as intermediaries in the funding of terrorist operations, including those based in Pakistan.¹⁶ According to the 2022 NRA, individuals affiliated with Foreign Terrorist Organizations (FTOs), including supporters and sympathisers, raise funds to support the families of FTFs, facilitate recruitment and training, and finance travel to conflict zones. Funding sources include family contributions, wealthy extremist donors using legitimate businesses, criminal gangs, and support from ISIS-linked networks abroad.

Country's risk assessment & Scoping of Higher Risk Issues

14. The Maldives conducted its first ML/TF NRA utilising the World Bank methodology in 2022, which has not been made publicly available. The completion of Maldives' 2022 NRA involved a broad

¹² *The Financial Intelligence Unit Annual Report 2023*, Maldives Monetary Authority, p. 27, viewed on 1 November 2024, <<https://www.mma.gov.mv/files/fiu/FIU-AR-2023.pdf?v=20240804>>.

¹³ *The Financial Intelligence Unit Annual Report 2023*, p.28.

¹⁴ *Final Independent Project Evaluation: Support to Maldives on Counter Terrorism 2021*, UNODC, December, viewed on 5 November 2024, p.1,

<https://www.unodc.org/documents/evaluation/Independent_Project_Evaluations/2021/Final_Evaluation_Report_Support_to_Maldives_on_Counter_Terrorism.pdf>; Kachtik, John, *Maldives: the Legacy of Islamic State* 2022, The Lowy Institute, 6 October, viewed on 5 November 2024, <<https://www.loyyinstitute.org/the-interpretor/maldives-legacy-islamic-state>>.

¹⁵ *Typology Report: Financing and Facilitation of Foreign Terrorist Fighters and Returnees in Southeast Asia* 2021, APG and the Global Center of Cooperative Security, p. 11, viewed on 5 November 2024, <https://globalcenter.org/wp-content/uploads/Typology-Report-on-FTFs-in-SEA_PUBLIC-1.pdf>;

¹⁶ *Oregon Resident Charged with Conspiring to Provide Material Support to Terrorists in Connection with Suicide Bombing of ISI Headquarters in Pakistan* 2013, Federal Bureau of Investigation Archives, 5 March, viewed on 5 November 2024, <<https://archives.fbi.gov/archives/portland/press-releases/2013/oregon-resident-charged-with-conspiring-to-provide-material-support-to-terrorists-in-connection-with-suicide-bombing-of-isi-headquarters-in-pakistan>>.

participation across public and private sectors in various working groups analysing both qualitative and quantitative data. While the process was inclusive, key limitations—such as data gaps (particularly on DNFBPs, ML/TF cases, and environmental crimes), limited technical expertise, and the absence of a dedicated risk assessment coordination mechanism—affected the depth and reliability of the findings. The assessment team concurs with the NRA’s findings that drug trafficking, organised crime, bribery and corruption pose a high ML threat and impact. However, the AT considered human trafficking, environmental crimes and the emerging risks from the informal market for foreign exchange and hawala-like operations were not sufficiently examined. Although there have been no assessments undertaken to update understanding on risk since it was completed in 2022, the AT considers the findings of the NRA remain relevant. Cybercrimes were identified in the NRA as one of the major crimes, but no further assessment has been conducted to demonstrate the significance of these crimes and links to ML.

15. The NRA further identified the real estate sector, NPOs, and DPMS are highly vulnerable to ML, and money changers, legal and accounting professionals, have a medium high vulnerability to ML, due to the lack of established AML/CFT frameworks. The real estate industry is increasingly vital to the Maldives’ economy, in particular with its involvement in leasing private islands and lagoons. The NRA rates the vulnerability of this sector as medium high, noting the absence of real estate agents, with real estate developers handling transactions instead. TCSPs, and DPMS are unregulated, with the NRA assessing DPMS as medium high in vulnerability. The NRA did not provide a specific risk assessment for TCSPs.

16. Other vulnerabilities highlighted AML/CFT framework gaps, particularly the absence of regulations governing DNFBPs’ compliance, limited capacities among LEAs, prosecutors, and the judiciary, a predominantly cash-based economy, and the lack of a comprehensive asset forfeiture framework for managing frozen, seized, and confiscated assets.

17. The NRA assessed the risk of TF as significant, considering the history of terrorist attacks in the Maldives, and Maldivians travelling abroad to join foreign terror organisations. Authorities have identified TF activities in the Maldives. Furthermore, the overall threat of the NPO sector is identified as high, and the overall vulnerability as medium high, considering limited resources and capabilities to assess the legitimacy of foreign donors and their activities in the Maldives and the activities linked to high-risk jurisdictions, regulatory and supervisory framework weaknesses, inadequate policies and procedures in conducting audit and examination.

18. During the mutual evaluation process, the AT undertook a pre-on-site scoping activity to identify areas of higher and lower risk. Subsequent to this, and on the basis of further information submitted by the Maldives, the AT focused on the following higher-risk issues:

- Corruption and bribery;
- Drug trafficking;
- Threats of tax evasion;
- Terrorism financing;
- Trade-based money laundering;
- Banking, money changers, remittance, real estate and DPMS sectors; and
- Vulnerabilities identified in the cash economy, illegal immigrants, business registry, NPOs management, and cross-border vulnerabilities.

19. Areas of lower risk were identified as casinos (prohibited in the Maldives), the securities and insurance sectors due to their small size, and VA/VASPs as there is no regulatory oversight on VA/VASP

activities in the Maldives, including lack of a formal legal framework for cryptocurrencies. Maldives has not yet assessed ML/TF risks emerging from VA and VASPs.

Materiality

20. The Maldives is a lower middle-income country with a small market-based economy. The major income generator is the tourism industry, with an estimated USD4.8 billion generated in 2024.¹⁷ In 2023, India, Russia and China accounted for 32.2% of tourist arrivals in the Maldives.¹⁸ Tourism also represents the main source of foreign currency into the Maldives.

21. The economy is largely cash based. The Maldivian currency (Maldivian Rufiyaa - MVR) is pegged to the US dollar and at the time of the onsite in January 2025, the official exchange rate system set a central parity of MVR15.41 for USD1¹⁹. The U.S. dollar is the most widely accepted foreign currency in the country. It can and does trade for more than the official exchange rate on the unregulated secondary foreign exchange market.

22. The MMA introduced a new regulation on 1 October 2024 in response to a shortage in USD, which requires all foreign currency income generated by the tourism industry to be deposited in local banks. Foreign Currency Regulation (Regulation No: 2024/R-91) mandates that all transactions within Maldives must be conducted in MVR, except for those explicitly allowed in foreign currency. Daily limits on cash withdrawals of a maximum of MVR200,000 (approximately USD13,000) have also been in place since late 2020.

Illegal and unregulated secondary market

23. There is a significant illegal and unregulated secondary market utilising informal remittance through hawala-like operations and foreign exchange services, which presents broader opportunities for ML and TF activities. Unlicensed currency exchange is prevalent in the Maldives and the full extent to which hawala-like operations are occurring is not known.

24. There is a high volume of transactions linked to the tourism industry and expatriate community with approximately 26% of Maldives population are foreign nationals, predominantly from South and Southeast Asia.

25. There is limited diplomatic engagement and no existing trade relationship between the Maldives and the DPRK.

Structural Elements

26. Structural issues such as limited capacity within government agencies, political interference and transparency, contribute to the significant vulnerabilities in the Maldives.

¹⁷ Maldives Monetary Authority, Annual Report 2024

¹⁸ Ministry of Tourism, Tourism Yearbook 2024.

¹⁹ Maldives Monetary Authority, Exchange Rates <https://www.mma.gov.mv/#/statistics/exchangerates>, accessed 9 May 2025.

Institutional Capacity

27. Structural issues such as limited capacity within government agencies, particularly in the law enforcement and immigration policy, and regional and domestic cooperation contribute to the significant ML vulnerabilities.

28. The judiciary, specifically the Criminal Court, faces significant institutional capacity, infrastructure and resourcing issues that exacerbates the backlog of cases being heard.

Transparency and good governance

29. The Maldives acceded to the United Nations Convention against Corruption (the Merida Convention) in March 2007. It has set up an Anti-Corruption Commission's (ACC) which is an important player in ensuring good governance. The Auditor General's Office (AuGO) conducts audits of government ministries and publicly owned companies which are critical to ensure transparency. Corruption nevertheless remains a problem. Political interference is noted in the Maldives' NRA as a key vulnerability to the successful prosecution of ML/TF and predicate offences.

30. The World Bank's Governance Indicators²⁰ demonstrate improvement across almost all indicators, however room for further improvement remains (see Table 1.1). The indicator for regulatory quality has continued to decline from a rank of 35.07 in 2013, to 26.42 in 2023. Transparency International's 2024 Corruption Perceptions Index scored the Maldives at 38 out of 100 (with zero being a high perception of corruption and 100 being a very low perception of corruption) ranking it 96th out of 180 countries.²¹ After its low of 29/100 in 2019, the Maldives achieved its highest score of 43/100 in 2020 but has continued to decline in the subsequent years.

Table 1.1 Maldives Governance Indicators 2018-2023

Indicator	2018 Percentile Rank (0-100)	2023 Percentile Rank (0-100)
Voice and accountability	29.61	41.18
Political stability and absence of violence/terrorism	51.42	62.56
Governance effectiveness	36.19	45.28
Regulatory quality	31.90	26.42
Rule of law	32.38	50.94
Control of corruption	21.90	39.62

Source: World Bank's Governance Indicators

31. As noted above, the majority of the adult population (91%) in the Maldives have bank accounts, however, the use of cash remains prevalent, particularly in the atolls, with internet banking and ATMs used extensively for cash deposits and cash withdrawals.²² The NRA also notes the cash-based nature of the Maldives economy as a key national vulnerability for money laundering.

²⁰ <https://www.worldbank.org/content/publication/worldwide-governance-indicators/en/interactive-data-access.html>

²¹ <https://www.transparency.org/en/countries/maldives>

²² Technical Note: Digital Financial Inclusion and Financial Consumer Protection, World Bank, 2024
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Background and other Contextual Factors*AML/CFT strategy*

32. The Maldives does not have a national strategy or an action plan on AML/CFT strategy. In 2019, the Government of the Maldives established the NCC, chaired by the Governor of the MMA and the FIU as the Secretariat. The NCC comprises of 17 domestic agencies, including LEAs, the FIU, and regulatory and policy agencies, and serves as an inter-agency coordination mechanism focused on developing national AML/CFT policies in alignment with FATF standards. Under the NCC, the first Maldives' NRA has been conducted, with the FIU as the coordinator for leading the assessment process. The Maldives completed its NRA and issued the report in December 2022. However, the report is not publicly available and has not been updated since it was completed.

33. Under the NCC, the Maldives also has as a technical sub-committee, the Financial Crime Working Group (FCWG), which was informally established in 2020 and subsequently formalized in October 2024, aims to improve operational coordination in the fight against financial crimes and facilitates asset recovery. The FCWG, consists of ACC, FIU, Maldives Customs Service (MCS), Maldives Immigration (MI), Maldives Inland Revenue Authority (MIRA), MPS, and PGO, is a forum for sharing information related to the findings of the NRA. According to its Terms of Reference (ToR), the FCWG does not have a formal requirement for regular meetings. Since 2022, the FCWG has held at least three meetings discussing action plans of updating the NRA and strengthening inter-agency coordination on TBML and cybercrimes initiatives. Competent authorities involved in the FCWG are currently working on formulating a National Strategic Plan and an Action Plan on AML/CFT/CPF.

34. There is no policy or coordination mechanism to combat PF in the Maldives.

Legal & institutional framework

35. A number of agencies exercise AML/CFT functions in the Maldives:

- *Maldives Monetary Authority (MMA)*: performs central bank functions and is the prudential supervisor for FIs, except securities. The MMA is the lead agency for the NCC and houses the FIU.
- *Financial Intelligence Unit (FIU)*: is the Maldives FIU and receives, analyses and disseminates STRs and CTRs. The FIU is located within the MMA and is also designated AML/CFT supervisor for FIs and DNFBPs.
- *Maldives Police Service (MPS)*: is the designated competent authority with primary investigative responsibilities under Section 127 of the MPS Act to conduct criminal investigations of all crimes including ML, TF and associated predicate offences unless specified in another law of the Maldives.
- *Prosecutor General's Office (PGO)*: is the lead agency for prosecuting ML, terrorism and TF investigations as well as the predicate offences of ML. It is also the Central Authority for MLA and extradition. Within the PGO, the International Relations Department (IRD) is tasked to handle matters under the MLA Act and the Extradition Act. The IRD comprises 5 prosecutors and 1 administrative staff. The IRD also handles informal international cooperation.

- *Anti-Corruption Commission (ACC)*: is the independent body responsible for investigating allegations of corruption and bribery. The ACC may refer ML investigations to the MPS for further investigation if approved by its members.
- *Maldives Customs Service (MCS)*: has a broad remit to manage the movement of people, vessels and goods at the border and the collection of cross-border currency declaration forms, copies of which it provides to the FIU. Whilst they have the authority to conduct and prosecute ML offences, all activity suspected of involving ML is referred to the MPS after internal consultation.
- *Maldives Inland Revenue Authority (MIRA)*: is responsible for licensing and supervision of tax agents and is authorised to conduct criminal investigations into taxation matters.
- *Maldives Immigration (MI)*: manages the movement of persons across the Maldives' borders but has no investigation or enforcement capability, referring all matters to MPS.
- *Ministry of Homeland Security and Technology*: responsible for the Reintegration Centre has robust mechanisms to support 'victims', and not FTF, returning from combat zones. These are travellers who have been assessed by multiple Ministerial leads to have not been involved in terrorist activity.
- *Ministry of Youth Empowerment, Information and Arts (MYEIA)*: houses the Registrar of Associations, with legislative responsibility for regulating and supervising NPOs. There are currently eight staff and two lawyers providing oversight responsibilities to all 3,231 NPOs.
- *Defence Intelligence Service (DIS)*: is an arm of the Maldives National Defence Force and can refer TF investigations to MPS.
- *Capital Markets Development Authority (CMDA)*: is authorised to conduct investigations into insider trading and market manipulation and is the prudential and AML/CFT supervisor for securities dealers and agents.
- *Ministry of Economic Development and Trade (MEDT)*: is responsible for the registration of legal persons and cooperatives in the Maldives and houses the publicly available business registry.
- *Auditor-General's Office (AuGO)*: is responsible for auditing government agencies and state own enterprises. AuGO does not have any investigative authority nor supervisory authority. Audit findings from its audits are provided to the relevant agencies for action. These agencies include the ACC, MPS and relevant Parliamentary Committees responsible for government oversight.
- *National Counter Terrorism Center (NCTC)*: is mandated with providing information on terrorism and financing of terrorism and oversees a Counter Radicalization Committee which focuses on national strategies to prevent radicalization and violent extremism.
- *Ministry of Islamic Affairs*: administers the Zakat House and has certain controls to mitigate TF risks.

- *Ministry of Foreign Affairs*: is responsible for disseminating updates to the UNSCR lists to the FIU for action.

36. The following coordinating bodies are also in place in the Maldives:

- National Coordinating Committee (NCC): established by the MMA on 26 November 2019, comprises of 17 agencies tasked with coordinating governmental actions and initiatives for AML/CFT, with the MMA serving as the lead agency.
- Financial Crimes Working Group (FCWG): initially established informally in 2020 and subsequently formalized in October 2024, as an operational coordination group to combat financial crimes and implement asset recovery frameworks, and acts as a forum for sharing information related to the findings of NRA. FCWG is also tasked with coordinating all the NRA-related activities conducted under the direct oversight of the NCC.
- Fusion Centre: Established in 2020, the Fusion Centre serves as a platform for the FIU, DIS, MPS, MI, Maldives Correctional Services, Aviation Security Command and NCTC to share information relating to terrorism, TF and CVE risks, and to meet as per Table 1.2 below:

Table 1.2 Fusion Centre Meetings, 2020-2025

Year	Number of Meetings
2020	1
2021	2
2022	2
2023	14
2024	7
2025	0
TOTAL	26

Legal & Court System

37. The legal system of the Maldives is based on written laws enacted by Parliament, but Shari'ah principles are also considered by the courts during trials, especially in criminal and family matters. Written laws are predominantly administered by Government agencies, with subsidiary legislation made by those bodies responsible for the administration of such laws. The judiciary of the Maldives is structured into three hierarchical levels of courts. At the apex is the Supreme Court, which serves as the highest judicial authority in the country. Beneath it is the High Court, followed by the Lower Courts, which comprise two tiers: the Superior Courts and the Magistrate Courts. These Lower Courts are responsible for adjudicating all matters not expressly within the jurisdiction of the Supreme Court or the High Court.

38. Oversight of the judiciary is vested in the Judicial Service Commission (JSC), an independent constitutional body. The JSC is responsible for the administration of the judiciary, including the appointment, promotion, and disciplinary matters of judges. Additionally, the JSC advises the President on the appointment of the Chief Justice and other Justices of the Supreme Court, with the approval of the majority of members present at a sitting of the Parliament.

Significant changes since the last MER

39. The Maldives has made significant progress since the last evaluation including:

- Accession to the Palermo Convention in 2013
- Revision of the Penal Code in 2014
- Adoption of the PMLFT Act in 2014
- Adoption of the Special Economic Zones Act in 2014
- Adoption of the Anti-terrorism Act in 2015
- Adoption of MLA in 2015 and the Extradition Act in 2015
- Adoption of Criminal Procedure Code in 2016
- Adoption of Evidence Act in 2022
- Revision of the Companies Act in 2023

Financial sector, DNFBPs and VASPs

40. Over 90% of the financial sector assets (approximately MVR95.1 billion / USD6.2 billion) are held by the eight commercial banks in the Maldives, including three that are locally incorporated, one as a subsidiary of a foreign bank, and four foreign bank branches²³. The small financial sector is dominated by state-owned banks, which hold more than 75% of financial system assets, and very concentrated with the largest bank holding 51% of assets.²⁴ The 2022 NRA rates the sector's risk level as medium high due to its importance to economic activity and the volume of STRs submitted to the FIU.

Table 1.3 Financial Institutions in the Maldives

Type	Number
Bank	8
Finance company	3
E-money issuer	4
Money Changer	212
Money remitters	3
Insurance Company	5
Securities	31
State-owned pension fund	1

41. Financial services are also provided by non-bank financial institutions (NBFIs), including three finance companies, three e-money issuers, three money remitters, 212 money changers, and a state-owned pension fund. Of these, the finance companies are assessed as low risk, and the payment service providers as medium-low risk, and lesser weighting is given to these sectors.

42. Money changers and remitters are strategically important in the risk and context of the Maldives due to large numbers of incoming tourists and expat population that use these services. An

²³ Maldives Monetary Authority Annual Report, 2024

<file:///H:/APG/MUTUAL%20EVALUATIONS/APG%203rd%20Round/Maldives/3.%20Risk%20and%20Context%20Info/MMA%20Annual%20Report%202024.pdf>, accessed 9 May 2025

²⁴ Maldives: Financial System Stability Assessment; and Press Release December 2023, IMF Country Report No. 23/404, International Monetary Fund, Washington DC, p. 13, <<https://www.imf.org/-/media/Files/Publications/CR/2023/English/IMDVEA2023004.ashx>>.

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illegal and unregulated secondary market for money changers and hawala-like activities operates in the Maldives which has been the source of a number of STRs and public complaints.

43. The Maldives developed a new licensing and regulatory framework for money changers in 2024 which was in the process of implementation at the time of the onsite. The new framework seeks to separate into two tiers (Tier One: buying and selling foreign currency; Tier 2: selling foreign currency). Under this new framework, new applications for Tier One licences are restricted to 50 and all existing licensed entities are required to submit a new application if they wish to continue operating.

Table 1.4 Money changer licences in the Maldives

Details	Number	TOTAL
Money changer license (OLD) – operating in Male	134	
Money changer license (OLD) – operating outside Male	78	
TOTAL Money changer licence (OLD)		212
TOTAL number of license applications received (NEW)		96
Tier 1 category	34	
Tier 2 category	16	
Older license applicants		50
Tier 1 category	41	
Tier 2 category	5	
New license applicants		46

44. Given these higher risks and the presence of an illegal and unregulated secondary market in foreign exchange and hawala-like operations, these sectors are given a higher weighting.

45. The insurance sector in the Maldives is relatively small, with only five insurance companies in operation. No investment-related products are offered and only one company provides life insurance products which represents a small portion of its portfolio. The Maldives has assessed the sector to have a medium-low risk of ML, and less importance is given to this sector.

46. The Maldives has a stock exchange which has listed 21 securities (including nine equity and twelve debt securities) since 2008. The sector is quite small, with only USD460,000 in shares traded in 2021, and is assessed as presenting a medium-low risk of ML and less weighting is given to this sector.

47. There are 11 financial institutions offering Islamic financial services and products in the Maldives,²⁵ including two banks and two takaful companies. The Islamic bank is governed under the Islamic Banking Regulation 2011. Compared to the conventional bank and financial service providers, this sector is relatively new.

48. *DNFBPS*: All DNFBPS are present in the Maldives to varying extents, however, there are no casinos. TCSP functions are carried out to a limited extent by lawyers and accountants. Real estate

²⁵ *Islamic Finance – Maldives*, Asian Development Bank (ADB), viewed on 5 November 2024, <<https://www.adb.org/what-we-do/sectors/finance/islamic-finance>>.

sector is highly weighted due to exposure to foreign investments and vast number of islands and lagoons available for leasehold and are particularly vulnerable due to an inadequate legal framework. DPMS are moderately weighted followed by other DNFBP sectors which are weighted less.

49. *VASPs*: There are no local VASPs currently in operation and there is no regulatory framework in place for VASPs. There is evidence of foreign VASPs providing services to people in the Maldives, but this does not appear to be material. VASPs are given a low weighting in the context of Maldives.

Preventive measures

50. Preventive measures are primarily set out in the Prevention of Money Laundering and Terrorism Financing Act (PMLFT Act) with detailed obligations established through various sectoral regulations. These requirements apply to all FI and DNFBPs, however, there is no formal regulatory or licensing framework for DPMS, TCSPs or the real estate sector. Guidance documents have been provided to FIs by the FIU in relation to AML/CFT obligations, but these have not been revised since 2017, with no specific guidance issued for DNFBPs.

51. The sectoral regulations allow simplified customer identification and due diligence measures on business relationships or single transactions (as the case may be) where ML/TF risks are considered lower. The Maldives has not exempted specific sectors or activities from these requirements.

Legal persons and arrangements

52. The establishment of various forms of legal persons is permitted under Maldives law. The laws associated with the establishment of legal persons include the Companies Act (as amended in 2023), Partnerships Act, Co-operative Societies Act and the Sole Proprietorship Act.

53. There is a separate process for foreign legal persons to seek approval to operate in the Maldives and they are also required to register as a legal person in the Maldives. The Maldives is not a regional centre for the formation or management of legal persons or arrangements.

Table 1.5 Type and Number of Legal Persons in the Maldives

Business Entity Type	2019	2020	2021	2022	2023	2024
Public Companies	14	14	14	14	14	16
Private Companies	16,958	18,111	19,490	21,115	23,040	25,976
Limited Companies (Government)	26	26	27	27	27	29
Local Authority Companies (companies established by Island and city councils)	-	-	-	2	5	12
Foreign Investment Company	858	893	952	1030	1116	1189
Cooperative Societies	104	107	113	117	119	123
General Partnerships	510	580	653	723	833	940
Limited Liability Partnerships	436	570	695	823	945	1,036

54. The 2022 NRA does not adequately assess the ML/TF risks relevant to the different types of legal persons present in the Maldives. The risks associated with legal persons are not well understood by authorities in the Maldives.

55. The Maldives does not have specific legislation for regulating trusts, nor has the Maldives assessed the nature and extent of trusts, or other legal arrangements available in the Maldives. There is no requirement to register waqfs, and there appears to be limited private waqfs (as private arrangements among individuals/entities) and the few public waqfs (operated by the Government).

Supervisory arrangements

56. MMA is prudential supervisor of banks, remittance companies, MCBs, e-money issuance service providers, finance and leasing company and insurance business and CMDA is prudential supervisor for securities intermediaries and the state-owned pension fund. These prudential supervisors also have some responsibilities as AML/CFT supervisor with the FIU also mandated as the AML/CFT supervisor for FIs.

57. As detailed above, preventive measures are set out in the PMLFT Act, with provisions for the FIU, and other supervisors to enforce their application.

58. Institute of Chartered Accountants of the Maldives (ICAM) and Maldives Bar Council (MBC) are Self-Regulatory Bodies (SRBs) for Chartered Accountants, and lawyers and notaries respectively. MIRA supervises tax agents. These SRBs also have responsibilities as AML/CFT supervisor with the FIU also mandated as the AML/CFT supervisor for DNFBPs. There is no designated regulator for the real estate sector, DPMS and TCSPs, with the FIU designated as AML/CFT supervisor.

59. There is no AML/CFT supervisor for VASPs and no local VASPs operating in the Maldives.

Table 1.6 Licensing authorities and supervisors in the Maldives

FI/DNFBP	Licensing authority	AML/CFT Supervisor
Banks	MMA	MMA/FIU
MCBs	MMA	MMA/FIU
Remittance companies	MMA	MMA/FIU
e-Money issuance service providers	MMA	MMA/FIU
Insurance	MMA	MMA/FIU
Securities	CMDA	CMDA/FIU
Pension fund	CMDA	CMDA/FIU
Accountants	ICAM	ICAM/FIU
Lawyers	MBC	MBC/FIU
Tax Agents	MIRA	MIRA/FIU
TCSPs	None identified	FIU
DPMS	None identified	FIU
Real estate	None identified	FIU

International Cooperation

60. The Maldives has a wide-ranging legal framework for MLA and extradition requests however informal international cooperation is the preferred approach for the agencies in the Maldives, as it is considered more efficient and timelier than formal MLA. The Maldives has various channels to share financial intelligence with international partners. The level of formal international co-operation sought by the Maldives is somewhat in line with its risk profile although no MLA outgoing requests have been made relating to drug trafficking which is a high-risk offence. The Maldives has the ability to provide constructive and timely MLA. During the period under review, the Maldives has received 35 incoming MLA requests and responded to most of these in a timely manner. Outgoing requests were predominantly to regional partners which is in line with risk.

61. To date, the Maldives has not made or received any extradition requests. Instead, the Maldives utilises administrative measures in lieu of extradition as they are deemed more efficient.

62. Informal international cooperation is the preferred approach for the agencies in the Maldives, as it is considered more efficient and timelier than formal MLA and is actively sought to some extent. Competent authorities are active members of several regional and international bodies e.g. the International Criminal Police Organization (INTERPOL), World Customs Organization (WCO) and more recently the Egmont Group. These memberships enable them to seek international cooperation for AML/CFT purposes, but there is still opportunity to further expand and fully utilise informal international cooperation channels.

63. The Maldives is seeking to expand their network by entering into bilateral and multilateral MOUs and participating in more networks. For example, the FIU recently joined the Egmont Group and the PGO recently joined the SEAJust network. The Maldives is actively seeking to negotiate and sign treaties with jurisdictions where criminals have been identified to flee, in line with risk profile, but these were not finalised at the time of the onsite.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

2

Key Findings and Recommended Actions

Key Findings

- a) The Maldives has undertaken one ML/TF risk assessment, which was completed in 2022. Although the report is not publicly accessible and has not been formally updated since its completion, its findings continue to be relevant. The NRA reasonably identifies the Maldives' overall ML risk as significant including its major ML threats and vulnerabilities. However, while the NRA assesses the Maldives' overall TF risks as high, it does not provide a comprehensive analysis of the Maldives' TF threats and vulnerabilities.
- b) The Maldives has a good understanding of its ML risks and identified drug trafficking, organised crime, bribery and corruption as the four main proceeds generating crimes.
- c) All competent authorities in the Maldives demonstrated a limited understanding of TF risks and the vulnerabilities of NPOs. The understanding of TF risks is limited to terrorism and violent extremism, with a less developed awareness of activities associated with supporting terrorists and their families or FTFs.
- d) All respective agencies in the Maldives demonstrated limited understanding of the presence of an illegal and unregulated market in foreign exchange and hawala-like operations, and illegal fishing. These risks are not adequately addressed in the NRA.
- e) Not all FIs and DNFBPs have a clear understanding of the NRA. Most REs are aware of the ML risks in their sector, but not the ML risks in the broader national context. The understanding of TF risks is less advanced than ML, and very limited in particular sectors, including in DNFBPs.
- f) The Maldives does not have a national AML/CFT strategy nor a mechanism to regularly review national AML/CFT policies. A nationally coordinated approach is not in place with only some informal and irregular coordination and cooperation occurring among certain agencies. No agency has a documented plan to combat ML/TF and there are no clear national policies or strategies prioritising AML/CFT within the Maldives. Additionally, the lack of coordination mechanisms and SOPs hampers the sustainability and effectiveness of efforts in this area.
- g) NCC provides a formal framework for national coordination, however this is neither legally mandated nor fully implemented. The FIU, serving as the secretariat of the NCC, lacks robust national support to effectively fulfil its responsibilities.
- h) Although financial inclusion has been improving in the Maldives, simplified measures have not been applied in areas identified as lower ML/TF risk, which demonstrates limited use of the risk-based approach allowed under the FATF standards. In light of the Maldives' high reliance on cash, the absence of such measures may hinder the efficient allocation of AML/CFT resources and reduce opportunities to further promote financial inclusion through proportionate risk mitigation. The Maldives has not prioritised allocation of resources to AML/CFT activities in line with its most significant ML risks.
- i) There is no policy or coordination mechanism to combat PF.

Recommended Actions

- a) The Maldives should finalise and implement a comprehensive national AML/CFT/CPF strategy and action plan, with clear priorities, including a targeted focus on high-risk predicate offences such as corruption.
- b) The Maldives should establish a formal mechanism to ensure timely and effective dissemination of the NRA to all relevant competent authorities and private sector entities, including through the use of sanitised version where appropriate. Furthermore, the Maldives should develop and implement a national strategy or framework to ensure the NRA is subject to regular review and updating. This process should reflect changes in the threat environment and emerging ML/TF risks and support the application of risk-based approaches across policy development, supervision and operational activities.
- c) The Maldives should strengthen the understanding of ML/TF risks across all competent authorities, with a particular focus on TF and emerging threats, including those linked to illegal and unregulated market for foreign exchange and hawala-like operations, and illegal fishing.
- d) The Maldives should strengthen its understanding and articulation of low-risk ML/TF scenarios in the NRA to support the proportionate application of simplified measures. Competent authorities should issue clear guidance to REs on the use of simplified measures in low-risk cases and consider regulatory amendments, where needed, to enable effective implementation in line with the risk-based approach and financial inclusive objectives and proportionate application.
- e) The Maldives should strengthen the existing national coordination committee on AML/CFT/CPF to ensure effective participation of all relevant stakeholders at both national and subnational levels.
- f) The Maldives should enhance the NCC's operational effectiveness and mandate to facilitate targeted outreach and awareness-raising, thereby improving the understanding of FIs, DNFBPs and other sectors on ML/TF risks and compliance obligations.
- g) The Maldives should conduct a targeted risk assessment of the potential ML/TF risks associated with the SEZ, including the types of legal persons that may be permitted to operate within it. Authorities should ensure that these risks are appropriately assessed, and mitigation measures implemented in a timely manner, in line with the operationalisation of the zone and the development of economic activities

64. The relevant Immediate Outcome considered and assessed in this chapter is IO1. The recommendations relevant for the assessment of effectiveness under this Section are R1,2, 33 and 34 and elements of R.15.

Immediate Outcome 1 (Risk, Policy and Coordination)*Country's understanding of its ML/TF risks*

65. The Maldives completed its first NRA in 2022. While the publication of the NRA is encouraged but not mandatory under the FATF standards, the report has not been made publicly available nor is there a formal mechanism to ensure its dissemination to all relevant authorities. No updates or re-assessments have been conducted since 2022, although preparations for an NRA update are underway. The AT agrees with the Maldives that the NRA findings remain relevant and despite limited public access, the findings have been shared with key authorities, including LEAs, and the many competent

authorities actively engaged in the NRA process. Overall, the Maldives' competent authorities demonstrated a good understanding of ML risks but have limited grasp of TF risks.

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66. The completion of Maldives' 2022 NRA involved broad participation across public and private sectors. While the process was inclusive, key limitations—such as data gaps (particularly on DNFBPs, ML/TF cases, and environmental crimes), limited technical expertise, and the absence of a dedicated risk assessment coordination mechanism—affected the depth and reliability of the findings. These shortcomings are acknowledged in the NRA and confirmed by the AT, leading to concerns about the extent to which the identified risks accurately reflect the Maldives' ML/TF context.

67. At the onsite interviews and during the evaluation period, competent authorities broadly concurred with the NRA's conclusions and demonstrated a sound understanding of the ML risks, threats and typologies, particularly cash-based methods. The FIU and relevant law enforcement bodies such as the ACC, PGO, and MPS demonstrated knowledge of ML risks that align with their mandates. Authorities in the Maldives recognised that the ML risk environment remains largely unchanged since the 2022 NRA, with ongoing concerns relating to drug trafficking, corruption, and TBML.

68. The 2022 NRA assessed the overall ML risk in the Maldives as high, informed by a high level of threat and medium-high vulnerability. Major proceeds-generating offences include drug trafficking, organised crime, bribery and corruption, fraud, and tax-related crimes. Key vulnerabilities stem from the Maldives' largely cash-based economy, porous borders, geographic location, limited institutional capacity, and the absence of a comprehensive asset forfeiture framework.

69. Furthermore, the NRA highlights deficiencies in financial regulation and the lack of robust supervision for several key DNFBPs. The banking sector is assessed as medium-high risk due to its central role in economic activity and high volume of STRs. MVTS providers and money changers are assessed as medium-high and high risk, respectively, reflecting extensive cash usage, weak regulatory oversight, and frequent law enforcement engagement.

70. The real estate sector, which plays a growing role in the Maldives' economy—including the long-term lease of private islands—is rated medium-high in vulnerability, compounded by the absence of regulated real estate agents. DPMS and TCSPs are also not subject to a strong regulatory framework, with the former rated as medium-high vulnerability and the latter not separately assessed.

71. While the AT generally agrees with the NRA's high-level ML risk classification, it has identified additional threats—particularly human trafficking and environmental crimes—that are not adequately assessed. Human trafficking, rated as medium-low in the NRA, poses a significant risk given the Maldives' position as an origin, transit, and destination country with a large migrant workforce. Similarly, emerging risks from the illegal and unregulated market for foreign exchange and hawala-like operations, are insufficiently examined and poorly understood by competent authorities.

72. Environmental crime risks, particularly those associated with illegal, unreported, and unregulated (IUU) fishing, are assessed as medium-low in the NRA regarding ML threats. The assessment contrasts with the high vulnerability identified, stemming from weak enforcement mechanisms and limited institutional capacity. IUU fishing is predominantly carried out by foreign vessels operating unlawfully within the Maldives' Exclusive Economic Zone (EEZ), with proceeds believed to be generated and retained outside the Maldives. Although authorities classify the domestic ML risks from IUU fishing to be low, the AT considers that the scale and ongoing nature of these

activities warrant further examination. This is particularly important to fully understand the potential ML risks, particularly in terms of indirect or cross-border financial flows.

73. Competent authorities in the Maldives recognise considerable risks associated with the laundering of foreign proceeds, drawing on FIU intelligence products, such as STRs, as well as insights from law enforcement and supervisory agencies. The NRA highlights the Maldives' vulnerability to foreign crime proceeds, primarily due to its open economy, heavily reliance on tourism, and considerable foreign investment, particularly in real estate and resort development. However, the AT identified that there is limited understanding among competent authorities of how these foreign proceeds are potentially integrated into domestic financial system and the possible channels for ML.

74. There is a limited and fragmented understanding of TF risks among competent authorities in the Maldives. Interpretations of TF are often very limited, focusing primarily on terrorism and violent extremism. Authorities generally lack awareness of broader TF-related activities, including financial support to terrorist organisations, their members or families, the role of FTFs, and the misuse of NPOs.

75. The 2022 NRA assessed TF risk as high, primarily based on historical terrorist incidents and the involvement of nationals in foreign terrorist organisations. Nevertheless, the assessment lacks a comprehensive evaluation of TF threats, vulnerabilities, or sectoral exposure. While there are no known domestic terrorist organisations, international concerns persist. Notably, Maldivian individuals and entities have been designated by the U.S. Department of the Treasury under OFAC sanctions for their roles in financing ISIS and al-Qaida, yet there have been no domestic designations under the UN Security Council framework.

76. Although the NRA references TF risks in the NPO sector, it remains unclear whether the assessment distinguishes between ML and TF risks or identifies specific vulnerabilities within this context.

77. Overall, the Maldives demonstrates a generally sound understanding of ML risks, particularly among key agencies and the banking sector. However, understanding of TF risks is significantly weaker and fragmented—often limited to acts of terrorism, with insufficient awareness of broader TF threats such as financial facilitation, support to FTFs, or NPO abuse. Risk discussions during the onsite largely referenced the 2022 NRA, with little indication of ongoing assessment of emerging threats. While banks showed stronger awareness, other FIs exhibited inconsistent understanding, and low STR volumes outside the banking sector raise concerns about risk-based detection. DNFBPs demonstrated minimal awareness of ML/TF risks, highlighting a significant gap in the broader risk understanding framework.

National policies to address identified ML/TF risks

78. The NCC, established by the MMA on 26 November 2019, is comprised of 17 agencies tasked with coordinating governmental actions and initiatives for AML/CFT, including the FIU, National Security Advisor's Office of Presidents' Office (NSAO), ACC, Attorney General's Office (AGO), Capital Market Development Authority (CMDA), PGO, Maldives Immigration (MI), Judicial Service Commission (JSC), Ministry of Foreign Affairs (MoFA), Ministry of Finance and Treasury (MoFT), MPS, Maldives Customs Service (MCS), Maldives National Defence Force (MNDF), NCTC, Ministry of Home Affairs (MoHA), MIRA, and Auditor General's office (AuGO). The MMA serves as the lead agency, with decisions made by consensus. A technical sub-committee, the FCWG, was initially established informally in 2020 and subsequently formalised in October 2024. The FCWG, consists of the ACC, FIU, MCS, MIS, MIRA,

MPS, and PGO, is an operational coordination mechanism to combat financial crimes and implement asset recovery frameworks, including as a forum for sharing information related to the findings of the NRA. Agencies involved in the FCWG are currently working on formulating a National Strategic Plan and an Action Plan on AML/CFT/CPF. However, the absence of an adopted National Strategic Plan means the Maldives lacks a cohesive national AML/CFT strategy and a formal policy review mechanism.

79. While the FIU has drafted an NRA-informed action plan, no agency has yet documented a strategy fully aligned with national ML/TF priorities. National coordination on general crimes and ML/TF remains informal, with agencies managing resources independently, resulting in limited transparency on AML/CFT resource allocation.

80. There is no evidence of coordinated operational activity targeting high ML risk sectors identified by the NRA. Similarly, no strategic investigations or analytical initiatives are in place to address high TF risks. Competent authorities lack clear frameworks to adapt to the evolving ML/TF risk environment.

81. Despite the absence of comprehensive national strategy or action plan for AML/CFT, targeted institutional measures and sector-specific initiatives, aimed at identifying and mitigating ML/TF risks, exist in the Maldives. MCS enforces a cash and bearer negotiable instruments (BNIs) declaration regime to mitigate risks in cash-intensive sectors. The Maldives has taken efforts to manage risks related to foreign proceeds by enacting the Whistleblower Protection Act (2019) to provide safeguards for individuals reporting corruption, launching the Anonymous Whistleblower Web Portal to facilitate secure reporting of illicit conduct, amending the Penal Code (2021), implementing ACC Strategic Action Plan (2020-2024), and cooperating with foreign counterparts.

82. In response to IUU fishing risks, the Maldives developed a legal and operational framework anchored by the Fisheries Act and the National Plan of Action on IUU. Enforcement by the National Defence Force - Coast Guard includes patrols, and apprehensions of unauthorised foreign vessels. Licensing and monitoring requirements ensure that fish exports originate only from licensed vessels and facilities, preventing IUU proceeds from entering the domestic financial system.

83. The Illegal Expat Taskforce has been established in the Maldives, to identify and address human trafficking risks, particularly linked to foreign workers and employers but currently lacks focus on associated ML dimensions. No prosecutions have been recorded under this initiative, and the Ministry of Home Affairs does not consolidate trafficking referral data which limits contemporary risk understanding.

84. Overall, the Maldives has established national coordination mechanisms through the NCC and FCWG to identify and address ML/TF risks, with ongoing development of a National Strategic Plan and Action Plan. However, the absence of an adopted, comprehensive AML/CFT strategy and a formal policy review process limits the effectiveness and sustainability of the national framework. While targeted measures exist to mitigate certain sector-specific risks, significant gaps persist in coordinated operational responses to high ML/TF risks identified in the NRA. Consequently, the Maldives lacks a unified, risk-based national policy framework and adaptive mechanisms to effectively respond to the evolving ML/TF risk environment.

Exemptions, enhanced and simplified measures

85. The Maldives has implemented enhanced due diligence (EDD) measures for FIs, including banks, remittance companies, money changers, life insurance and family takaful institutions, and securities institutions. These measures mandate FIs to undertake EDD in cases where ML/TF risks are deemed high. The NRA has been utilised in reinforcing the provisions outlined in the PMLFT Act, particularly concerning higher risk areas such as PEPs and jurisdictions classified as high risk. The FIU has conducted multiple onsite inspections and outreach activities to FIs, resulting in the submission of STRs that address concerns related to drug trafficking, TBML, and corruption.

86. However, the Maldives currently lacks a legislative framework that facilitates exemptions or simplified measures, and no exemptions have been granted to date. Although sector-specific AML/CFT regulations do permit FIs, including e-money issuers, to apply simplified customer identification and due diligence (CDD) for low-risk business relationships or individual transactions, these provisions have not been effectively realised in practice. Furthermore, a comparable framework for DNFBPs is absent.

87. In light of the NRA's identification of lower-risk areas, there are opportunities for the Maldives to consider justified exemptions and implement proportionate simplified measures consistent with the risk-based approach. Implementing such measures would not only enhance financial inclusion but also promote a more efficient allocation of AML/CFT resources. Given the Maldives is a cash-based economy, the absence of such measures may limit efficient risk management and reduce opportunities to advance financial inclusion through proportionate AML/CFT controls.

Objectives and activities of competent authorities

88. Relevant authorities in the Maldives, including LEAs are not adequately aligning their objectives, priorities and resource allocations with the significant ML risks identified in the 2022 NRA. Despite high ML threats associated with corruption, drug trafficking, and organised crime, AML/CFT efforts remain fragmented, under-resourced, and insufficiently prioritised.

89. The FIU demonstrated the greatest understanding of ML/TF among the competent authorities. The NRA findings have been integrated into the FIU's planning process, having adopted a strategic plan for 2024-2026 and an Annual Work Plan for 2025. These documents set forth clear objectives to enhance operational capacity, strengthen domestic and international cooperation, improve regulatory compliance and expand training and outreach initiatives. The FIU's 2024 budget aligns with these objectives, including efforts associated with producing a strategic report on TBML and updating the NRA.

90. In contrast, other authorities demonstrated limited alignment with risk-based approaches. The MPS launched its Strategic Plan 2024-2028, which prioritises organised crime, including drug trafficking, and financial crimes. While this is broadly consistent with the NRA findings, most investigations still focus on predicate offences. While there is an increasing trend toward allocating resources for economic crime investigations, standalone ML investigations remain limited, and coordination among MPS units involved in financial investigations is inconsistent. Within the MPS, the ECI unit supports criminal investigations teams and conducts standalone ML cases, while the Drug Enforcement Unit (DEU) incorporates financial investigations in drug trafficking cases—albeit as a developing function. The ACC has limited resources but is tasked with investigating corruption offences

and referring suspected ML cases to the MPS. Unfortunately, the number of referrals does not reflect the high ML risk associated with corruption in the Maldives.

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91. PGO has taken initial steps to align its objectives with the identified ML/TF risks based on the NRA findings through the issuance of a directive aimed at enhancing the prosecution of ML offences and promoting asset recovery. The PGO supports MPS during investigations and prosecutions, and the two agencies maintain effective working relationships. However, the practical implementation of these objectives remains limited, as evidenced by the low number of ML convictions and the small number of cases before the courts. No TF-related prosecutions have been initiated, indicating a gap between the PGO's stated objectives and its operational effectiveness.

92. MIRA is responsible for investigating tax-related offences and escalates ML suspicions to the MPS at the director level. Only one case has been referred to date, which does not correspond with the assessed risk profile.

93. MCS is responsible for monitoring cross-border movements and is authorised to investigate and prosecute ML offences, although all activity suspected of involving ML is referred to the MPS after internal consultation. However, only 17 ML-related cases have been referred to the MPS during the period under review, despite the Maldives' strategic geographic location and susceptibility to cross-border risks. While MCS has internal consultation mechanisms with the MPS, it lacks SOPs or documented criteria for initiating ML investigations based on seizures or other interventions as a policy objective.

94. AML/CFT supervisory activities across the FIU, MMA, and CMDA are not fully commensurate with identified risks. The MMA and CMDA conduct rule-based inspections with a focus on prudential supervision with limited AML/CFT coverage. Banks have been the focus of AML/CFT supervision by the FIU and MMA which is largely in line with risk. The FIU has not conducted any onsite AML/CFT inspections of MCBs and only one joint inspection with the MMA on an MVTs provider during the review period which is not in keeping with risk. Its oversight of lower-risk sectors remains limited (see analysis in IO.3).

95. Although the FIU is the designated supervisor for DNFBPs, it has not conducted any supervisory activities for these entities, despite elevated risks in sectors such as real estate, DPMS and legal professionals. Regulatory bodies like ICAM and MBC are at the early stages of discussing joint supervisory actions with the FIU. Moreover, no AML/CFT supervisory framework exists for VASPs.

96. The Maldives has taken steps to enhance BO transparency through amendments to the Companies Act, effective January 2024, which mandates the collection and retention of BO information via the business registry. Nevertheless, deficiencies persist regarding the accuracy and verification of BO data. The 2022 NRA categorises the ML threat from legal persons as medium but does not specify risks by the different types of legal persons or assess TF risks in this sector. Both competent authorities and the private sector displayed a limited understanding of these risks during the onsite visit. Foreign investment controls involve a multi-stage approval process but do not require complete BO information, thereby weakening safeguards against potential ML/TF misuse by foreign legal entities.

97. Regarding NPOs, the 2022 NRA acknowledges general TF vulnerabilities but does not identify the subset of NPOs that fall within the FATF definition or are at higher risk of abuse for TF. Oversight by the Registrar of Associations is broad and lacks a risk-based approach. No targeted, proportionate, or risk-based supervision or mitigation measures have been implemented. NPOs are treated with a one-

size-fits-all approach, with no prioritisation based on risk factors such as international operations, size, or funding sources. Additionally, the Maldives has not assessed the potential TF risks associated with religious institutions or waqfs, which are not regulated under the NPO legislative framework.

National coordination and cooperation

98. The Maldives has established a formal coordination mechanism through the NCC, which has led to some improvements in AML/CFT policy and operational coordination. The NCC is mandated to develop national AML/CFT policies and ensure alignment with regional and international initiatives. However, in the absence of an adopted National Strategic Plan, the Maldives lacks a comprehensive AML/CFT strategy and a mechanism for the regular review of national policies. This limits the NCC's strategic effectiveness and hinders coordinated implementation. While the FIU, acting as the NCC's secretariat, leads various AML/CFT initiatives, these efforts are not supported by an overarching national strategy or formalised prioritisation. Cross-agency cooperation – particularly in relation to ML, TF and asset confiscation – remains underdeveloped. In addition, the NCC's role lacks a clear legal mandate, which constrains its authority to coordinate and drive national AML/CFT efforts effectively.

99. Competent authorities in the Maldives engage in ML/TF cooperation through MoUs and informal channels, which enable some level of inter-agency coordination. However, this cooperation predominantly depends on personal relationships between the heads of agencies, leading to inconsistent and ineffective operations, particularly at the implementation level. The absence of documented policies, SOPs, and structured coordination frameworks undermines the sustainability of these efforts. Although the FATF standards do not prescribe specific models, the Maldives' institutional landscape – characterised by limited capacity and high staff turnover – underscores the need for more formalised coordination mechanisms to ensure clarity, continuity, and effective implementation of national AML/CFT efforts.

100. In addition to the NCC members, several non-LEA agencies, including the NCTC, contribute to coordination efforts related to TF. The NCTC is mandated to provide information on terrorism and TF and leads the Counter Radicalization Committee. However, in practice, it has not fully implemented its TF-related responsibilities due to a limited understanding of TF risks and related activities (see IO.9). TF coordination occurs on an irregular, ad hoc basis, led independently by agencies such as NCTC, DIS, or MPS, with no evidence of structured or sustained inter-agency coordination in response to identified TF risks.

101. While the Maldives has provisions concerning the criminalisation of PF and associated risks, there is no formal framework for national coordination or policy development on PF. No agency is designated to lead PF-related efforts, and existing coordination mechanisms do not include PF in their mandates. As a result, coordination and cooperation on PF at the national level remain fragmented and underdeveloped, limiting the effectiveness of the overall AML/CFT/CPF framework.

Private sector's awareness of risks

102. Some findings of the 2022 NRA have been disseminated to REs in the Maldives through various channels, including sector-specific compliance forums and bilateral engagements. The FIU facilitates regular compliance forums for the banking sector, which is assessed as high risk in the NRA. These forums have contributed to an improved level of awareness among banks regarding sector-specific ML/TF risks.

103. Communication of risk findings, as identified in the NRA, to other high-risk sectors—such as remittance service providers, money changers, and real estate agents—has been more limited in scope and conducted through less structured channels. Although certain NRA outcomes have been shared through these alternative means, they have not achieved the same level of effectiveness in promoting a consistent understanding of risks across the broader RE population.

104. As a result, the level of understanding of ML/TF risks among REs is uneven. Banks generally demonstrate the strongest awareness, particularly with respect to risks relevant to their operations. In contrast, most NBFIs and DNFBPs show a limited understanding of broader national ML/TF threats, including TF risks. The limited nature of engagement with these sectors has affected the extent to which risk-based measures are understood and applied in practice.

105. While most REs recognise risks directly associated with their respective sectors, there is a notable gap in awareness of cross-cutting and national-level threats. These findings suggest that, although risk communication mechanisms are in place, they are not yet fully effective in achieving a comprehensive and consistent understanding of ML/TF risks across all sectors to support the implementation of risk-based obligations.

Overall conclusion on Immediate Outcome 1

106. The Maldives completed its first NRA in 2022. While the process was consultative and provided a foundational understanding of national ML/TF risks, it has not been formally disseminated across all relevant authorities and to the private sector. The NRA's findings have not yet been fully integrated into a coordinated national AML/CFT policy or strategy. Authorities demonstrate a reasonable understanding of ML risks. Understanding of TF risks remains very limited. Authorities have not clearly assessed sectoral TF vulnerabilities, including the potential misuse of NPOs or the financing of terrorist organisations. There is currently no designated authority responsible for leading or coordinating national efforts in CPF, and as a result, there is no operational or policy-level coordination on CPF in the Maldives.

107. The Maldives has coordination structures such as the NCC in place and the FIU has taken steps to integrate NRA findings into its supervisory actions and risk prioritisation. However, there is no overarching AML/CFT strategy for addressing identified risks, limited agency-level coordination, and an inconsistent application of risk-based approaches across institutions. Strategic and operational responses to existing or cross-border threats such as IUU fishing, human trafficking, and environmental crimes would benefit from further development to ensure a more comprehensive and coordinated approach.

108. At the sectoral level, some FIs – particularly banks - have benefitted from risk-based outreach and supervision and demonstrate comparatively stronger understanding and implementation of ML/TF measures. Engagement with NBFIs and DNFBPs has been relatively limited, which has resulted in a less consistent application of risk-based measures across sectors. EDD measures are in place for higher-risk scenarios. Simplified or exempted measures have not been implemented, even in lower-risk areas identified by the NRA.

109. **Maldives has a moderate level of effectiveness for IO.1.**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 6

- a) All competent authorities in the Maldives utilise financial intelligence to varying degrees to support their operational activities. Some LEAs have direct access to obtain information directly from FIs and possess the capability to perform their own financial analysis. However, the proactive use of the FIU channel to access financial intelligence of information differs across agencies.
- b) The FIU has direct online access to key government databases, including immigration, national registration, business registration and work permits. Access to other relevant databases is more restricted, and there are no SOPs or formal guidelines in place to govern requests or response timeframes.
- c) All STRs submitted through the reporting portal are subject to a semi-automated validation and prioritisation process. However, the manual aspects of data input are resource-intensive, pose risks to data integrity and accuracy, and may result in delays in dissemination due to limited FIU resources.
- d) FIU-generated financial intelligence is generally of good quality and supports investigations of predicate offences, though its use in ML, TF and asset recovery efforts remains limited and not fully commensurate with the Maldives' risk profile.
- e) The FIU's engagement with REs is predominantly focused on the banking sector, with limited outreach to other sectors. This has constrained broader awareness and understanding of reporting obligations among non-bank REs.
- f) No STRs have been submitted to date by DNFBPs or money changers, which are identified as higher-risk sectors in the NRA. This absence of reporting indicates deficiencies in implementation of AML/CFT obligations within these sectors and adversely affects the scope and quality of financial intelligence available to competent authorities.
- g) Only one strategic analysis report, focused on TBML, has been produced by the FIU, and it has not been disseminated to all relevant competent authorities and private sector entities.
- h) Competent authorities recognise the utility of the financial intelligence disseminated by the FIU and are using it to some extent; however, the absence of systematic, case-specific feedback from LEAs limits the FIU's ability to assess the impact of its products and improve the relevance of its analysis.
- i) Coordination between the FIU and other competent authorities is occurring to some extent and is mostly informal. Meetings of the FCWG are not held on a regular schedule, and STR disclosures are not disseminated electronically.

Immediate Outcome 7

- a) The MPS are the primary agency responsible for investigating and prosecuting ML and provide support to other competent authorities with the support of the PGO at the prosecution stage.

- b) There have been 158 ML investigations and 43 ML prosecutions during the period under review. The number of ML investigations and prosecutions in connection with the high-risk proceeds generating predicate crimes, namely those amounting to corrupt activity, embezzlement and drug trafficking is low and not commensurate with the risk profile.
- c) To date, there have been 4 ML convictions in the Maldives however only one ML conviction has not been subject to appeal or retrial, which does not demonstrate that convictions are wholly consistent with its ML risks.
- d) Whilst there are attempts at sustained reforms for improvement at the working level across law enforcement and partner agencies, this has not been demonstrated at the national level. In line with findings from the NRA, the investigation of ML cases linked to proceeds-generating corruption, the highest ML risk in Maldives, is hampered by opaque and inconsistent anti-corruption policy approaches and political interference at the decision-making stage for investigations and prosecutions.
- e) Review and strengthen the sanctions framework for legal persons in line with FATF Recommendation 3 to ensure sanctions are more proportionate and dissuasive.

Immediate Outcome 8

- a) The PGO has made 88 confiscation applications to the court, with 25 orders granted and the one ML-related confiscation order later overturned. It is unclear what proportion of this confiscated property has been realised to date. Confiscation results of Maldives do not reflect the assessments of ML/TF risks and national AML/CFT policies and priorities.
- b) The Maldives has an incomplete legal framework for confiscation that is not adequately implemented to ensure the application of relevant laws on asset recovery. The Maldives lacks a policy and operational framework for confiscating proceeds and instrumentalities of crime, or property of corresponding value, as a policy objective.
- c) Competent authorities prioritise investigation rather than asset seizure or confiscation, have no formal SOPs or guidelines relating to tracing, targeting, seizing or confiscating property or assets and there are insufficient staff trained to conduct these activities.
- d) The Maldives does not maintain comprehensive statistics on seizures and confiscations to guide national policy objectives. Only one ML-related confiscation has been ordered but later overturned among the limited ML cases in the Maldives and LEAs have predominately seized and confiscated properties relating to predicate offences rather than ML cases.
- e) The approach to seizing or confiscating high value goods is in its nascent stages with the focus on seizing cash and cash equivalent. Confiscations of property of corresponding value is not occurring.
- f) International cooperation has been minimally pursued by competent authorities to seize or confiscate the assets that have moved offshore.
- g) The Maldives has not established an asset management mechanism nor procedures preserving the value of seized assets.
- h) MCS applies risk-based controls to detect and seize falsely or undeclared currency and BNIs involved in physical cross-border transportation by air travellers, or via mail and cargo, however, seizures are not in line with risk. Further, MCS has referred some falsely or undeclared cases to MPS for further investigation, but the outcomes are still pending, and it is unclear what action if any has been taken.

- i) The Maldives is not utilising the legal framework for cross border movement of cash and BNIs to its full extent, nor in line with the risk profile.

Recommended Actions

Immediate Outcome 6

- a) The Maldives should strengthen the consistent and proactive use of FIU disseminations by all competent authorities, by developing internal procedures; providing targeted training for law enforcement and investigative bodies to build the capacity in conducting financial analysis in support of complex investigations; and enhancing the integration of FIU intelligence into ML and TF case development, through the issuance of operational guidance and typologies based on case studies and emerging risks.
- b) The Maldives should expand the FIU's direct access to relevant government databases – such as customs, taxation, etc. – by establishing formal access protocols and inter-agency agreements. SOPs should be developed to govern the process for requesting and receiving information, including defined timelines, to ensure timely and effective analysis.
- c) The Maldives should strengthen the FIU's tactical and strategic analytical capabilities by addressing current resource constraints, increasing automation of the STR intake and processing, and implementing quality assurance measures to ensure data integrity.
- d) The FIU should enhance the production of strategic analysis products that are aligned with the Maldives' ML/TF risk profile and ensure its timely dissemination to all relevant competent authorities and reporting entities to support both operational and policy-level decision-making.
- e) The Maldives should establish a formal feedback mechanism between LEAs and the FIU, through regular meetings and structured reporting processes, enabling LEAs to provide case-specific feedback on the utility of disseminated financial intelligence and supporting continuous improvement of FIU products.
- f) The Maldives should ensure the head of FIU has full authority over the selection, recruitment, appointment and dismissal of FIU staff and is empowered to independently determine FIU's resource and budgetary requirements, to ensure operational independence and the timely production of actionable financial intelligence.

Immediate Outcome 7

- a) Develop and implement a robust multi-agency policy approach to enable an effective, transparent and timely response to ML offences through improving financial investigations and prosecutions especially for high-risk activities such as corruption and drug trafficking.
- b) Strengthen institutional frameworks (such as developing and implementing adequate internal policies and procedures) and increase LEAs' capabilities and capacity to investigate ML.
- c) Provide targeted and high-quality ML training to LEAs, prosecutors and the judiciary to enhance their understanding of ML offences, including comprehending and mitigating barriers ahead of investigations and prosecutions.
- d) Improve LEAs' capacity and capability to target and investigate complex ML cases in line with Maldives's risk profile including foreign proceeds, stand-alone ML cases and cases involving corrupt officials.

Immediate Outcome 8

- a) Establish and implement a national policy objective for asset recovery, aligned to ML/TF risks, including legislative amendments in line with this policy. Amend legal framework to broaden the definition of “property of equivalent value” in line with other legislative reforms on proceeds of crime and establish a comprehensive framework for statistics collection both at national and agency levels to inform policy decisions and coordination on asset recovery.
- b) Conduct relevant training and prioritise asset recovery at the institutional level and actively pursue the tracing, targeting, seizure and confiscation of proceeds of ML and predicate crimes, in line with the Maldives’ ML/TF risk profile.
- c) Enhance the use of international cooperation to pursue assets which have been moved offshore through developing formal cooperation frameworks and standard operating procedures (SOPs) to support international and domestic cooperation. This may include greater participation in regular outreach with international counterparts and consider seeking membership in regional ARIN grouping.
- d) Establish a dedicated and suitably resourced competent authority responsible managing and disposing of confiscated and seized assets. Improve coordination between PGO and LEAs through development of SOPs and processes to ensure freezing and seizing capabilities in a timely manner.
- e) Revise and review the effectiveness and dissuasiveness of the asset recovery legal framework - including implementing relevant sanctions (criminal) and reviewing the administrative penalty framework.
- f) Enhance the ability of MCS to target and detect undeclared or falsely declared cash movements and suspicious ML/TF activities in cooperation with other relevant agencies.
- g) Track and consolidate confiscation statistics across all relevant competent agencies to ensure consistency and the ability to demonstrate confiscation results at a national level to help inform national AML/CFT policies and priorities in line with risks.

110. The relevant Immediate Outcomes considered and assessed in this chapter are IO6-8. The recommendations relevant for the assessment of effectiveness under this Section are R.1, R.3, R4 & R29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

Immediate Outcome 6 (Financial intelligence ML/TF)

General Framework

111. The FIU is established under Section 7 of the PMLFT Act as the national central agency to receive, analyse and disseminate information suspected to be related to ML/TF or associated predicate offences. The FIU is located within the MMA as an administrative body and has a total of 13 staff members divided into three divisions such as (1) Analysis Division; (2) Supervision and Training Division; and (3) Administration, Policy and Coordination Division. The IT infrastructure within the FIU is supported by MMA to support its roles and responsibilities in receiving reports from reporting entities and conducting analysis of STRs, CTRs, cross-border reports and other relevant information. The FIU receives STRs and CTRs from reporting entities online by way of uploads made on the reporting portal.

Use of financial intelligence and other information

112. Competent authorities in the Maldives have varying level of access to financial intelligence and relevant information, which they use to support investigations of predicate offences. However, the use of financial intelligence to identify, initiate, and advance ML and TF investigations remains limited and is not fully commensurate with the Maldives' risk profile, particularly in relation to corruption, drug trafficking and cross-border illicit financial activity.

113. Most of the LEAs have dedicated staff for analysing financial intelligence, therefore, they have some capability to develop their own financial intelligence to investigate ML/TF and predicate offences. Most LEAs are also empowered to obtain financial records directly from FIs and have executed this authority to seek for information to the FIs to some extent. Based on discussions at the onsite, key competent authorities were aware of the benefits of obtaining and analysing financial intelligence for investigation purposes.

114. The FIU is disseminating financial intelligence on ML/TF and associated predicate crimes to competent authorities in the Maldives, including MPS, MIRA, ACC, MCS, CMDA. These investigators are all authorised to receive the FIU's disseminations and request information from the FIU. These investigators use the FIU's financial intelligence in all stages of their ML/TF and predicate crime investigations and other LEA actions to varying degrees (see Tables 3.1, 3.2 and 3.3). The AT also noted that the usage of the FIU channel for seeking information varies across agencies due to varied understanding of its use, limited capacity, and knowledge in how to use financial intelligence.

115. The FIU produces financial intelligence based on STRs and other information submitted by REs, complemented by government and open-source information. Disseminations occur both proactively and upon request (STRs Disclosures, Transaction Analysis Reports (TARs) and Responses to Requests for Information) including spontaneous sharing with foreign FIUs where cross-border ML/TF risks are identified. Primary users of FIU financial intelligence include MPS, MIRA, ACC, MCS and Maldives Immigration. CMDA has not received any disseminations to date due to the absence of relevant STRs. The very low incidence of crime and ML in this sector, combined with a small market size – comprising only three securities dealers and just 65 TTRs filed over the six-year review period – contributes to the limited use of financial intelligence by CMDA. Nonetheless, CMDA has power to investigate market manipulation and insider trading, highlighting potential weaknesses in detection and reporting in the capital market sector.

116. In general, LEAs in the Maldives acknowledges that FIU intelligence products are of generally good quality and have supported several investigations. However, the use of financial intelligence in ML and TF investigations remains limited and inconsistent. While financial intelligence is predominantly used to support predicate offence investigations, there is insufficient evidence that it is being proactively leveraged, particularly by MPS, to initiate ML or TF investigations. While MPS received a significant volume of information from the FIU between 2019 and 2024, as presented in Table 3.16, it remains unclear whether these FIU disseminations served as the basis for proactively identifying or triggering new ML/TF cases, rather than supporting ongoing investigations. Limited institutional capacity and differing levels of adequate ML/TF training have constrained the more effective use of financial intelligence.

117. Tables 3.1 and 3.2 demonstrate that the disseminations by FIU in the form of STRs and TARs to LEAs have been taken up for investigation mostly by MPS and ACC, and used for broader agency functions such as risk profiling, compliance monitoring, or administrative enforcement by other LEAs.

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

The extent to which the disseminated information in STRs and TARs translates into operational outcomes such as prosecutions, attachment of assets, arrests etc remains limited.

Table 3.1 Use of the FIU Financial intelligence – proactive disseminations of STRs Disclosures (2019-2024)

Category of Final Use	Agency and Number**						Total
	MPS	MIRA	ACC	MCS	CMDA	MI	
<i>Number of proactive disseminations</i>	340	264	30	18	-	23	675
<i>Final use in the different stages of a ML/TF or predicate crime investigations/prosecution</i>							
How many of these disseminations were taken up for investigation?	240	-	28	1	-	-	269
How many of these investigations led to prosecution?	3	-	-	-	-	-	3
<i>Final use in other LEAs actions</i>							
Assets attached	-	-	-	-	-	-	-
Arrests made	-	-	-	-	-	-	-
Agency-specific uses (Information used in civil tax audit)	-	16	-	-	-	-	16
Agency-specific uses (Information used in other engagements with taxpayers) *	-	9	-	-	-	-	9
Agency-specific uses (for profiling and other analytical purposes)	340	264	30	18	-	23	675

* “other engagements with taxpayers” relate to cases identified with tax compliance risks which are addressed through interaction with the taxpayer.

** data on usefulness of disseminations to LEAs/ competent authorities other than those listed in the table above (MMA, Defence Intelligence Services, Ministry of Economic Development, NCTC, Privatization and Corporatization Board) has not been provided by Maldives.

Table 3.2 Use of the FIU Financial intelligence – Transaction Analysis Reports (TARs)

Category of Final Use	Agency and Number**						Total
	MPS	MIRA	ACC	MCS	CMDA	MI	
<i>Number of disseminations</i>	39	4	4	2	-	2	64
<i>Final use in the different stages of a ML/TF or predicate crime investigations/prosecution</i>							
How many of these disseminations were taken up for investigation?	37	1	4	-	-	-	42

Category of Final Use	Agency and Number**						Total
	MPS	MIRA	ACC	MCS	CMDA	MI	
How many of these investigations led to prosecution?	6	-	-	-	-	-	6
<i>Final use in other LEAs actions</i>							
Assets attached	2	-	-	-	-	-	2
Arrests made	-	-	-	-	-	-	-
Agency-specific uses (Information used in civil tax audit)		2				-	2
Agency-specific uses (Information used in other engagements with taxpayers) *		3				-	3
Any other Agency-specific uses (for profiling and other analytical purposes)	39	4	4	2	-	2	51

* "other engagements with taxpayers" relate to cases identified with tax compliance risks which are addressed through interaction with the taxpayer.

** data on usefulness of disseminations to LEAs/ competent authorities other than those listed in the table above (MMA, Defence Intelligence Services, Ministry of Economic Development, NCTC, Privatization and Corporatization Board) has not been provided by Maldives.

118. As can be seen from Tables 3.1 and 3.2, the FIU has disseminated financial intelligence to MIRA in cases where analysis of STRs or TARs indicated potential tax evasion or non-compliance. These disseminations have been used by MIRA to initiate engagement with taxpayers and conduct further compliance assessments. In several instances, the intelligence provided by the FIU directly contributed to the identification of undeclared income, resulting in additional tax liabilities being assessed, as presented on Table 3.3. This demonstrates the utility of financial intelligence beyond criminal investigations and highlights its value in supporting tax enforcement functions.

Table 3.3 Use of the FIU Financial intelligence – Identification of Undeclared Income by MIRA (2019-2024)

Year**	Sum of Additional Tax Assessed (MVR)	Total STRs/TARs used/contributed	Reporting Entities (Banks, MVTS, etc.)
2017	40,363	1 STR	Bank
2019	2,929,378	4 STR	Bank
2020	3,539,089	1 STR	Bank
2021	1,770,998	1 STR	Bank
2022	20,294,101	5 STR, 1 TAR	Bank
Total	28,573,929	12 STR, 1 TAR	

Note:

* The number of cases which contributed includes both STRs and TARs.

** Year represents the year when the audit was concluded by MIRA

119. Competent authorities have the ability to request financial intelligence and related information from the FIU in support of their operational needs. These requests are typically made during the course of investigations into predicate offences. While the FIU's responses have contributed to the development of leads and provided useful insights for ongoing investigations, the extent to which authorities consistently and proactively seek financial intelligence from the FIU varies between different agencies as set out in Table 3.4 below.

Table 3.4 Use of the FIU Financial intelligence – Responses to LEA Information Request - (2019-2024)

Category of Final Use	Agency and Number					Total
	MPS	MIRA	ACC	MCS	CMDA	
<i>Number of disseminations</i>	827	21	49	2	-	899
Final use in the different stages of a ML/TF or predicate crime investigations/prosecution						
How many of these disseminations were taken up for investigation?	262	6	47	1	-	316
How many of these investigations led to prosecution?	44	3	4	-	-	51
Final use in other LEA actions						
Assets attached	11	-	-	-	-	11
Arrests made	43	-	-	-	-	43
Agency-specific use (<i>Information used in civil tax audit</i>)	-	6	-	-	-	6
Any other Agency-specific use (<i>Information used in other engagements with taxpayers</i>)	-	3	-	-	-	3
Any other Agency-specific uses (<i>for profiling and other analytical purposes</i>)	827	-	49	2	-	878
Total	262	18	47	1	-	328

120. Overall, most of the authorities confirmed at the onsite that they use financial information or intelligence at various stages of investigations, including to develop leads, identify proceeds of crime, and trace assets. Nevertheless, the application of financial intelligence specifically to develop standalone ML or TF cases is limited.

Reports received and requested by competent authorities

121. FIU is the sole authority in the Maldives responsible for receiving STRs and TTRs from FIs and DNFBPs, pursuant to the PMLFT Act. The FIU also receives BCRs directly from MCS. The FIU utilises these reports to generate financial intelligence. However, during the review period, the FIU predominantly received a total of 1,126 STRs with ~98% from banks (see Table 3.5). Only a minimal number of STRs were submitted by other reporting entities, such as finance companies, with no STRs reported by DNFBPs or money changers in the period under review. This limited reporting from certain sectors is inconsistent with the overall Maldives' risk landscape, particularly concerning sectors vulnerable to ML and TF, including the absence of a comprehensive regulatory framework for VASPs.

Table 3.5 Details of STRs received by the FIU by reporting entities

Reporting Entity Type	2019	2020	2021	2022	2023	2024	Jan 2025	Total	% of Total STRs
Banks	119	193	168	145	198	268	15	1091	98.22%
Non-banking finance company	-	1	-	-	4	11	1	16	1.51%
Capital Market Intermediary	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Money remittance service providers	1	2	-	-	-	-	-	3	0.27%
Money exchange businesses	-	-	-	-	-	-	-	-	-
E-money Issuer	-	-	-	-	-	-	-	-	-
DNFBPs	-	-	-	-	-	-	-	-	-
Any other type of reporting entity	-	-	-	-	-	-	-	-	-
Total	120	196	168	145	202	279	16	1126	100.00%

Table 3.6 Summary of all reports received by FIU (2019-2024)

Report Type	2019	2020	2021	2022	2023	2024	Total
STRs	120	196	168	145	202	279	1,110
TTRs - Cash transactions and transfers (<i>Banks</i>)	374,400	250,212	256,971	482,286	482,006	476,943	2,322,818
TTRs - Cash transactions and transfers* (<i>non-bank finance company</i>)	229	102	151	121	144	286	1,033
TTRs - Cash transactions and transfers** (<i>Life Insurance & Family Takaful Insurance</i>)	-	15	7	8	12	24	66
TTRs - Cash transactions and transfers*** (<i>Capital Market Intermediary</i>)	-	-	-	1	41	25	67
DNFBP TR	-	-	-	-	-	-	-
Cash Declaration reports	269	54	102	116	155	183	879
MVTs - International Transfer reports from non-bank Remittance institutions	115,358	89,116	66,766	71,380	87,678	121,301	551,599

NOTE: *This would include transfers conducted through banks, thus have also been reported in bank TTRs.

**This would include transfers conducted through banks, thus have also been reported in bank TTRs. No cash transactions during 2019-2024.

***This would include transfers conducted through banks, thus have also been reported in bank TTRs. No cash transactions for 2019-2024.

122. While not all STRs submitted to the FIU are of reasonable quality – particularly in terms of transaction details, CDD information, and clearly articulated grounds for suspicion – the FIU is generally able to obtain additional information from REs when needed. The majority of STRs are classified as low to medium priority under the FIU's internal prioritisation matrix, primarily due to their limited quality.

However, for higher-quality STRs, the AT was of the view that the content was sufficient to support the FIU's analytical function and the development of financial intelligence products that assist LEAs in investigations, prosecutions or asset tracing relating to ML, predicate offences, or TF cases.

3

123. Upon receipt of an STR, the FIU conducts an initial review and prioritisation using a prioritisation matrix, introduced in January 2024. This forms part of its desk review process and categorises STRs into four priority levels: Critical, High, Medium and Low. This structured approach has improved the consistency of STR handling. Prior to 2024, prioritisation procedures were in place but lacked documentation of the analytical rationale behind the classification, limiting transparency and quality assurance.

124. The FIU employs a manual process for STR intake and analysis. The manual nature of the STR processing and analysis poses significant risks. Upon receipt of STRs from REs, the FIU uploads them to its reporting portal – which functions as its internal database – on the same day. The FIU then validates the information and enters key data points into its analytical system for prioritisation and further analysis. This workflow is executed with appropriate safeguards, including a four-eyes principle and a segregation of duties, where all analysis is reviewed by another staff member before finalisation. These controls help ensure the integrity and accuracy of the analytical process. However, reliance on manual procedures presents significant challenges to scalability and timeliness, especially in light of increasing STR volumes.

125. At the time of the on-site visit, the FIU had a total of eight dedicated analysts. While analysts had undergone various training programmes, the current staffing level is not adequate to manage the growing workload. The FIU reported a backlog of 658 STRs awaiting analysis (from a total of 1,110 STRs received during the review period) at the time of the assessment, raising concerns about the timeliness of analysis and responsiveness to requests for information from domestic and international counterparts. Given the current and projected growth in STR reporting, the manual nature of processing—coupled with limited human resources—presents a risk to the FIU's ability to deliver timely and actionable intelligence.

126. Table 3.7 below presents a statistical overview of STRs received and processed by FIU during the review period. The FIU advised that all STRs closed without dissemination were assessed to be of poor quality and did not contain sufficient ground or actionable intelligence to warrant further analysis or dissemination.

Table 3.7 STR Processing Outcomes by the FIU (2019-2024)

	2019	2020	2021	2022	2023	2024	TOTAL
STRs received	120	196	168	145	202	279	1110
STRs disseminated	50	55	57	23	63	113	361
STRs pending for analysis	44	124	101	103	126	160	658
STRs closed without dissemination	26	17	10	19	13	6	91

127. The FIU provides limited feedback to REs, mainly through STR acknowledgements and the periodic dissemination of trend reports and typologies. This engagement is primarily focused on the banking sector, with minimal outreach to other sectors. There is no structured mechanism for delivering targeted or case-specific feedback to support improvements in reporting quality. The lack of such feedback – particularly for non-bank REs – limits their ability to enhance the quality of STRs

including understanding deficiencies in their reporting and refining their submissions accordingly. This, in turn, undermines the overall effectiveness of the STR reporting and constrains the FIU's ability to generate actionable financial intelligence to support ML/TF investigations.

128. In addition to STRs, the FIU demonstrates the ability to integrate cross-border currency declaration reports (BCRs) and various government data sources in its financial intelligence work, but limitations in direct access to critical databases and reliance on manual processes reduce the efficiency and effectiveness of its analysis. The FIU systematically receives BCRs from MCS, which are uploaded to its internal database following manual extraction from source formats (e.g. PDFs). These reports are screened through an automated system to detect declarations involving flagged individuals or entities. The FIU confirmed that this routine process is conducted without backlog. Where alerts warrant further scrutiny, the FIU generates TARs, which are disseminated to competent authorities. More than 50% of TARs issued during the review period relied on BCR data, demonstrating that the FIU is incorporating non-STR sources into its financial intelligence development (see Table 3.8 below).

Table 3.8 TARs Generated by FIU (2019-2024)

TAR-generated Rationales	2019	2020	2021	2022	2023	2024	TOTAL
To scrutinize alerts on available TTR data	2	1	2	1	-	1	7
To scrutinize alerts on available MVT data	3	1	1	1	-	-	6
To scrutinize alerts on available BCR data	21	22	16	9	1	4	73
LEA/ counterpart agency request for analytical support	3	1	2	1	7	11	25
Based on media reports or complaints received from public	2	-	-	-	1	2	5
OTHER	10	1	1	-	5	3	20
TOTAL	41	26	22	12	14	21	136

129. The FIU also has direct online access to several key databases, including national identification records, the business registry, travel history, work permits, and the Interpol database (see Table 3.9). This facilitates the generation of value-added intelligence and supports timely dissemination of analytical products. However, the FIU does not have direct access to several other critical databases, including criminal records, tax, import/export logs, land and property registries, and vehicle and vessel ownership databases. The majority of requests are responded to within a week, with approximately 10% taking up to one month.

Table 3.9 List of Databases that FIU can directly or indirectly access

LEA/ Competent Authority Name	Whether access is online or offline (by request)
Department of National Registration (<i>biodata of all Maldivians</i>)	online
Ministry of Economic Development (<i>business registration database</i>)	online
Maldives Immigration (<i>travel records database</i>)	online
Ministry of Homeland Security and Technology (<i>Work permit/ expatriates database</i>)	online
Interpol database (<i>INTERPOL INSYST</i>)	online
Maldives Police Service (<i>investigations and criminal records</i>)	Offline (by request)
Maldives Inland Revenue Authority (<i>tax records</i>)	Offline (by request)
Maldives Customs Service (<i>import/ export records</i>)	Offline (by request)
Island & City councils (<i>Land/ apartment registry</i>)	Offline (by request)
Housing Development Corporation Limited (<i>Land/ apartment registry of Hulhumale'</i>)	Offline (by request)
Ministry of Transport and Civil Aviation (<i>vehicle & vessels registry</i>)	Offline (by request)

130. The indirect access can potentially hinder the timeliness and depth of the FIU's analysis, particularly when urgent or complex ML/TF cases require cross-referencing across multiple datasets. Furthermore, there is no established SOP or formal agreement governing information exchange between the FIU and competent authorities, which contributes to inconsistencies in response times and inter-agency cooperation. Additionally, as noted under IO.5, concerns remain regarding the accuracy and completeness of BO information accessible via the central business registry.

131. These systemic constraints, combined with the FIU's reliance on largely manual analytical processes, reduce its capacity to systematically detect complex or high-risk ML/TF activity, thereby limiting the operational impact and strategic value of its financial intelligence outputs.

132. The FIU demonstrates a generally proactive approach in the spontaneous dissemination of financial intelligence to foreign counterparts, particularly when transactions or activities present potential ML/TF risks involving foreign jurisdictions (see Case Study 3.1).

Case Study 3.1 Utilisation of TARs Derived from BCRs in Law Enforcement Investigations

During routine screening of BCRs, the FIU identified three individuals transporting unusually large amounts of cash abroad under the guise of legitimate business activities. Subsequent in-depth analysis revealed an extensive network of interconnected natural persons and corporate entities engaged in generating illicit proceeds through predicate offences including fraud, money laundering, and tax evasion.

The FIU leveraged multiple data sources, including national identification records, business registries, criminal and tax records, travel history, import/export documentation, and comprehensive banking

information such as customer due diligence (CDD), KYC profiles, bank statements, and credit card records. This multi-source approach enabled the FIU to establish that several corporate vehicles were used to disguise unlicensed foreign exchange operations and facilitate inter-group transactions designed to obfuscate the true source and movement of funds.

Key findings included significant discrepancies between declared revenue to tax authorities and actual funds processed through bank accounts, as well as the movement of funds abroad via telegraphic transfers supported by false invoicing, despite minimal corresponding imports per customs data. Furthermore, a portion of the funds identified through BCR declarations was traced to the purchase of residential property overseas, indicative of laundering activity.

The FIU compiled these findings into a Transaction Analysis Report (TAR) and disseminated it to the Maldives Police Service, Maldives Inland Revenue Authority, and Maldives Customs Service to support ongoing investigations. Additionally, the FIU made a spontaneous disclosure and submitted a request for information to two foreign FIUs, enhancing cross-border cooperation. The case remains under active investigation, illustrating the effective operational use of TARs derived from BCR data in detecting and disrupting complex ML schemes.

3

Operational needs supported by FIU analysis and dissemination

133. The FIU plays a pivotal role in supporting the operational needs of competent authorities by disseminating financial intelligence derived from STRs, TARs and other reporting streams, including BCRs and open-source data. In addition to disseminations, FIU provides targeted analytical support and responds to information requests from competent authorities to assist in the investigation of ML, TF and predicate offences. This support is complemented by the FIU's engagement with competent authorities to promote the understanding and effective use of its analytical products. At the time of the onsite, the FIU staff clearly demonstrated the role of FIU as central to the development and use of financial intelligence in suspected ML and predicate crime cases.

134. A structured prioritisation mechanism has been applied by FIU, using a risk-based desk review framework to assess and score STRs on the day of receipt, and subsequently channels relevant cases into operational analysis. All STRs disclosures and TARs disseminated by the FIU are subject to this operational analysis process, incorporating multiple data sources such as bank record, KYC/CDD data, government registries, and travel or customs data. Competent authorities consistently described the quality of FIU analysis as sufficient to support investigative and enforcement action during the onsite (see Case Study 3.2).

Case Study 3.2 Use of Government and RE Information by FIU to Uncover Trade-Based Money Laundering and Tax Offences

Following the receipt of multiple STRs concerning suspicious transactions—including large outward remittances inconsistent with customer profiles—the FIU initiated an in-depth analysis. The main subject was identified as having links to an organised criminal group and a prior criminal record. The FIU drew upon several government databases including the national ID system, business registry, criminal records, tax records, and import/export data. This was complemented by KYC, CDD, and transaction data requested from eight commercial banks on a network of 11 individuals, 7 sole proprietorships, 30 companies, and one NPO.

The analysis revealed that the subjects had registered multiple businesses and were conducting transactions indicative of TBML. These included the submission of false invoices to facilitate telegraphic

transfers, minimal actual imports, and significant discrepancies between financial activity and declared tax obligations. Foreign currency for the transactions was also found to have been sourced from unlicensed money changers.

FIU Action and Interagency Use:

- The FIU disseminated its findings to MPS, MIRA, and MCS.
- MPS launched ML and predicate offence investigations, while MIRA initiated civil income tax audits into eight entities to assess undeclared income and criminal proceeds.
- Joint consultations between MIRA and MPS explored the feasibility of initiating a coordinated ML investigation linked to tax offences.

135. Data provided in Tables 3.10 – 3.12 indicate that while disseminations of TARs and responses to LEA requests generally align with the Maldives' key ML/TF risks, the dissemination of STR-based analysis shows a weaker correlation. Fewer than 10% of STR-based disseminations relate to the country's highest risk predicate offences, such as corruption, drug trafficking, terrorism/TF, and fraud.

Table 3.10 Number of STR-based Disseminations by Predicate Offence (2019-2024)

Predicate Offences	2019	2020	2021	2022	2023	2024	Total	% of Total disseminations
Terrorism/TF			10				10	1.33%
Corruption	1	3	1	3	11	35	54	7.18%
Drug Trafficking			2		1		3	0.40%
Tax	4	20	3	27	69	135	258	34.31%
Environmental crime							0	0.00%
Fraud (other than cyber fraud)		1		2	3	2	8	1.06%
Smuggling							0	0.00%
Human Trafficking							0	0.00%
Online Gambling				26	4	79	109	14.49%
Cyber Fraud			3			1	4	0.53%
Unauthorized foreign exchange	2	23	11	6	27	7	76	10.11%
Other predicates	6	43	9		35	53	146	19.41%
Unidentified crime	7	12	5	6	11	43	84	11.17%
Total	20	102	44	70	161	355	752	100.00%

Note: information pertaining individual STRs are disseminated to different agencies in relation to relevant predicate offences identified.

Table 3.11 Number of TAR-based Disseminations by Predicate Offence (2019-2024)

Predicate Offences	2019	2020	2021	2022	2023	2024	Total	% of Total disseminations
Terrorism/TF	6		2			3	11	11.58%
Corruption	2			4	2	3	11	11.58%

Predicate Offences	2019	2020	2021	2022	2023	2024	Total	% of Total disseminations
Drug Trafficking						3	3	3.16%
Tax	2			1	5	6	14	14.74%
Environmental crime							0	0.00%
Fraud (other than cyber fraud)					1		1	1.05%
Smuggling	1		1		2		4	4.21%
Human Trafficking							0	0.00%
Online Gambling							0	0.00%
Cyber Fraud	1						1	1.05%
Unauthorized foreign exchange							0	0.00%
Other predicates	3		1	1	4	6	15	15.79%
Unidentified crime	11	5	3	2	1	13	35	36.84%
Total	26	5	7	8	15	34	95	100.00%

NOTE: -information pertaining individual TARs are disseminated different agencies in relation to relevant predicate offences identified.

Table 3.12 Number of Disseminations in Response to LEA Requests, by Predicate Offence

Predicate Offences	2019	2020	2021	2022	2023	2024	Total	% of Total disseminations
Terrorism/TF	12	20	49	38	4	23	146	14.99%
Corruption	11	12	17	31	23	114	208	21.36%
Drug Trafficking	4	9	32	14	30	39	128	13.14%
Tax			1			3	4	0.41%
Environmental crime							0	0.00%
Fraud (other than cyber fraud)	2	6	3	7	21	3	42	4.31%
Smuggling			3	6	2	2	13	1.33%
Human Trafficking	1			8	18	12	39	4.00%
Online Gambling						2	2	0.21%
Cyber Fraud				12	10	17	39	4.00%
Unauthorized foreign exchange			16	3	1	5	25	2.57%
Other predicates	5	8	8	28	29	61	139	14.27%
Unidentified crime	15	50	36	15	55	18	189	19.40%
Total	50	105	165	162	193	299	974	

136. *Operational analysis:* The FIU's operational outputs have been used most extensively by MPS, as well as by MIRA and ACC as the top recipients of FIU disseminations (see Tables 3.13 and 3.14). MIRA benefits significantly from disseminations that assist in uncovering tax evasion and non-compliance,

while the ACC relies on the FIU's analytical products in support of corruption-related investigations. Although the FIU is also empowered to disseminate to CMDA for securities offences, there have been no disseminations relating to insider trading or market manipulation. This reflects the absence of relevant STRs and may indicate a potential gap in detection or reporting within the securities sector. However, this should be viewed in the context of the Maldives' low incidence of crime and ML in the securities sector, alongside the sector's limited size and market activity.

137. The FIU also provides financial intelligence to Maldives Immigration (MI), despite MI not being an investigative authority. Disseminations to MI support enforcement of visa and border-related matters, which is relevant given the Maldives' exposure to cross-border risks. The FIU's dissemination to MI demonstrates operational flexibility in addressing national risk priorities outside of traditional criminal investigations.

Table 3.13 STR Disclosures Disseminations Recipient LEA-wise (2019-2024)

Agency	2019	2020	2021	2022	2023	2024	TOTAL
Anti-Corruption Commission	-	3	-	-	5	22	30
Auditor General's Office	-	1	-	-	3	9	13
Banks and Other Financial Institutions Division (Maldives Monetary Authority)	2	20	-	1	1	-	24
Defense Intelligence Services (Maldives National Defense Force)	-	1	-	-	-	11	12
Foreign FIUs	-	-	-	-	10	5	15
Maldives Customs Service	-	-	-	-	-	18	18
Maldives Inland Revenue Authority	4	20	3	27	74	136	264
Maldives Immigration	-	20	2	-	-	1	23
Maldives Police Service	14	37	33	42	63	151	340
Ministry of Economic Development	-	-	-	-	2	2	4
National Counter Terrorism Center	-	-	5	-	-	-	5
Privatization and Corporatization Board	-	-	-	-	3	1	4
TOTAL	20	102	43	70	161	356	752

Note: one STR may have been disseminated to multiple agencies.

Table 3.14 TARs Disseminations Recipient LEA-wise (2019-2024)

Agency	2019	2020	2021	2022	2023	2024	TOTAL
Anti-Corruption Commission	1	-	-	2	-	1	4
Auditor General's Office	-	-	-	-	-	1	1
Banks and Other Financial Institutions Division & Financial Consumer Unit (MMA)	2	-	-	-	-	-	2
Defense Intelligence Services (Maldives National Defense Force)	-	-	-	-	-	5	5
Foreign FIUs	1	-	-	-	2	3	6
Maldives Immigration	-	-	1	-	-	1	2

Agency	2019	2020	2021	2022	2023	2024	TOTAL
Maldives Inland Revenue Authority	3	-	-	1	5	8	17
Maldives Police Service	13	2	5	5	5	9	39
Ministry of Economic Development	-	-	-	-	2	2	4
Prosecutor General's Office	-	-	-	-	1	1	2
National Counter Terrorism Center	4	2	1	-	-	-	7
Attorney General's Office	-	1	-	-	-	-	1
Presidential Commission on Corruption & Asset Recovery	2	-	-	-	-	-	2
Privatization and Corporatization Board	-	-	-	-	-	1	1
Maldives Customs Service	-	-	-	-	-	2	2
TOTAL	26	5	7	8	15	34	95

138. The dissemination of financial intelligence by the FIU related to terrorism or TF is low. This is largely attributable to the very limited number of STRs received by the FIU with underlying rationale terrorism or TF suspicions (as presented in Table 3.15). The low level of reporting in this area constrains the FIU's ability to develop and disseminate targeted intelligence products that could support TF-related investigations.

Table 3.15 Terrorism/TF-related STR reporting (2019-2024)

Reporting Entities	2019	2020	2021	2022	2023	2024	Total
Proactive STRs							
Banks	-	-	5	1	1	-	7
Non-banking sector	-	-	-	-	1	1	2
DNFBPs	-	-	-	-	-	-	-
Sub-Total	-	-	5	1	2	1	9
Reactive STRs (submitted in response to a request by the FIU or LEA)							
Banks	-	-	-	-	-	-	-
Non-banking sector	-	-	-	-	-	-	-
DNFBPs	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-
Total	-	-	5	1	2	1	9

139. The FIU has disseminated financial intelligence to MPS in support of investigations related to ML, TF, and associated predicate offences. These disseminations have been used to support ongoing investigations by MPS and to trigger new inquiries based on proactive disseminations by the FIU. Table 3.16 provides a breakdown of disseminations by predicate offence type, reflecting alignment with some of the Maldives' higher-risk crime areas, to some extent. While these disseminations demonstrate a degree of operational cooperation between FIU and MPS, the extent to which FIU-generated intelligence directly triggered the initiation of ML investigations is unclear due to the absence of systematic tracking or data in the origin of such investigations. This limits the ability to assess the proactive impact of

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financial intelligence and whether it is systemically used as a starting point for ML/TF detection, as expected under a risk-based approach.

Table 3.16 Operational Use of FIU Disseminations by MPS in ML Investigations (2019-2024)

ML investigations by Predicate Offences																								
Year	2019				2020				2021				2022				2023				2024			
ML investigations conducted by	13				25				17				27				30				46			
Predicate Crimes breakdown																								
Offence	Total	STRs used	TARs used	Info request ed from FIU	Total	STRs used	TARs used	Info request ed from FIU	Total	STRs used	TARs used	Info request ed from FIU	Total	STRs used	TARs used	Info request ed from FIU	Total	STRs used	TARs used	Info request ed from FIU	Total	STRs used	TARs used	Info request ed from FIU
Embezzlement	5	4	1		15	9	4	8	5	2	2	2	5	2	1	10	3	1	1	5	2	10	2	2
Blackmailing	1			1									1			6					2			5
Undeclared currency smuggling	4			1	2				1			2									3			2
Obstructing Justice	1		1																					
Fraud / Misrepresentation / scam	2	1			4			7	8	1		2	5	3	1	9	11	4	1	17	13	5	1	10
Drug Trafficking					1			11				6				10	4	2		29	7	4	1	37
Document Forgery					2	2			3	2	1						1	1			2			1
Terrorism					1			21																
Counterfeiting Coins or notes													8	1		2	9			2	12			1
Prostitution													2			3	1			7	1			4
Unauthorized currency Exchange																	1	1			1	1		7
Illicit Enrichment																					1	26		1
TBML (fraud and forgery)																					1	8	1	1
Smuggling goods																					1			

Note:

1. Multiple STRs/TARs or combination of both, may have been used to initiate or incorporate into ML investigations.
2. Multiple information request may have been made to FIU to obtain financial information to initiate or incorporate into ML investigations.

140. In addition to spontaneous disseminations, the FIU responds to requests for information from competent authorities. These responses include tailored operational analysis and, where required, supplementary financial data from REs. While these interactions contribute meaningfully to predicate crime investigations, there is limited evidence of the FIU's financial intelligence being systematically used to initiate or advance standalone ML or TF cases.

141. In the period under review, the FIU has disseminated 975 financial intelligence reports in response to the information requests submitted by relevant competent authorities to support ML/TF or predicate crime investigations or prosecutions. Most information requests received by the FIU are from MPS and relatively fewer requests are from other LEAs including ACC, MIRA and MCS. As presented in Table 3.17, 85% (827 reports) of financial intelligence were sent to MPS, of which 262 have been used to support the MPS' role in conducting investigations.

Table 3.17 FIU Disseminations in Response to Information Requests (2019-2024)

Agency	2019	2020	2021	2022	2023	2024	TOTAL
Anti-Corruption Commission	2	11	9	6	13	8	49
Auditor General's Office	-	-	-	-	1	-	1
Defence Intelligence Service	-	1	2	-	-	4	7
Foreign FIUs	-	3	1	1	4	5	14
Maldives Customs Service	-	-	-	-	-	2	2
Maldives Inland Revenue Authority	4	4	2	5	3	3	21

Agency	2019	2020	2021	2022	2023	2024	TOTAL
Maldives Police Service	34	85	130	142	173	263	827
Ministry of Economic Development	-	-	-	-	-	-	0
Ministry of Homeland Security and Technology	-	-	1	-	-	-	1
National Counter Terrorism Center	2	-	1	-	-	-	3
National Integrity Commission	5	-	-	-	-	-	5
Presidential Commission on Corruption and Asset Recovery	11	16	3	-	-	-	30
Presidential Commission on Disappearances and Deaths	-	-	11	4	-	-	15
TOTAL	58	120	160	158	194	285	975

142. *Strategic analysis:* The FIU conducted limited strategic analysis activities on relevant ML/TF risk area, and only one strategic analysis product in the form of a report was produced during the evaluation period. While some findings were shared with competent authorities via the FCWG, Ministry of Home Affairs, DIS and MPS, the report was neither publicly released nor formally disseminated to all competent authorities or REs. Selected findings were presented to banks during a Compliance Officers meeting in May 2024, but no systematic dissemination or documentation process exists. Consequently, the FIU's strategic analysis function remains limited in practice and its impact on informing policy, supervisory, and operational responses is restricted. Overall, the FIU demonstrates an operational role in supporting predicate offence investigations through timely and generally high-quality analysis. However, the misalignment between STR-based disseminations and high-risk threats, the limited application of financial intelligence to ML/TF investigations, the absence of targeted disseminations to certain competent authorities, and the lack of a structured feedback loop with LEAs and REs indicate that the FIU's support to operational needs, while functional, is not yet fully effective or comprehensive in addressing the Maldives' ML/TF risk context.

Cooperation and exchange of information/financial intelligence

143. As outlined in IO.1, the Maldives has established a functioning but largely informal coordination framework to support cooperation among the FIU, LEAs and other competent authorities. Daily cooperation and case-specific engagement occur frequently and have resulted in effective operational-level exchanges of financial intelligence. This informal structure, however, is predominantly relationship-driven rather than institutionalised, with limited procedures to ensure consistency, sustainability and accountability. The communication is underscored by the use of secure channels for exchanging financial intelligence and sensitive information, indicating a commitment to maintaining confidentiality and security in their interactions. Furthermore, the FIU emphasizes confidentiality in handling STRs and dissemination using secure channels with physical delivery protocols, end-to-end encryption and strict internal access controls. However, the manual delivery of disclosures—via printed copies or digital media with signed receipts—lacks electronic infrastructure, limiting efficiency and scalability. Although focal points have been designated within recipient agencies, there is no shared IT platform or secure digital channel to support timely systematic dissemination of financial intelligence.

144. While the FIU serves as the lead agency for coordination in AML/CFT which has good working relationships through the FCWG, this working group does not meet on a regular basis, and its role in

facilitating ongoing coordination – especially with regard to financial intelligence exchanges and multi-agency operations – is limited in practice.

145. To formalise and facilitate domestic cooperation, the FIU has signed MOUs with competent authorities and LEAs, enabling the confidential sharing of information both spontaneously and upon request. Competent authorities can receive information from the FIU even in the absence of formal MoUs. The FIU also collaborates with foreign counterparts through similar agreements (see Case Study 3.3 on domestic and international cooperation by the FIU). While operational coordination varies across domestic agencies, communication is primarily conducted through official emails, which are widely accepted as the preferred medium. FIU disseminated financial intelligence to domestic competent authorities, in person to ensure confidentiality, while information requests and responses are exchanged via email or letter. For requests from LEAs, intelligence is similarly disseminated face-to-face. This approach reflects the Maldives' unique context, where agencies are in close proximity, allowing for direct engagement that is not typical in larger jurisdictions.

Case Study 3.3

Detection and Disruption of a Ponzi-Structured Fraud Network through STR-Based FIU Analysis

Following the receipt of an STR from a domestic commercial bank, the FIU identified suspicious activity involving an individual and a network of associated legal persons. The individuals were engaged in unauthorised investment schemes, collecting substantial funds from the public with promises of significant financial returns. The nature of the schemes exhibited features consistent with a Ponzi structure.

In response, the FIU promptly initiated an in-depth operational analysis. The following data sources were accessed to support the analysis:

- *National identification records;*
- *Business registry information;*
- *Banking data including KYC/CDD documents, account statements, and related financial records.*

Through this analysis, the FIU established:

- *The main suspect had ownership and/or beneficial interest in multiple legal entities;*
- *The investment activities involved circular fund flows and lacked genuine investment mechanisms;*
- *Investor funds were diverted for personal use and partially converted into cryptocurrency assets;*
- *The scheme exhibited strong indicators of fraud, tax evasion, and potential money laundering.*

The FIU completed its analysis and disseminated relevant findings to the Maldives Police Service (MPS) within 24 hours of receiving the STR, reflecting the prioritisation of the case and responsiveness to operational risk.

Upon receiving the FIU's dissemination, MPS initiated a full criminal investigation. Collaboration between the MPS, FIU, and INTERPOL was subsequently established, as several suspects and victims were located abroad. Additionally, law enforcement sought assistance from cryptocurrency exchanges to trace the movement of proceeds laundered through virtual assets.

The case remains under investigation. It exemplifies the effective use of FIU-led operational analysis based on STRs and demonstrates strong coordination between competent authorities in pursuing complex financial crimes involving cross-border elements and emerging risks such as crypto-assets.

146. Cooperation occurs through joint meetings, operational engagements, and the formation of ad hoc task forces. During the review period, nine joint initiatives were undertaken between the FIU and LEAs, providing financial intelligence and analytical support to criminal investigations. However, such collaborations remain infrequent and primarily reactive, and the impact on ML, TF and asset recovery outcomes has been limited, as also noted under IO.1, IO.7 and IO.8.

147. Although the FIU disseminates financial intelligence from the same STR to multiple agencies (e.g., MPS, MIRA, and ACC) based on their mandates, there is no evidence of structured coordination between agencies on jointly handling such cases. The absence of an SOP governing inter-agency information sharing and collaboration undermines the effective integration of financial intelligence into broader investigative strategies.

148. Competent authorities confirmed that while the FIU provides valuable intelligence, structured and systematic feedback on the utility and relevance of disseminated intelligence is lacking. This limits the FIU's ability to refine its analytical products to better support operational needs.

149. Overall, while current practices support a baseline of trust and cooperation, the lack of formalisation in communication, feedback and coordination mechanisms, along with inadequate digital infrastructure represents a material deficiency in ensuring sustained, efficient, and risk-based cooperation aligned with operational needs.

Overall conclusion on Immediate Outcome 6

150. Competent authorities in the Maldives, including LEAs, generally demonstrate awareness of the importance of financial intelligence in combating ML, TF and associated predicate offences. Most LEAs are using financial intelligence in their investigations to some extent and have designated personnel capable of analysing financial information and are empowered to directly access financial records from REs. Feedback from key recipient agencies confirms that disseminations from the FIU are generally of good quality and support the development of predicate offence investigations. Every STR that is disseminated by FIU is accompanied by a detailed operational analysis which seeks to put together information about the subject collated from different data sources in one place. TARs are generated by FIU on the basis of analysis of TTRs, MVTs, BCRs, adverse media reports and LEA request for analytical support. FIU is also able to support the authorities by way of responding to their requests for information and does so on a regular basis. However, the FIU faces significant structural limitations that undermine its effectiveness. At the time of the on-site visit, a substantial number of STRs, primarily assessed as low to medium priority based on risk, remained unanalysed, raising concerns about the timeliness of the FIU's analysis and responsiveness to domestic and international requests. These delays are primarily due to inadequate human resources and underdeveloped ICT infrastructure, which adversely affect the FIU's ability to prioritise and process the growing volume of STRs.

151. While disseminated financial intelligence has contributed to investigations of predicate offences—particularly by the MPS, ACC, and MIRA—its integration into ML and TF investigations remains limited and is only occurring to some extent. In addition, resource constraints and insufficient training further hamper the ability of LEAs to build ML and TF cases, trace assets, and develop evidence based on financial intelligence. These deficiencies constrain the overall effectiveness of the FIU's analysis and dissemination and require major improvements, particularly in addressing the Maldives' higher-risk areas such as corruption, drug trafficking, and TF-related threats. Although the coordination framework to support cooperation among the FIU, LEAs and other competent authorities is largely informal, but it is functional and has resulted in effective operational-level exchanges of financial intelligence.

152. Overall, financial intelligence is used to some extent by competent authorities to support investigations of predicate offences, but the FIU's analytical capability and strategic dissemination are constrained by structural and resource-related challenges. Major improvements are needed to enhance the scope, timeliness, and impact of financial intelligence in ML and TF investigations, especially in the context of the Maldives' risk profile.

153. **Maldives has a moderate level of effectiveness for IO.6.**

Immediate Outcome 7 (ML investigation and prosecution)

ML identification and investigation

154. Overall, notwithstanding a willingness to improve, all Maldivian agencies responsible for ML investigations face limitations in effectively identifying and investigating ML. This is due the low level of national coordination and strategic direction and differing levels of adequate ML training for investigators and decision makers across the relevant agencies.

155. The Maldives legal regime has a specific ML offence contained in the PMLFT Act as outlined in R.3. The offence includes a broad range of predicate offences, but not all of the designated categories of offences are covered (refer R.3.2 for gaps in offences). The MPS is the primary agency responsible for investigating ML offences. Whilst a number of other agencies have the authority to conduct investigations pertaining to predicate offences relevant to their remit, e.g. Anti-Corruption Commission, all ML investigations are referred to MPS.

Overview of Law enforcement agencies

156. Within the MPS there are several units involved in ML initiation and investigations however not all these units are coordinating with each other on ML cases. The key area responsible for ML investigations is located within the Central Investigation Command for Major Crimes and is called the Economic Crime Investigations (ECI) unit.

157. ECI supports four crime investigation teams (including the Fraud and Financial Crime Investigations Unit, Complex Financial Investigations team and the Anti-scam Centre), providing financial investigation support, as well as conducting standalone financial and ML investigations. The ECI currently performs its duties under strong leadership but autonomously, with no legacy at the operational level. Within the ECI, there are 27 financial investigators across all ranks, out of a total of 300 investigators in the MPS (total MPS staff cohort of 5000 officers). The 27 financial investigators are selected on merit and experience from all police roles.

158. Of the 27 financial investigators, 7 staff are affiliated with the Anti-Scam Centre, a specialised department within ECI, possessing the requisite skills and knowledge to effectively conduct ML investigations related to fraud. Additionally, 14 investigators are drawn from the Fraud and Financial Crime Investigations Unit. 5 officers are from the Complex Financial Investigations team. To support these efforts, ECI has established a dedicated Financial Analysis team in 2019 comprised of 7 members, whose role is to prepare financial analysis reports to aid in prosecution efforts.

159. The Drug Enforcement Unit (DEU) is part of MPS and takes the lead on all drug trafficking investigations. Financial investigations occur for all drug trafficking investigations, but this is a nascent area of activity. At the time of the onsite visit, the DEU financial investigation capability was 2 months' old, comprising 2 analysts and 4 financial investigators, making a national total of 31 financial investigators.

160. While there is no formal system for continuous professional development, the MPS remains committed to enhancing investigative capabilities through both domestic initiatives and international cooperation. At this stage however there is no locally available, tailored, internal and formal financial investigation or ML investigation training available for financial investigators which the AT considers would be very beneficial in future. Some MPS officers have received training on ML (and TF) through technical assistance and training programs as part of ongoing capacity-building efforts which have been instrumental in assisting to equip MPS officers develop the knowledge and skills required to investigate complex financial crimes. Some investigators may have done extra study for example the Diploma in Criminal Investigation program which includes modules covering ML, this is not a systemic requirement, and, except for some sporadic uncoordinated training, the financial investigators are mostly self-trained and learn as they progress.

161. It is notable that within MPS, in addition to a Financial Crime Intelligence Unit within the Directorate of Intelligence, each major crime Division/Directorate and each investigative competent authority also has a financial crime analytical function. They all work independently and with access to financial information from the financial institutions. This duplication leads to nationally uncoordinated access to, and ungoverned management of, private information held in bank accounts.

162. Other agencies also conduct investigations relating to predicate crimes within their remit; however, all investigative agencies refer ML investigations to MPS. This is generally referred through internal formal channels although there are no documented SOPs, policies or procedures of how this is actioned. There are positive working relationships between MPS and other investigative agencies however these are based on person-to-person relationships due to the lack of official procedures.

163. The PGO provides MPS with advice at the investigation stage in relation to further evidence required or other investigative action to take. PGO also provides support throughout the prosecution stage, and this is evident with positive working relationships demonstrated between MPS and the PGO.

164. MIRA is the lead on tax related matters. If ML is suspected, the matter is discussed at the Director level for consideration and referral to the MPS and MIRA has cooperated in joint investigations with e.g. ACC and MPS. To date, only one case has been referred to MPS for further action which is not in line with Maldives' risk profile. MIRA are confident that the staff on their investigation teams can identify potential ML activity as they have received various types of formal financial investigation training however, this was not clearly demonstrated to the AT.

165. MCS has a broad remit to manage the movement of people, vessels and goods at the border. Whilst they have the authority to conduct and prosecute ML offences, all activity suspected of involving ML is referred to the MPS after internal consultation. To date, 16 cases (refer Table 3.19) have been referred to MPS which is partially in line with Maldives' risk profile given its strategic geographical location and exposure to international shipping channels. There are structures in place which demonstrate that internal mechanisms are consistent and consultative with MPS, with senior level decision making for referral taking place when ML is suspected.

166. MCS reports many interventions and cash seizures taking place at the border, however there is no documented decision-making process or SOP to determine whether a ML investigation should be initiated or conducted. Instead, seizures are confiscated through civil procedures at Court with no further consideration given to whether the incident is part of a broader criminal offence such as ML which represents a shortcoming (refer to IO.8 for further information).

167. The ACC has a small, dedicated investigation team with analytical and forensic accounting capability. The ACC developed a 2022-2026 Corruption Prevention Agenda outlining 25 policy objectives, many still in the planning stage with planned implementation in the near future.

ML investigations, prosecutions and convictions

168. The Maldives has conducted 158 ML investigations, 43 prosecutions and 4 convictions during the period under review as outlined in Table 3.18 below. This represents a 27% prosecution rate and 2.5% conviction rate however these are not wholly in line with the risk profile.

Table 3.18 Number of MPS ML investigations, prosecutions and convictions (2019-2024)

	2019	2020	2021	2022	2023	2024	Total
No. of ML investigations conducted	13	25	17	27	30	46	158
No. of ML cases prosecuted	4	8	6	1	17	7	43
No. of ML cases convicted	1	2	0	0	1	0	4

Detection of ML cases

169. As outlined in Table 3.18 above, MPS investigated 158 suspected ML cases during the period under review. 25 out of 158 (16%) of these cases were referred from other agencies to MPS (refer Table 3.19 below). The remaining 134 ML investigations were generated by MPS.

170. During the period under review, MCS sent 17 cases to MPS for ML investigation which are all still ongoing. The ACC referred 7 cases which is not in line with Maldives risk profile as corruption is considered high risk however the AT notes that 2 out of the 7 cases referred by ACC to MPS have progressed to prosecution stage. One case was referred from the tax authority (MIRA) to MPS to investigate ML and this case is still ongoing.

171. Financial investigators use multiple sources of leads when conducting ML investigations including STRs from the FIU, direct allegations to MPS, discovery through other investigations or a referral from other partner agencies or the PGO (refer to IO.6 for further information on FIU disseminations to LEAs).

Table 3.19 Number of suspected ML referrals to MPS (2019-2024)

Agency sending referral	No. of cases referred to MPS for ML investigation	No. of ML cases initiated by MPS based on referral	Outcome
MCS	17	17	Investigations ongoing
Immigration	-	-	MI regularly coordinates with MPS in their operations concerning

Agency sending referral	No. of cases referred to MPS for ML investigation	No. of ML cases initiated by MPS based on referral	Outcome
			immigration issues such as illegal migrants.
ACC	7	7	2 cases submitted for prosecution Remaining 5 cases ongoing and being investigated jointly by MPS and ACC
CMDA	-	-	-
MIRA	1	1	Investigations ongoing
Total	25	25	

172. ML investigations are not in line with Maldives risk profile when broken down by predicate offence. High risk predicates identified in the NRA are only a small percentage of ML investigations conducted in the Maldives. Medium high risks identified in the NRA represent the largest number of ML investigations conducted with 43 fraud cases out of 158, followed by 35 embezzlement cases. There were also 29 ML investigations involving counterfeiting currency. These three predicates make up 68% (or 107) ML investigations out of 158 cases which is not in line with Maldives risk profile. Drug trafficking, deemed high risk in the NRA, only represented 11% of ML investigations with 18 out of 158 ML cases which is not in line with Maldives risk profile.

Table 3.20 MPS ML investigations by predicate crime type (2019-2024)

	2019	2020	2021	2022	2023	2024	Total
ML investigations conducted by MPS	13	25	17	27	30	46	158
Predicate Crimes breakdown							
Embezzlement	5	15	5	5	3	2	35
Blackmailing	1			1		2	4
Undeclare currency smuggling	4	2	1			3	10
Obstructing Justice	1						1
Fraud / Misrepresentation / scam	2	4	8	5	11	13	43
Drug Trafficking		1		6	4	7	18
Document Forgery		2	3		1	2	8
Terrorism		1					1
Counterfeiting Coins or notes				8	9	12	29
Prostitution				2	1	1	4
Unauthorized currency Exchange					1	1	2

	2019	2020	2021	2022	2023	2024	Total
Illicit Enrichment						1	1
TBML						1	1
Smuggling goods						1	1

173. Whilst DEU staff demonstrated a good understanding of relevant predicate offences and international trafficking routes involving high risk jurisdictions (refer IO.9 for further discussion on origin regions involving known terrorist activities), parallel ML investigations have not been initiated or considered to date.

174. Under ACC's mandate, if ML is suspected in the course of their duties, ACC will refer the case to MPS following an internal process which is not timebound and does not follow an SOP or set procedures. To date, 233 cases have been referred from ACC to MPS however only seven of these cases (3%) are suspected to involve ML which is not in line with Maldives' risk profile as proceeds generating activity related to corruption is assessed as one of the highest ML risks.

175. The ACC assesses all allegations of corruption and decides whether to initiate an investigation. However, the internal decision-making process to initiate a ML investigation is unclear and appears opaque. Further, there are a number of legislative deficiencies to disrupt corruption-related activities when the ML offence cannot be proven.

176. If the ACC identifies a suspected ML case, the decision to make a referral to the MPS for a ML investigation sits with the 'members' of the ACC. The 5 ACC members are appointed by the President of Maldives upon approval of the Parliament. As per the procedures, the President will call for interested applicants to apply for membership with the required qualifications. The President then sends the shortlisted applicants to the Parliament for approval.

177. Based on discussions during the onsite, most referrals from ACC to MPS to date have related to historical cases and, in line with the findings of the NRA, may be subject to political interference. No information was provided regarding a ML referral being made in relation to a serving public or government official (only historical).

178. There is a notable willingness to achieve sustained reforms at the operational level with positive relationships between the PGO, MPS and other investigative authorities. For example, the development and implementation of an interagency, secure portal case management system, initially between MPS and PGO is planned to be further rolled out to other investigative agencies in the future. This allows for the timely sharing of evidence, case management and where necessary, case and investigation guidance from the PGO to case lead.

Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

179. Currently, there is no national or operational level ML strategy or policy advice in the Maldives. Maldives has not demonstrated that operational activity is consistent with its ML risks as there are very few ML cases investigated or prosecuted addressing the highest risk areas as detailed in the NRA (refer Table 3.20). While noting 35 embezzlement investigations out of a total 158, investigations of high-risk ML linked to broader corrupt activity are not prioritised and there is inadequate legislation to allow for disruptive measures.

180. During the period under review that Maldives has prosecuted 43 ML cases resulting in 4 convictions (all MPS generated) as outlined in Table 3.21 below. This is not wholly in line with its risk profile based on the 2022 NRA which concludes the overall level of ML threat in the Maldives is high, and little has changed in the ML risks and ML risk levels identified since the completion of the NRA.

Table 3.21 ML Prosecutions and Convictions in the Maldives (2019-2025)

Year	ML prosecutions	ML convictions
2019	4	1
2020	8	2
2021	6	0
2022	1	0
2023	17	1
2024	7	0
2025* ²⁶	*	*
TOTAL	43	4

181. As identified in the NRA, the main offences that generate significant amounts of proceeds of crimes in the Maldives are drug trafficking, corruption and bribery offences, organised crime (high), fraud while embezzlement is deemed medium high. Statistics provided show a sporadic approach to ML investigations which is not commensurate with the risk profile, with very few ML cases addressing the highest risk areas as detailed in the NRA, and most addressing the medium-high risk of fraud.

182. Of the four convictions secured, one has been overturned by the Supreme Court, and two convictions have been remitted to the Criminal Court for a re-trial due to procedural irregularities by the trial court judge. In a high-profile case in 2019, the Criminal Court sentenced a prominent PEP to 5 years' imprisonment and was ordered to pay a fine of USD 5 million, under the charges of money laundering. Although this verdict was upheld by the High Court during the appeal process, these decisions were overturned by the Supreme Court in 2021 and ordered to reinvestigate the case due to procedural issues. While the outcome was found in favour of the defendant, this case provides an example of the Maldives authorities' ability and coordination efforts to conduct a ML investigation, prosecution and conviction case.

183. Overall, most ML cases in the Maldives are linked to fraud investigations, which is somewhat in keeping with the Maldives' risk profile as fraud is deemed a medium-high risk (see Case Study 3.4).

Case Study 3.4 Fraud investigation

In 2022, a victim reported to police that a person obtained MVR 1 million in cash (USD 65k) from them stating that he was going to exchange the cash to foreign currency on their behalf. After obtaining the cash he immediately fled to another country.

With support of a foreign jurisdiction police service and Interpol, the suspect was arrested and returned to the Maldives with MPS. The investigation prioritised tracing the money trail. Further inquiry revealed that the suspect had engaged in foreign currency exchanges with various individuals and companies, many of whom had also fallen victim to the suspect's actions.

²⁶ The assessment team acknowledges that the Maldives recorded another 4 ML convictions in February 2025 post the onsite visit. This case was filed in 2021 with the court convicting the defendants of drug trafficking in December 2024 however the ML convictions were not ordered until February 2025.

In cooperation with the financial crime intelligence unit of the MPS, efforts were made to thoroughly examine all possible money trails, including banks and financial institutions connected to the suspect's close circle, in order to identify the route of the stolen funds. However, the investigation was hindered by the suspect's lack of cooperation and refusal to provide information, resulting in the failure to recover the stolen money. Suspect awaits trial on two charges; taking unauthorised control over property of another person and money laundering.

184. As identified in IO.3, a significant illegal and unregulated market for foreign exchange and hawala-like operations exists and provides significant opportunities for ML and TF, but no actors in this market have been investigated or prosecuted for ML or TF offences to date.

185. The Maldives' Illegal Expat Taskforce demonstrated nascent but sophisticated activity to mitigate the risk of human trafficking where it relates to foreign workers and complicit employers. Whilst they utilise several methods of intervention to disrupt illicit activity, there is no focus on related ML activity, and no prosecutions have occurred to date. The Homeland Ministry does not keep consolidated statistics therefore the number of human trafficking referrals made to MPS between 2019 and 2025 is unknown.

186. The timely prosecution of all cases, including ML cases, is impacted by a backlog at the Criminal Court, partly due to constraints related to institutional capacity and infrastructure.

Types of ML cases pursued

187. The 43 ML prosecutions pursued demonstrate that the Maldives has not prosecuted a wide range of different types of ML cases in line with its risk profile nor has the Maldives demonstrated an effective approach to complex ML cases. According to the information provided, the most common type of ML case investigated is self-laundering.

188. Two case studies were provided involving a legal person being investigated for ML which does not appear in line with risk profile. Both cases are still ongoing (see Case Study 3.5).

Case Study 3.5 Example of investigation and prosecution of legal persons

MPS, ACC and the Presidential Commission on Corruption and Asset Recovery conducted a joint investigation in 2020, involving the leasing of an island for the development of a resort and laundering the proceeds related to bribery and corruption.

The investigation involved a sum of USD1.1 million being deposited into an individual's bank account. The purpose of the funds was declared as "consultancy", and the funds came from a foreign registered company with Maldivian shareholders. Once the funds were deposited, they were transferred firstly to Company A and then to Company B, a sister company of Company A. The investigation revealed that these funds were later transferred to a prominent PEP of the Maldives, and the case was sent to PGO for prosecution in 2020.

Two (2) individuals including a prominent PEP were charged for bribery, corruption, misuse of power and money laundering. Both Company A and Company B were prosecuted for aiding and abetting in money laundering.

This case is currently ongoing in the Criminal Court.

189. Of the 158 ML cases investigated, there are only limited case studies in line with the risk and context of the Maldives that demonstrate a broad range of ML typologies being identified and investigated. This may in part be linked to limited training or awareness activities relating to ML offences, typologies or trends having been conducted for financial investigators. Investigative agencies also do not have investigation manuals or guidance material available to guide their work. MPS are confident that they could investigate complex ML cases. However, based on the information provided to date, the ML investigations conducted only involve low levels of complexity.

Case Study 3.6 Government officials involved in ML

MPS conducted an investigation in connection with Correctional Officers involved in smuggling of contraband into a prison. Financial investigation conducted by MPS identified transactions between the officers, their family members, inmates, and other individuals with known criminal backgrounds.

FIU's analysis supported the investigation by determining the source of funds related to the transactions conducted through the bank accounts of the officers. The financial analysis indicated that some of the officers were also involved in gambling on online gambling platforms and their accounts were also leased to people who managed online gambling tables in an attempt to conceal the sources of funds and to launder the money. Money gained from these illicit activities was invested through the acquisition of assets.

The investigation resulted in arrest of 13 officers, 5 of whom are being prosecuted for abuse of authority, money laundering and illicit enrichment.

190. Some ML investigations involving predicate offences have involved transnational elements but are not considered complex as they do not involve the use of offshore centres, shell companies or complex legal structures and have not resulted in prosecutions, which is not in keeping with the Maldives' risk profile. An example of a ML investigation involving predicate offences with transnational element is outlined in Case Study 3.7.

Case Study 3.7 Possible predicate crimes: fraud, ML and tax offences

Following several media articles, the FIU and MPS established that an individual and associates and several companies were involved in fraudulent activities by collecting large amount of funds from multiple parties for sale of residential apartments under construction. The FIU undertook financial intelligence which was disseminated to MPS which established an investigation based on the information received.

The financial intelligence identified multiple legal entities in which the main suspect had shares and was identified as the UBOs of all legal entities. During the investigation, falsified business records were identified and several instances of collection of funds from multiple victims for the sale of several single apartments.

Further, the investigation identified proceeds of fraud being laundered through the purchase of residential apartments located in the Maldives and in a foreign jurisdiction. Proceeds of fraud were also being used to purchase luxurious goods from aboard.

Maldives authorities are coordinating with a foreign jurisdiction to confiscate proceeds of crime located in that jurisdiction. Authorities have also seized the residential apartment and several other goods relating to the proceeds of crime.

The investigation has led to 200 charges against two individuals. Charges include several counts of fraud and money laundering. This case is currently ongoing at the Criminal Court of Maldives.

Effectiveness, proportionality and dissuasiveness of sanctions

191. The sanctions for ML offences, as set out in PMLFT Act are proportionate and dissuasive for natural persons, but not for legal persons (see R.3).

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192. Maldives has achieved 4 ML convictions to date however one conviction has been overturned by the Supreme Court, and two convictions have been remitted to the Criminal Court for re-trial due to procedural irregularities by the trial court judge. As only one ML conviction has not been subject to appeal or retrial and, combined with the lack of sanction information provided to the AT to date, the efficacy of sanctions is difficult to determine. There was one ML case in 2019, subsequently overturned in 2021, where a prominent PEP was sentenced by the Criminal Court to five years in jail and fined \$5 million for embezzling \$1 million in state funds, allegedly acquired through the lease of resort development rights, and laundering the proceeds. Because of COVID-19, his jail term was shifted to house arrest. The Supreme Court overturned these sentences in 2021 which weakens the dissuasiveness of these sanctions.

193. In 2020, a prominent PEP was convicted of two counts of money laundering as outlined in Case Study 3.8. The two charges for ML included over 5 years' imprisonment and MVR 1 million for each offence a total of 10 years jailtime and MVR2 million fine which is proportionate and dissuasive.

Case Study 3.8 Conviction on two counts of ML involving corruption

In 2020, a prominent PEP was charged with one (1) count of aiding in the embezzlement of public funds, two (2) counts of Corruption, and two (2) counts of ML (a total of 7 charges) in relation to a corruption scandal involving the leasing of tourist islands for resort development. The charges were filed under a plea agreement between the state and the defendant.

He was convicted of the 7 charges (including 2 charges of Money Laundering), in October of 2020 and was sentenced to imprisonment for 5 years, 11 months and 21 days and a fine of MVR1,000,000 (USD65,000) for each ML charge. Overall, he was sentenced to 20 years' imprisonment and fined MVR2,000,000 (USD130,000).

194. There have been no convictions of legal persons in the Maldives.

Use of alternative measures

195. Overall, the use of alternative measures where an ML investigation is pursued, but it is not possible to secure a conviction has not been demonstrated in the Maldives. Instead, it is usual practice to pursue other charges rather than conducting a ML investigation. For example, in relation to the Maldives' high-risk offence of drug trafficking, MPS uses powers under drug trafficking legislation to confiscate proceeds of crime as an alternative measure. Drug enforcement investigations primarily use drug trafficking statutory provisions to confiscate cash and high value proceeds rather than conduct ML investigations.

196. Maldives Immigration (MI) has conducted 16 deportations during the period under review as an alternative measure to prosecution for ML or illegal money exchanges (see Table 3.22 below). This is largely due to initial information gathering (usually at the airport) leading to a lack of information and evidence resulting in deportation being a timelier outcome than initiating a ML investigation.

Table 3.22 Deportation figures in lieu of ML investigation/prosecution (2019-2024)

YEAR	NO. OF PERSONS DEPORTED	OFFENCE TYPE
2019	2	Suspected ML
2020	1	Suspected ML
2021	2	Suspected ML
2022	4	Suspected ML
2023	0	-
2024	7	Illegal money exchange
TOTAL	16	

Overall conclusion on Immediate Outcome 7

197. The Maldives does not conduct operational activities in line with higher risk areas of ML as identified in the NRA e.g. drug trafficking and other offences involving transnational elements. While the Maldives demonstrated limited coordination between LEAs e.g. through conducting some joint investigations, overall financial analysts working in each investigative agency are predominantly self-trained and lack formal processes and procedures during ML initiation and investigation stages. Existing relationships, both intra and inter-agency, are positive and generally informal however the Maldives has not demonstrated the investigation of a broad range of ML schemes or complex ML cases to date.

198. There is no strategic policy at the national level to combat ML which directly impedes ML investigations at the operational level. Whilst there are sustained reforms at the working level, inadequate specific ML training for investigators and the judiciary also impacts the number of ML cases initiated, investigated, prosecuted and convicted. These deficiencies require fundamental improvements.

199. **Maldives has a low level of effectiveness for IO.7.**

*Immediate Outcome 8 (Confiscation)**Confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective*

200. The Maldives has not demonstrated that it pursues the confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective. The Maldives has an incomplete legal framework for confiscation that is not adequately implemented to ensure the application of relevant laws on asset recovery. The Maldives also lacks a policy and operational framework for confiscating proceeds and instrumentalities of crime, or property of corresponding value, as a policy objective. The 2022 NRA has identified the lack of a national asset recovery framework as a significant deficiency, and the ACC is taking the lead on drafting new legislation to introduce an asset recovery framework. However, the new legislation is still pending, and continued postponements do not demonstrate it is being pursued as a government priority for the Maldives. The absence of a policy objective on confiscation has significantly restricted the extent of confiscation activities undertaken to date. The minimal rates of asset tracing, restraint and confiscation reflect capacity challenges during the investigation process. During the onsite visit, however, MPS noted that some training has been conducted in high value goods to help officers recognise potential goods of value for seizure during investigations.

201. Although some competent authorities pursue limited seizures or confiscations within the existing restrictive legal provisions, no competent authority has an asset recovery strategy or policy. Among competent authorities, asset seizure and confiscation are not prioritised. Instead, focus is placed on predicate offence investigations and prosecutions to a lesser extent. No investigative agency has any SOPs or guidelines relating to tracing, targeting, seizing or confiscating property or assets.

202. The Maldives does not maintain comprehensive and collated statistics on seizures and confiscations however some incomplete and separate data is recorded at the agency level. National policy objectives and the activities of competent authorities relating to asset recovery are not well informed due to the absence of comprehensive statistics.

Confiscations of proceeds from foreign and domestic predicates, and proceeds located abroad

203. Most seizures in the Maldives are not complex in nature however in 2019 there was one high profile case involving a prominent PEP on corruption charges that demonstrates the identification, seizure and confiscation of proceeds of crime including confiscation of non-cash assets. However, this case has been overturned by the Supreme Court on appeal. Despite this, the bank account used to hold embezzled funds remains frozen.

204. Overall, LEAs have predominately seized properties/assets relating to predicate offences rather than ML cases in the Maldives. 10 seizures relating to the predicate offence of smuggling totalling approximately USD780,000 (refer Table 3.23) have occurred over the period under review which is not in line with its risk profile.

Table 3.23 Seizures by LEAs in USD (2020-2024)

	2020		2021		2022		2023		2024		Total	
	Seizure		Seizure		Seizure		Seizure		Seizure		Seizure	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Smuggling	2	0.14 million	1	0.07 million			1	0.25 million	6	0.32 million	-	-
TOTAL (USD)	2	0.14 million	1	0.07 million			1	0.25 million	6	0.32 million	10	0.78 million

205. The PGO issued a Directive on 8 April 2020 which directed investigative agencies to seize all assets based on a new 'follow the money' approach. This Directive targeted drug investigations but has been widely applied across all types of crimes. The Directive states that if unexplained funds are noticed during an investigation, the prosecutor must: (i) ensure the suspects are questioned in regards to the unexplained wealth in their accounts, (ii) suspects explanations of unexplained wealth must be investigated and verified, and (iii) that during the charging process, prosecutors must request within the charge sheet to confiscate all unexplained funds and proceeds of crimes. This in part helps to explain why the confiscation statistics are significantly higher in 2020, following the issuance of this Directive. However, this level of confiscation was not sustained between 2021 to 2025, noting the impacts of COVID-19 during some of these years.

206. While competent authorities in the Maldives have some experience of seizing gold, vehicles, mobile phones and apartments, there is a lack of capacity and trained resources to identify assets for confiscation. The approach to seizing or confiscating high-value goods is in its nascent stages with the major focus on cash and cash equivalent, with no confiscations of property of corresponding value. The

seizure of assets at early stages of investigations to prevent dissipation is not standard practice and there is a lack of asset identification and tracing skills across LEAs.

207. There have been no TF-related seizures or confiscations which is not in line with the Maldives' risk profile.

208. In the Maldives, confiscation must occur subject to a court order. Table 3.24 outlines confiscation orders that have been requested to the court totalling USD32.521 million. Confiscation applications relating to ML represent USD29.908 million or over three quarters (90%) of the total applications made.

Table 3.24 Requested Confiscation Orders (2020-2024)

Offence	2020		2021		2022		2023		2024		TOTAL	
	Requested		Requested		Requested		Requested		Requested			
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
ML	3	3,242,097	1	1,000,000	0	0	2	655,610	1	25,010,000	7	29,907,707
Corruption	0	0	0	0	0	0	2	20,942	0	0	2	20,942
Fraud	0	0	0	0	4	37,650	9	364,469	13	994,157	26	1,396,276
Smuggling	0	0					0	0	2	270,508	2	270,508
Drug Trafficking	12	286,627	7	363,030	3	36,985	16	155,440.50	12	83,491	50	925,574
TOTAL	15	3,528,724	8	1,363,030	7	74,635	29	1,196,461.50	28	26,358,156	87	32,521.007

Table 3.25 Court Ordered Confiscations (2020-2024)²⁷

Offence	2020		2021		2022		2023		2024		TOTAL	
	Court ordered		Court ordered		Court ordered		Court ordered		Court ordered			
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
ML	0	0	0	0	1	1,000,0000*	0	0	0	0	0	0
Corruption	0	0	0	0					0	0	0	0
Fraud	0	0	0	0			0	0	0	0	0	0
Smuggling	1	45,780	4	128,460	7	594,440	4	419,280	2	237,128	18	1,425,088
Drug Trafficking	0	0	2	5,933	0	0	0	0	5	124,747	7	130,680
TOTAL	1	45,780	6	134,393	8	1,594,440	4	419,280	7	361,875	25	1,555,768

* USD1 million was confiscated as part of a ML conviction however this conviction and confiscation was later overturned in the Supreme Court.

209. Overall, out of USD32.521 million in confiscation orders requested, only USD1.556million has been granted and realised.

210. The confiscation data provided to date has been inconsistent and demonstrates the Maldives have only pursued asset confiscation to a negligible extent and not in line with its ML risk profile. According to Table 3.25, the offence of smuggling has contributed USD1.425 million out of USD1.556

²⁷ The requested confiscations (Table 3.24) made in a particular year will not always get reflected in the court ordered confiscations (Table 3.25) of that same year, due to the varying trial duration of different cases.

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million total confiscations granted to date noting that the majority of smuggling confiscations, USD1,187,960 out of USD1.425 million, were issued under the Customs Act. No confiscations have been made in relation to ML (noting one case has been overturned) or for the high-risk offence of corruption. Drug trafficking, another high-risk offence only made up USD130,000 out of USD1.556 confiscations which is not in line with risk. It is not evident that the Maldives has conducted asset confiscation relating to a foreign predicate offence.

211. Minimal international cooperation has been pursued by competent authorities to seize or confiscate the assets that have been moved offshore (refer to IO.2 for further information). The Maldives is not fully utilising its available confiscation powers and is not a member of the ARIN network, further limiting its international networks.

212. Maldives has not established an asset management mechanism nor procedures for preserving the value of seized assets. No competent authority has been designated for asset management and there are no procedures, manuals or SOPs to maintain, convert into cash or preserve the value of seized or confiscated assets. Further there are no repatriation or restitution policies or procedures and the Maldives have not demonstrated any cases of victim restitution in practice.

Confiscation of falsely or undeclared cross-border transaction of currency/BNI

213. MCS has a legal framework for cross border movement of cash and bearer negotiable instruments (BNIs) via air travellers, or via mail and cargo. MCS focuses on the cross-border movements of cash through all international airports (refer Table 3.26).

Table 3.26 Cash declarations/ disclosures made by passengers and received from Customs (2019-2024)

		Incoming Passengers	Outgoing passengers	TOTAL
2019	No. of declarations	64	205	269
	Total Value (in USD)	135,754,456.00	48,787,045.00	184,541,501.00
2020	No. of declarations	14	40	54
	Total Value (in USD)	12,558,694.32	13,964,955.34	26,523,649.66
2021	No. of declarations	11	91	102
	Total Value (in USD)	12,879,418.14	4,684,698.70	17,564,116.84
2022	No. of declarations	27	89	116
	Total Value (in USD)	30,051,045.43	9,199,073.57	39,250,118.99
2023	No. of declarations	25	130	155
	Total Value (in USD)	26,530,068.38	11,216,126.32	37,746,194.70
2024	No. of declarations	19	164	183
	Total Value (in USD)	10,409,610.01	11,146,419.93	21,556,029.95
TOTAL	No. of declarations	160	719	879
	Total Value (in USD)	228,183,292.28	98,998,318.86	327,181,611.14

214. The number of seizures, as set out in Table 3.26 do not appear in line with risk profile given the high volume of cash entering and exiting the Maldives via the airport [refer Table 3.26 above] with

total number of 19 seizures over the period under review including 18 relating to outgoing passengers and only 1 for incoming passengers. While MCS reported that it applies risk-based controls and intelligence-led targeting to detect undeclared cross-border movements, and can detect illegal cash by scanning the luggage at the border, detections of undeclared cases are sporadic and vary over the years from (one) 1 outgoing passenger in 2020 to ten (10) in 2024 [refer Table 3.24] noting COVID pandemic impacted some data especially for 2022 and 2023. Notices for cash declarations are displayed at the international airport but not at the other ports. The majority of falsely or undeclared cross-border transportation of currency or BNIs relates to outgoing passengers detected at the international airport who are carrying large amounts of USD.

215. A significant proportion of these declarations are made by couriers importing USD for banks, with few declarations pertaining to incoming passengers for vacation purposes and no declarations made by incoming passengers in connection with real estate transactions noting that foreign nationals are not permitted to purchase or own real estate in the Maldives under the existing laws. The majority of outgoing declarations are made by Maldivians travelling abroad for business purposes with a registered business in Maldives.

Table 3.27 Cash seizure information shared by MCS with FIU – Falsely declared/ undeclared cash (2019-2024)

		Incoming Passengers	Outgoing passengers	TOTAL
2019	No. of seizures	1	6	7
	Total Value (in USD)	50,000	379,565.04	429,565.04
2020	No. of seizures		1	1
	Total Value (in USD)		89,700	89,700
2021	No. of seizures		1	1
	Total Value (in USD)		74,466.81	74,466.81
2022	No. of seizures			
	Total Value (in USD)			
2023	No. of seizures		1	1
	Total Value (in USD)		254,310	254,310
2024	No. of seizures		10	10
	Total Value (in USD)		513,379.03	513,379.03
TOTAL	No. of seizures	1	19	19
	Total Value (in USD)	50,000	1,311,421	1,361,420.88

216. There are no declarations or seizures of cash or BNI via cargo or mail while data on falsely or undeclared cross-border movements of currency and BNIs is provided below.

217. MCS has referred some falsely or undeclared currency cases to MPS for further investigation (refer Table 3.28) under Law No. 10/2014. The outcomes of these referrals are still pending, and it is unclear what action has been taken as there have been no convictions to date, the undeclared or falsely cash is not used for in pursuit of the follow-the-money approach and identifying potential ML and associated predicate offences.

Table 3.28 Cases sent to MPS for ML Investigation (2019-2024)

Year	No. of Cases	Amount	Currency	Amount USD equivalent
2019	6	400,072.79	USD	400,072.79
		5,415.00	XEU	6169
2020	2	139,700.00	USD	139,700
2021	1	68,966.31	USD	68,966.31
2023	1	254,310.00	USD	254,310
2024	7	344,302.00	USD	344,302
		50,945.00	XEU	58042
		180.00	CHF	218.61
		100.00	AED	27.23
Total	17			USD 1,271,807.94

218. MCS has sent two cases relating to falsely or undeclared cash to PGO for prosecution. MPS have also investigated 17 cases relating to falsely or undeclared currency suspected to be money laundering.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities.

219. As outlined in Table 3.25, the total value of court issued confiscations to date is approximately USD1.556 million however it is not clear from the data provided what has been done with the realised property. The lack of clarity concerning Maldives' confiscation results also demonstrates the lack of a national policy to prioritise the confiscation of proceeds of crime. In addition, the NRA notes that the significant proceeds of crimes generated in the Maldives were linked to drug trafficking, organised crime, bribery and corruption, however, there are very limited confiscation orders granted in line with Maldives risk profile. Only 7 confiscation orders relating to drug trafficking with a value of USD130,680 being confiscated which is not in line risk profile. Further, there have also been no confiscations relating to corruption and no ML-related confiscations as the one case was overturned.

220. These results demonstrate that confiscating proceeds and instrumentalities of crime, or property of equivalent value, is not pursued as a policy objective. While new legislation regarding asset recovery has been drafted, it has been subject to ongoing delays demonstrating the implementation of an asset recovery framework is not a priority for the Maldives at this time. Asset tracing and seizures have only been undertaken to a very limited extent, which is reflective of the absence of clear national prioritisation of asset recovery.

221. Overall, confiscation results of Maldives do not reflect the assessments of ML/TF risks and national AML/CFT policies and priorities.

Overall conclusion on Immediate Outcome 8

222. The Maldives has an incomplete legal framework for confiscation which is not adequately implemented to ensure the application of relevant laws on asset recovery. Further, the Maldives lacks a policy and operational framework for confiscating proceeds and instrumentalities of crime, or property of corresponding value, as a policy objective.

223. There have been 25 court issued confiscation orders granted with a total value of approximately USD1.556 million however it is unclear how many ML-related confiscation orders have been issued and the property realised to date. There have also been no ML-related confiscations as the one case was overturned. Competent authorities prioritise investigation rather than asset seizure or confiscation and have no formal SOPs or guidelines relating to tracing, targeting, seizing or confiscating property or assets. The Maldives does not maintain comprehensive statistics on seizures and confiscations to guide national policy objectives. LEAs have predominately seized properties relating to predicate offences rather than ML cases with no confiscations of property of corresponding value. No TF-related seizures or confiscations have been reported. Minimal international cooperation has been pursued by competent authorities to seize or confiscate the assets that have been moved offshore. The Maldives has not established an asset management mechanism nor procedures preserving the value of seized assets. The Maldives is not utilising the legal framework for cross border movement of cash and BNIs to its full extent, nor in line with the risk profile. MCS has referred some falsely or undeclared cases to MPS for further investigation however the outcomes are still pending. Confiscation results of Maldives do not reflect the assessments of ML/TF risks and there are no national AML/CFT policies and priorities on asset recovery.

224. **Maldives has a low level of effectiveness for IO.8.**

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 9

- a) TF investigations in the Maldives are not prioritised at either the national or agency levels, nor are they formally integrated into the national counter-terrorism strategies and investigations. The capacity for CFT investigations is not effective, undermined by insufficient prioritisation for the development of personnel, systems, and procedures.
- b) LEAs and judicial authorities lack targeted and relevant training in TF investigations. While some training related to TF has been provided, it was not sufficiently focused on TF investigations, and the objectives of such training did not clearly support the primary roles of authorities in investigating and prosecuting TF. As a result, LEAs and judicial authorities largely rely on self-directed learning, which may limit their capacity to address TF-related threats effectively. Additionally, there are no manuals or guidance documents available to support investigators and decision-makers in TF investigations, hindering the development of a comprehensive understanding of the elements necessary to substantiate TF offences.
- c) Despite high TF risks, the Maldives has not achieved a TF conviction. There are limited examples of TF investigations, and the Maldives have not demonstrated that activity is consistent with its TF risks as set out in the NRA.
- d) Competent authorities tasked with investigating TF, encounter significant challenges in identifying and investigating TF activities linked with the fishing industry and real estate sector. These challenges are particularly evident within the fishing industry, where there are considerable infiltration risks by terrorists, compounded by insufficient oversight mechanisms. Similarly, in the real estate sector, law enforcement agencies struggle to identify potential TF-related activities due to inadequate understanding of the threats associated with terrorist investments, ineffective verification processes and an opaque market structure that will restrict their ability to combat TF effectively.
- e) The NCTC is appointed by the President to lead on coordinating the national effort against terrorism and violent extremism, committing to a broad mandate which includes providing advice to government authorities on measures to counter persons who finance, or provide information and training or provide other support to extremists. The Maldives has not demonstrated policies and actions to put this into effect.
- f) As in IO7, the Maldives authorities have attempted to make sustained reforms and improvement at the working level across law enforcement and partner agencies, but this is not replicated at the national level through strategy or policy documents or other functioning mechanism.
- g) Dissuasive sanctions on TF offences have not been demonstrated as there have been no sanctions for natural and legal persons applied, due to the absence of TF conviction in the Maldives.
- h) The Maldives has not clearly demonstrated the use of any disruptive measures when a TF prosecution or conviction is not possible.

Immediate Outcome 10

- a) Deficiencies with the legal framework and related guidance to implement UNSCR 1267 do not support the Maldives to implement TFS to address its serious TF risks.
- b) Weaknesses with the legal framework to implement UNSCR 1373 do not support the Maldives to use TFS to address the serious risks from domestic terrorist groups. The TFS legal framework does not provide a basis for domestic designations, and the Maldives has not used its available powers to issue freezing orders to give effect to foreign designations.
- c) In addition to major gaps in the scope of asset freezing obligations, there is a lack of comprehensive guidance and support to ensure all relevant parties understand TFS obligations and property (see IO3). The Maldives does not have an explicit requirement for authorities to comply with or follow the UN Sanctions Regime procedures and standard forms for listing adopted by the relevant the 1267/1989 Committee or 1988 Committee.
- d) The Maldives does not have clear mechanisms for information sharing on designation lists to FIs and DNFBPs including to natural persons.
- e) There is no consistent understanding of NPOs' exposure to TF risks and their vulnerabilities for misuse for TF purposes. The understanding of TF in general is low and the specific subset of NPOs at the highest risk of abuse for TF has not been identified, nor a risk-based approach to their supervision or monitoring undertaken.
- f) The changing administration of the ministry responsible for registration, supervision and monitoring of NPOs has significantly impacted the integrity of NPO database records and the effectiveness of measures aimed at outreach and oversight of at-risk NPOs. Currently, the monitoring and supervision of NPOs are not conducted on a regular or comprehensive basis.
- g) The present activities of the Registrar are primarily confined to the registration of NPOs, with inadequate processes in place to verify the accuracy of the information provided. Furthermore, there is a lack of supervision regarding compliance with reporting obligations. As a result, many NPOs operate in a largely unregulated environment, including a substantial number of unlicensed NPOs, due to the limited capacity of the Registrar.
- h) The Maldives lacks inter-agency coordination for the outreach and oversight of at-risk NPOs, which weakens the overall regulatory framework intended to ensure accountability and transparency within the NPO sector.
- i) The Maldives has not demonstrated that terrorists, terrorist organisations and terrorist financiers are deprived of assets and instrumentalities, and there has been no criminal freezing or confiscation orders in relation to terrorists, terrorist organisations or terrorist financiers.
- j) The measures applied by the Maldives to prevent TF abuse of the NPO sector are not aligned with the Maldives' assessed TF risk, which is rated as high in its NRA, indicated by a lack of consistency between the identified risk level and the scope, intensity and focus of the preventive and oversight measures in place for NPOs.

Immediate Outcome 11

- a) The Maldives has a very limited legal framework for TFS-PF. In October 2024, the FIU issued a standing order to all REs to give effect to Section 52(a) of the PMLFT Act and implement TFS-PF designated by UNSCR under Chapter VII of the UN Charter. However this freezing order is narrow in scope, there is no clear mechanism to disseminate designations to all REs without delay, and the freezing obligation does not extend to all natural and legal persons. These deficiencies greatly hinder the effectiveness of TFS-PF implementation.
- b) The Maldives has not prioritised efforts to combat the financing of proliferation of WMD at the policy and operational levels and there is a broad lack of awareness from relevant authorities about their PF-related obligations.
- c) The Maldives has not proactively taken action to identify funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) in relation to TFS-PF.
- d) FIs, DNFBPs, or authorities have not identified or frozen any funds in connection to PF which is inconsistent with the broader risk profile in the Maldives.
- e) The Maldives has taken only very limited steps to raise awareness or to guide FIs or DNFBPs in relation to TFS-PF.

Recommended Actions

Immediate Outcome 9

- a) The Maldives should ensure that the NCTC fulfils its mandated role in leading and coordinating national CFT efforts by developing a national CFT strategy that is risk-based, aligned with the Maldives' TF threat landscape, and clearly defines roles and responsibilities of key agencies; and establishing mechanisms to regularly monitor the implementation of the national CFT strategy and ensure accountability across all stakeholders involved in TF investigation and prosecution.
- b) The Maldives should develop and implement operational-level policies in investigating TF, and issue guidance on the prioritisation, coordination and support of TF investigations to relevant agencies, including LEAs, FIU, and sectoral regulators.
- c) The Maldives should enhance the capacity and capability of LEAs, prosecutors, and the judiciary to effectively identify and investigate TF, including in high-risk areas such as the fishing industry, real estate, MVTs, activity of wealthy donors, and FTFs. This should include the development and implementation of a TF investigation manual, tailored and regularly reviewed guidance on relevant typologies, and regular, high-quality training in collaboration with relevant agencies, aligned with Maldives' risk profile.

Immediate Outcome 10

- a) The Maldives should establish a formal and comprehensive framework to implement TFS without delay under UNSCR 1267 and operationalise TFS measures under 1373 without delay. This should include the issuance of clear guidelines and SOPs for relevant agencies and REs.
- b) The Maldives should, in line with R.8, identify the subset of NPOs that fall within the FATF definition and are at risk of TF abuse, and implement proportionate, risk-based supervision and monitoring measures tailored to the specific threats and vulnerabilities identified.

- c) The Maldives should conduct targeted outreach to educate at-risk NPOs on TF risks, mitigation measures, and compliance obligations. This outreach should be sustained and informed by the latest risk understanding.
- d) The Maldives should designate and adequately resource a central authority for the registration, monitoring and supervision of NPOs. If this function remains under the Ministry of Youth Empowerment, Information, and the Arts, the Maldives should ensure the function is adequately resourced and targeted training on TF risks and red-flag indicators should be provided to relevant staff.
- e) The Maldives should prioritise the development of a secure, centralised online portal or platform to allow NPOs to submit required financial and operational information. This portal should be accessible to relevant authorities (e.g. Registrar, MIA, NCTC, and MPS) to facilitate coordinated oversight, risk assessment, and information sharing.

Immediate Outcome 11

- a) Enhance and implement a comprehensive legal framework for TFS-PF.
- b) Prioritise comprehensive efforts to combat PF at the national level and ensure agencies are coordinated to support CPF policy.
- c) Take steps to consider sanctions evasion risk in the Maldives and ensure agencies have the capability to identify, deprive and prevent the raising, moving and use of funds for the financing of proliferation.
- d) Issue guidance and provide further outreach and awareness raising to the private sector and government agencies in relation to TFS-PF sanctions evasion risks and obligations.
- e) Support all FIs, DNFBPs and VASPs (subsequent to introducing a regulatory framework for VASPs) to implement TFS-PF screening and have processes in place to enable action for freezing funds or assets as required.
- f) Ensure competent authorities participate in capacity building and training programs targeted at countering PF to increase understanding of TFS-PF obligations.
- g) Supervise and enforce compliance with TFS-PF obligations.

225. The relevant Immediate Outcomes considered and assessed in this chapter are IO9-11. The recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5–8, 30, 31 and 39, and elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

Immediate Outcome 9 (TF investigation and prosecution)

Prosecution/conviction of types of TF activity consistent with the country's risk-profile

226. The Maldives conducted a TF risk assessment in 2022, and information obtained during the onsite suggests the risk profile has not changed. From the interactions with the LEAs and other competent authorities, it is clear there is currently a disparate understanding of the TF risk. The Maldives has not demonstrated any activity such as investigations, disruption, or conducted strategic or thematic analysis to mitigate the high level of risk. This is further compounded by the findings of the AT that has identified a significant unregulated secondary market in foreign exchange and hawala-like operations, allowing the opportunity for unmitigated storage and movement of terrorist funds. The level of remittance involved is unknown.

227. As with ML investigations, MPS are the primary agency responsible for the investigation of TF, using the same investigators attached to the ECI unit. Two staff are dedicated to TF investigations. Although some training related to TF has been provided, it was not adequately focused on TF investigations. Those responsible for TF investigations, prosecution, and judicial decision-making, lack targeted and TF-specialised training, policies and guidelines. Despite a willingness to enhance capabilities, both the MPS and PGO have demonstrated limited expertise in investigating and prosecuting TF cases. Discussions during the onsite visit highlighted a fundamental misunderstanding of TF offences. This includes confusion about the definition of TF and related activities. Furthermore, there is a lack of clarity regarding the evidential standards to secure a conviction.

228. Maldives demonstrated that decisions makers in the ECI (within MPS) and partner agencies responsible for terrorist investigations, understand the value of, and use financial intelligence and financial evidence to support terrorist investigations. This is demonstrated in a terrorist investigation in 2021 and some current CT investigations whereby financial evidence has formed part of the prosecution case.

Table 4.1 The FIU disseminations on terrorism or TF to LEAs (2019-2024)

Financial Intelligence	2019	2020	2021	2022	2023	2024	Total
Proactive FIU disseminations (STR Disclosures)			10				10
Proactive FIU disseminations (TARs)	6		2			3	11
Reactive FIU disseminations based on LEA request for information	12	20	49	38	4	23	146

Case Study 4.1 Use of financial intelligence and TF investigation

On receipt of information from a foreign FIU, Maldives FIU learned that a Maldivian was associated with a foreigner who was affiliated with a terrorist organisation. The analysis of bank records and MVT data and revealed a larger connected network of natural persons in the Maldives who were involved in raising funds and conducting remittances in favour of individuals in a country sharing border with a conflict zone. MPS intelligence indicated that that majority of the persons had been either investigated for terrorism or had connections with foreign terrorist fighters.

229. The absence of conviction and prosecution on TF activities in the Maldives demonstrated inconsistency with the Maldives' risk profile as identified in the NRA. The NRA states the risk, threat and vulnerability of terrorist financing is high, including for MVTs and medium high for the banking sector.

230. The threat assessment on terrorism indicates a high-risk level associated with violent extremism and the connections between Maldives nationals and various global and regional terrorist organisations. This situation is exacerbated by significant vulnerabilities, primarily due to limitations in institutional capacity in policy formulation, intelligence gathering, investigations, prosecutions, and judicial processes related to TF. Current investigations and prosecutions of TF activities reveal inconsistencies with the established Maldives' risk profile. Additionally, the NRA highlights concerns about political interference that hinders the prioritisation of investigations; however, this issue has not been thoroughly examined.

231. As noted in IO3, the AT acknowledges that the significant illegal and unregulated secondary market for foreign exchange and hawala-like operations in the Maldives presents emerging risk and vulnerabilities in relation to TF activities. However, this was not comprehensively assessed in the 2022 NRA and there has been no policies or strategies to mitigate the TF risks.

TF identification and investigation

232. MPS can receive leads in relation to TF activities from the FIU that arise from STRs and through discovery in other investigations, by referral from Defence Intelligence Services, MCS, MI, the ACC, or through complaint to MPS or from foreign intelligence. The AT was provided with data on the numbers of financial intelligence sourced from the FIU as presented in the analysis under IO.6. However, data on the number of TF referrals from DIS, MCS, MI, or other competent authorities, both domestic and international, was not provided.

233. While a legal framework for the domestic designation of foreign terrorist organisations exists under Section 18 of the Anti-Terrorism Act – which involves MPS, the Ministry of Homeland Security and Technology, NCTC, and DIS; at the time of ME onsite, the AT was of the view of that this designation process has only been utilised in the Maldives to list large foreign terrorist organisations, even though the legislation allows for broader criteria. Notably, the legislation does not specify the size or the type of organisations eligible for listing, leading to a lack of clarity in implementation. Additionally, the AT has not received information regarding any actions taken by competent authorities, subsequent to the listings, indicating a potential gap in the accountability and effectiveness of the process. The absence of a clear mechanism for designating individuals or entities appears to create reluctance among competent authorities to utilise the domestic designation process to target entities beyond large foreign organisations, as there is currently no provision or mechanism for appeals or de-listing.

234. MPS faces significant challenges in identifying suspicious TF activities linked with to NPOs. This is primarily due to the lack of leads from the Ministry of Youth Empowerment, Information and Arts, the official registering body for NPOs in the Maldives. Furthermore, there is currently no regulatory oversight or monitoring of the NPO sector aimed at detecting TF activities, making it difficult for MPS to uncover such activities effectively.

235. The identification of TF activities involving NPOs must therefore rely on alternative and often inadequate methods, given the systemic deficiencies present, as outlined in the analysis of IO10. Although there is some level of cooperation between the FIU and DIS to analyse TF risks associated with NPOs, the effectiveness of this collaboration has not been confirmed by the authorities. Additionally, the absence of formal and consistent coordination for information sharing among domestic agencies focused on TF significantly hampers MPS' ability to identify and investigate potential cases. While informal communication channels, such as those facilitated by the Fusion Centre, exists to discuss terrorism and violent extremism on an as-needed basis, no concrete example of successful information sharing on TF activities have been documented.

236. Of the four case studies provided relating to terrorist and TF investigations, three cases originated from foreign intelligence. However, none of these have progressed to the prosecution stage. The AT did not receive information clarifying the reasons these cases failed to meet the evidential threshold required for prosecution.

237. Additionally, Maldives has not demonstrated a meaningful investigative response, proving or disproving illicit activity, in relation to detailed information in support of international sanctions relevant to organisational level terrorist financing and fundraising.

238. There is no information available to demonstrate the use of special investigative techniques and, as a result of conversations with investigators, it is apparent that the understanding of the TF offence and awareness of points to prove a case is low and at a very nascent stage. This is understandable considering the absence of targeted and TF investigation-focused training.

239. Competent authorities, particularly MPS as the primary investigative agency on TF, face significant challenges in effectively addressing the threats posed by TF activities within the real estate sector. Although the NRA provides detailed commentary regarding TF involving wealthy donors in the Maldives, it identifies a critical gap concerning the growing trend of terrorist groups investing in real estate. Specifically, Maldives have not conducted analysis or demonstrated an understanding of the threat or response to the recommendations of UNSCR 2462.²⁸ This is a fundamental deficiency given the vast and largely unregulated nature of the real estate market in the Maldives, which includes high-risk transactions such as island leases. The situation is further exacerbated by issues such as the opacity of UBO, inadequate verification processes for company formation, and the poorly developed land registry systems and procedures. These deficiencies collectively hinder the ability of authorities to identify and investigate TF cases effectively.

240. Another challenge in identifying and investigating TF cases is related to the potential infiltration of the fishing industry by affiliates of terrorist groups, as highlighted in the NRA. While the Ministry of Fisheries and Ocean Resources has established a robust registration system for the allocation of fishing permits for boats, skippers and crew, there remains a critical deficiency in market entry controls. Specifically, there is an absence of comprehensive due diligence measures beyond verifying basic identity and landing details, which are essential to assess potential links to terrorist activities among employees or the UBOs of fishing vessels. Additionally, there is no ongoing review of registered entities or screening processes to prevent the diversion of funds for terrorism through various means, including employment, business ownership or extortion within the industry. Furthermore, the Maldives has not demonstrated how licensing authorities identify and act on terrorism-related intelligence from relevant agencies. These deficiencies in oversight hinder the ability to effectively detect TF risks and mitigate the potential exploitation of the fishing industry for terrorist purposes. Conversely, during the on-site visit, the Coastguard, which oversees a wide range of maritime responsibilities, reported that the use of blast fishing is not present in the Maldives. This absence alleviates concerns regarding the easy access of malicious actors to explosive materials and is a positive factor in understanding the risk context of the fishing industry in the Maldives.

TF investigation integrated with -and supportive of- national strategies

241. The NCTC, appointed by the President, is tasked with coordinating the national effort against terrorism and violent extremism, advising government authorities on strategies to combat individuals or groups who finance or support such activities. However, the Maldives has not demonstrated the effectiveness in meeting these commitments in the critical area of TF. Given the current threats of terrorism in the jurisdiction, and the risk ratings for various TF methods, the Maldives' inability to

²⁸ Para 14 <https://documents.un.org/doc/undoc/gen/n19/090/16/pdf/n1909016.pdf>

implement Commitment 8 of the NCTC's mandates (see Box. 4.1) reveals a significant shortcoming in its overall strategy to establish a comprehensive national approach to combating terrorism and TF.

242. While competent authorities report that information related to terrorism, TF, and violent extremism risks has been shared through the Fusion Centre - an informal information-sharing platform established in 2020, comprising various agencies such as FIU, DIS, MPS, MI, MCS, Aviation Security Command (ASC), and NCTC - there remains an absence of details evidencing the effectiveness and sustainability of this forum in supporting TF investigations. The Fusion Centre has convened 26 times as of January 2025, yet there is no demonstration that its operations contribute effectively to integrated national counterterrorism and CFT strategies. Furthermore, no other government departments, law enforcement agencies, or competent authorities have received relevant information or guidance regarding countermeasures against TF as required under Commitments 4 and 8 of NCTC's mandates. This lack of communication underscores a broader gap in the national strategy to combat such threats effectively.

Box 4.1 NCTC Mandates (relevant commitments)

Commitment 4 - Provide information to relevant government authorities on activities related to terrorism, financing of terrorism related activities and the movement of funds for such activities.

Commitment 7 - Advise government authorities on measures to counter persons who finance or provide information and training or provide other support to extremists.

Commitment 8 - Conduct analysis about the causes, underlying conditions and societal challenges that foster extreme and radical socio-political ideologies and collaborate with government authorities and agencies and not-for-profit organisations and non-governmental organisations on formulating strategies to counter the spread of such extreme and radical ideologies.

243. NCTC faces challenges in medium to long term strategic planning. Changes in national administration and the potential for political influences can substantially impact the Centre's role at the beginning of each new term of Government. Moreover, the absence of a national strategy and an accompanying accountable action plan to prioritise objectives, threatens the sustainability of NCTC's operations. Therefore, any decisions made by NCTC, are unlikely to be sustainable, without robust support from a long-term, cross-administration strategy at the national level.

244. The effectiveness of ECI in relation to TF investigations is low, noting despite strong leadership, the ECI is operating autonomously, without strategic policy governance at the national level, or without policy direction, accountability, and legacy at the operational level. Current attempts at improving effectiveness and implementation of sustained reforms are reliant on the approach of the incumbent leadership.

245. The Home Ministry, overseeing the Reintegration Centre, has established robust mechanisms for 'victims' returning from combat zones. These mechanisms currently assist individual travellers assessed by multiple Ministerial leads as having no involvement in terrorist activities. However, there is a significant deficiency in the national CT strategy regarding the identification and management of individuals returning from the conflict zones who are suspected of terrorist involvement. The Maldives has not demonstrated that a formal framework is in place to systematically assess, monitor or take appropriate preventive or disruptive measures against such returnees. This gap limits the authorities' ability to detect and respond to TF risks associated with these individuals, including the potential use

of domestic or international financial channels to support terrorist activity. In addition, returnees not directly linked to terrorist acts may hold valuable intelligence on TF methods, facilitators and networks. The absence of structured procedures to capture and analyse such information represents a missed opportunity to enhance the effectiveness of financial investigations and broader CT efforts.

246. Critically, however, with the absence of national policies, the Maldives did not demonstrate integration of TF approach in any agency level counter-terrorism policies or preparedness training or other activities. There are no manuals or guidance to incorporate CFT with broader terrorism investigations, or counter-terrorism actions, policies or activities.

Effectiveness, proportionality and dissuasiveness of sanctions

247. The Maldives' TF offence includes proportionate and dissuasive sanctions for natural and legal persons, which have not been applied in practice since the Maldives has not convicted anyone of TF. Accordingly, there is an absence of data to analyse the effectiveness of sanctions.

Alternative measures used where TF conviction is not possible (e.g. disruption)

248. The Maldives has not provided any information to clearly demonstrate that disruptive measures have been used when a TF prosecution or conviction is not possible.

Overall conclusion on Immediate Outcome 9

249. The Maldives has an informal institutional arrangement through the ECI to investigate TF, but the processes in place work outside of any national governance or strategic approach, or in response to operational level policy to provide direction and accountability. The NCTC has yet to fulfil its mandated obligations in countering terrorist financing. It appears that the Maldives has not initiated any strategic efforts to support TF investigations that align with its risk profile. Investigators recognise the value of financial intelligence and financial evidence to support terrorist investigations. Those responsible for TF prosecutions at all levels of the judicial system have had no formal training and there have been no TF convictions. There is a low level of understanding of the TF offence and the points required to prove an offence. It is unclear the degree to which CFT is formally integrated into the Maldives' national counter-terrorism strategy or policies or preparedness activities. Deficiencies across the system require fundamental improvements.

250. **Maldives has a low level of effectiveness for IO.9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

251. There is no designated competent authority in the Maldives responsible for proposing entities in relation UNSCR 1267 and its successor resolutions, which demonstrates that the Maldives has not implemented TFS pursuant to UNSCR 1267. The Maldives has not made any proposal to either UNSCR 1267/1989 or domestically, which is not in keeping with the Maldives' risk profile.

Implementation of targeted financial sanctions for TF without delay

252. The legal framework for implementing TFS in the Maldives, as mandated by UNSCR 1373, is limited. Since October 2024, the FIU has initiated a standing freezing order to ensure compliance with Section 52 of the PMLFT Act, which establishes a restricted freezing obligation related to UN

designations. However, considerable gaps in the TFS obligations, as outlined in the analysis of Recommendation 6, significantly undermine the effectiveness of the system for implementing UNSCRs. The Maldives lacks a comprehensive institutional framework to execute TFS measures under UNSCR 1373, with only minimal provisions addressing aspects of UNSCR 1267. Critically, there is no designated authority responsible for proposing individuals or entities for listing under the 1267 or 1988 Committees, nor is there a mechanism to identify and assess potential targets for designation. Additionally, there are no procedures for submitting de-listing requests for individuals or entities that no longer meet designation criteria, and no clear provisions exist for unfreezing assets or granting access to frozen funds.

253. These structural deficiencies, along with the lack of specific freezing mechanisms, critically impede the Maldives' ability to act promptly and effectively in accordance with its international obligations. Given the relevance of UN-designated individuals and entities to the Maldives, these shortcomings are particularly concerning, especially as the implementation of the few existing provisions is not adequately demonstrated. Moreover, competent authorities within the Maldives currently lack awareness of the processes necessary for implementing TFS procedures, including the relevant legal framework and existing mechanisms. It is imperative that these authorities develop a thorough understanding of these procedures, should the need for action arise.

254. While there is a standing order in place for REs to freeze persons and entities designated by the UN, the Maldives does not have clear mechanism of disseminating information on designations to all REs. During the onsite, the FIU noted while updates regarding designations and de-listings are disseminated to REs, these updates are not necessarily communicated in timely manner or without delay.

255. There is a lack of comprehensive guidance or awareness raising to all REs and to other natural and legal persons on TFS obligations and steps to be taken to screen for potential matches and to implement the existing narrow freezing obligations.

256. Not all authorities are informed about these designations through their own monitoring and informal communication channels and have not demonstrated that further actions have been undertaken in response to these designations.

257. The Maldives does not have a legal basis to designate any natural or legal persons pursuant to UNSCR 1373. In addition, the Maldives has not received any requests for designations and freezing actions from foreign counterparts via the UNSCR 1373 mechanism. As a result, the effectiveness of the existing domestic mechanisms has not been tested in practice. Furthermore, there is no explicit requirement imposed on authorities in the Maldives to adhere to the procedures outlined by the UN Sanctions Regime or to utilise the standardised forms for listings established by the 1267/1989 Committee or the 1988 Committee.

258. Despite the high risk of TF, as noted in the NRA, the Maldives lacks inter-agency cooperation mechanisms that would facilitate the application of the UNSCR 1373 in effectively combating TF.

259. FIs displayed a diverse understanding of their obligations and implementation of TFS. While banks, remitters, insurances companies and some larger DNFBPs are conducting both automated and manual screening processes against up-to-date UN sanction lists, the effectiveness of these measures varies (see IO.4). During the onsite, one foreign bank operating in the Maldives articulated its approach to employing online screening systems for the identification of designated individuals and entities. This

bank also benefits from supplementary support from its parent company regarding screening processes. Despite the presence of semi-regular screening procedures among most FIs, during the onsite interviews, it was not clear to the AT that these entities do not consistently screen all transactions against relevant UNSCRs.

260. At the time of onsite, banks reported no instances of positive matches, including false positives, concerning their compliance checks. The FIU has not received any report of asset freezing related to CT or CFT after the issuance of Circular No. CN/2024/9091 dated 10 October 2024. The majority of NBFIs and all DNFBPs lack awareness of the full scope of their obligations in the event of a positive match. Furthermore, outreach efforts to all REs regarding TFS have been limited and were ongoing at the time of the onsite visit, resulting in inadequate communication with all relevant competent authorities.

261. The Maldives has not allocated sufficient resources to the supervision of TFS obligations which undermines the effective oversight and enforcement of the limited TFS obligations set out in the Act and the 2024 FIU Circular. As outlined in IO.3, the focus of supervision for FIs and DNFBPs has primarily been on general AML/CFT obligations with a limited focus on TFS. Additionally, EDD practices within banks, have not addressed TFS-related obligations specifically. Consequently, there has been a noticeable absence of targeted supervision or thematic inspections relating to TFS-TF during the review period.

262. Overall, there is a significant deficiency in the understanding of freezing procedures among all FIs and DNFBPs in the Maldives. Specifically, there was insufficient knowledge of the related domestic legislation and the obligations to freeze assets, as outlined under Section 52 in the PMLFT Act, when funds are identified as potentially linked to designated lists. For instance, during the onsite visit, a commercial bank indicated that, upon finding a match against a designated list, they would file an STR to the FIU; however, they would still proceed the transaction rather than implementing the necessary freezing measures without delay. There are no reported instances of such a case occurring to date.

Targeted approach, outreach and oversight of at-risk non-profit organisations

263. The Registrar of Associations, located within the Ministry of Youth Empowerment, Information and Arts has the legislative responsibility for regulating and supervising NPOs. There are currently eight staff and two lawyers providing oversight responsibilities to all 3,231 NPOs.

264. The management and oversight of NPOs have recently transitioned from the Ministry of Homeland Affairs to the Ministry of Youth Empowerment, Information and Arts. This shift resulted in the Registrar losing access to its online portal and existing records related to NPOs, necessitating a return to manual record-keeping methods. Consequently, NPOs are now required to submit their annual reports and financial reports via mail.

265. The current measures applied to NPOs in the Maldives demonstrate the lack of a comprehensive understanding of the sector's exposure to TF risk and are not applied proportionately. A uniform set of registration and filing requirements is enforced across all NPOs, irrespective of their size, type, or risk profile. This one-size-fits-all approach imposes excessive administrative burdens, particularly on smaller, low-risk organisations, potentially hindering their ability to engage in legitimate activities. Furthermore, these requirements do not appear to be specifically designed to mitigate TF risk.

266. The Registrar also lacks a strategic plan and the necessary technical capacity, such as an online portal as used by the previous Registrar, to ensure efficient compliance. Consequently, timely financial reporting remains low, with estimates suggesting only 20% compliance. Additionally, insufficient staffing restricts both enforcement and oversight capabilities. These shortcomings highlight that the Maldives has not yet established effective, risk-based, and proportionate measures to safeguard the NPO sector from terrorist financing abuse while supporting legitimate NPO activities.

267. The Maldives has conducted risk assessments on NPOs, as part of the 2022 NRA, categorising this sector as a high risk for TF. However, the assessment lacks detailed documentation specifying which types of NPOs are considered vulnerable to TF abuse and for which targeted and proportionate measures should be implemented. Furthermore, since the completion of 2022 NRA, no sectoral risk assessment has been conducted for NPOs in the Maldives. At the time of onsite, competent authorities, indicated that NPOs engaged in humanitarian assistance or religious activities could potentially fall into this high-risk category. Furthermore, the information provided in the 2022 NRA does not elaborate on the mechanisms through which NPOs might be exploited for TF in the Maldives.

268. The 2022 NRA indicates that between 2017 and 2021, the FIU generated a total of five TARs relating to NPOs. However, during this period, there were no STRs linked to TF, and the relevant authorities did not identify any ML/TF cases associated with NPOs. The NRA also notes that open-source information contains allegations of potential terror connections involving a limited number of registered NPOs. However, during the onsite, no additional information provided to the AT regarding these allegations. Moreover, there were no Maldivian NPOs identified as having direct affiliation with terrorist individuals or organisations.

269. While the Registrar is aware of some NPOs providing financial support to conflict zones, there has been a lack of monitoring or inquiry to these activities. This indicates a failure to ensure accountability and transparency among the NPOs involved. The Maldives is deficient in establishing coordination mechanisms between the Registrar and other Ministries, which hinders effective regulation and supervisory control over NPOs. The scope of oversight conducted by the Registrar is primarily limited to addressing the late submission of annual financial reports. Notably, there is an absence of risk-based supervisory activities for NPOs in the Maldives.

270. During the onsite visit, NPOs operating in the Maldives, both local and international-branch NPOs, reported minimal interaction or coordination with the Registrar regarding a TF focus. NPOs indicated a strong desire for enhanced regulation and guidance, citing a lack of feedback from the Registrar. Additionally, the information collected on donor profiles was found to be limited, and there is a conspicuous absence of verification processes to assess the background of these donors. NPOs also reported that large numbers of unlicensed NPOs were operating in the Maldives, without appropriate oversight, despite registration requirements for NPOs. There exists no mechanism or incentive for NPOs to formally complain or informally report these unlicensed NPOs to the relevant authorities. Lastly, instances of the Registrar requesting local banks to suspend the bank accounts of NPOs for failing to submit required document in accordance with the relevant legislation, have been infrequent.

271. The Ministry of Islamic Affairs (MIA) in the Maldives plays a role in regulating NPOs engaged in religious activities; however, its capacity to take decisive actions, such as revoking approvals for certain religious NPOs due to concerns about extremist activities, appears to be limited with such occurrences being rare. While MIA informally collaborates with NCTC on issues surrounding extremism, particularly regarding training and awareness programs, there are no formal procedures in place to govern this partnership.

272. MIA also maintains records of donor profiles related to religious charitable contributions - such as zakat, infaq, and shadaqah - and supervises their distribution, which is primarily directed toward benefitting Maldivians. Additionally, NPOs can apply for funding through the Zakat House. However, there is a notable lack of coordination, both formal and informal, between MIA and the Registrar. The Maldives reported one meeting was conducted in 2024 by MIA, to discuss the importance of transparency and accountability in charitable fundraising activities aimed at religious purposes, with the objective of preventing potential misuse for extremist ends. Furthermore, within MIA, there is a Counter-Narratives Committee established to play a key role in countering the narratives and activities put forth by extremists of various ideologies that threaten the peace and security of the Maldives, while also participating in awareness activities organised by NCTC.

273. The NCTC, in partnership with MPS, has responsibility for raising awareness of specific TF risks among NPOs. This responsibility is outlined in their publicly available mandate (see IO9). However, at time of the onsite, some NPOs indicated that while they received outreach, the focus was not primarily on TF, and the majority of NPOs were unaware of NCTC's mandate concerning TF awareness. NPOs conveyed a general lack of understanding of TF and their associated risks.

274. The Maldives does not identify the categories of NPOs at risk of TF, leading to the absence of the implementation of proportionate measures tailored to address these risks. Instead, the Maldives has adopted a one-size-fits all approach in regulating NPOs and not a targeted approach for at-risk NPOs. This lack of a targeted strategy hampers the effectiveness of regulation and creates a gap in addressing potential risks associated with NPOs in the Maldives. Moreover, there is an absence of a nationally coordinated strategy aimed at mitigating the TF risks on NPOs, leaving a critical vulnerability in the oversight of these organisations.

Deprivation of TF assets and instrumentalities

275. The Maldives has not demonstrated that terrorists, terrorist organisations, and terrorist financiers are deprived of assets. In 2024, only 10 STRs have been submitted to the FIU with no funds being frozen under relevant UNSCR 1267 and 1988 or under UNSCR 1373. Additionally, the Maldives has not taken steps to nominate any entities for designation under UNSCR 1373, which is a critical measure in addressing the risk of TF given Maldives' risk and context. The absence of designations of individuals as terrorists under the Maldives' domestic designation process further constrains the capacity of law enforcement agencies to conduct investigations and enforce applicable laws effectively. Moreover, the Maldives lacks mechanisms to disseminate information concerning UNSCR 1373 designations and TF more broadly to natural persons. Notably, there have been no instances of the Maldives utilising financial intelligence to identify potential such cases.

276. The absence of any freezing, seizing or confiscation outcomes in the context of terrorism and TF investigations and prosecutions is detailed at IO.8.

Consistency of measures with overall TF risk profile

277. Measures taken by the Maldives, including TFS measures, are inconsistent with the overall TF risk profile, which has been categorised as high in the 2022 NRA. FIs and some DNFBPs are employing both automated and manual screening measures to check compliance against the relevant UNSCR designation lists; however, notably, there have been no positive matches identified thus far. Additionally, the Maldives lacks a comprehensive CT/CFT strategy. Although there exists an interagency process within the Maldives for domestic terrorist designations, it excludes entities listed

under UNSCR 1373 and does not have the authority to nominate entities to this list. This limitation hinders the effectiveness of the designation process in bolstering broader CT and CFT initiatives in the Maldives. The activities of NPOs are largely disconnected, attributed to the limited capacity of their regulatory body, the Registrar. There has also been a notable deficiency in outreach concerning TF risks directed at NPOs. Furthermore, numerous unlicensed NPOs operate independently within the Maldives, and relevant authorities have yet to implement measures to regulate or monitor these entities, thereby exacerbating the TF risk landscape.

Overall conclusion on Immediate Outcome 10

278. The Maldives has established a legal framework for the implementation of TFS in accordance with UNSCR 1373; however, it lacks a corresponding framework for UNSCR 1267. While the FIU disseminates information on updated listings and de-listings to FIs, no mechanism exists to communicate this information to natural persons. Despite the existence of legal provisions for TFS under UNSCR 1373, the Maldives lacks the capacity or coordination mechanisms necessary to nominate any individuals or entities for designation. Furthermore, the efforts towards communicating the sanctions, providing guidance and engaging in outreach appear to be minimal. This includes a notable absence of procedures for delisting, unfreezing assets, and communication.

279. The understanding of TFS obligations among FIs varies significantly, with larger FIs employing automated or manual screening processes. However, some other FIs and all DNFBPs fall short in conducting adequate TFS screening. Consequently, the Maldives has not demonstrated an effective strategy for depriving terrorists, terrorist organisations and terrorist financiers of their assets, as only prominent terrorist organisations have been designated domestically with no individuals identified for designation. Moreover, the Maldives has not identified NPOs at risk of TF abuse and has been unable to implement targeted and proportionate measures for at-risk NPOs. Furthermore, the Registrar, NCTC, and other relevant authorities are not effectively monitoring NPO activities to mitigate TF risks, and their coordination efforts are insufficient.

280. **Maldives has a low level of effectiveness for IO.10.**

Immediate Outcome 11 (PF financial sanctions)

Implementation of targeted financial sanctions related to proliferation financing without delay

281. The Maldives has a very limited legal basis to implement some elements of TFS-PF. The limited obligation is defined in the PMLFT Act under Section 52(a), which requires the MOFA to send any list of persons designated by the United Nations Security Council acting pursuant to Chapter VII of the United Nations Charter to the FIU. However, the title of Section 52(a) is “Actions to be taken against funds associated with financing of terrorism”, which notably lacks any reference to PF and could create confusion about the scope of the PMLFT Act.

282. Further, and as identified in R.7, there is no designated competent authority explicitly set out in law and, overall, authorities in the Maldives lack awareness of the processes required to implement TFS procedures, including the legal framework and mechanisms that are currently in place. There is also an absence of CPF policy coordination structures.

283. The FIU issued a standing freezing order in October 2024 (FIU Circular CN/2024/9091 October 2024) however the scope of the requirement and its application is very narrow and is not well

understood by REs or supported by authorities. This standing order requires REs to freeze funds of UN designated persons and entities following notification from the FIU. However, the Maldives does not have a clear mechanism of disseminating information on designations to all REs. While the AT acknowledges that the FIU usually sends email notifications to some FIs immediately upon receipt of designation information from MOFA, however the MOFA is not always sending the FIU updates on PF designations without delay. The AT noted the FIU is disseminating some updates regarding PF designations and de-listings to some REs, however these updates are not necessarily communicated in a timely manner or without delay. Further, the freezing obligation does not extend to all natural and legal persons.

284. Overall, the significant gaps in the scope and details of TFS-PF obligations in the Maldives' legal framework undermines the effectiveness and the few legal provisions that are in place are not well understood by all REs.

285. As outlined in Chapter 1, there is limited direct exposure of the Maldives to trade or diplomatic engagement with the DPRK. The Maldives has had diplomatic relations with DPRK since 1970 and historically there was a DPRK representative office in the Maldives, however at the time of the onsite there was no diplomatic representation of the DPRK in the Maldives.

286. The relevant authorities did not demonstrate a comprehensive understanding of their risk exposure to PF. The Maldives has a geographically strategic location with dispersed maritime borders, exposure to international shipping routes which may create exposure to PF risks, for example regarding the trans-shipment of dual-use goods.

287. The Maldives had a case in 2019 which illustrates elements of risk involving DPRK-related sanctions evasion. A case involving the supply of oil to a DPRK flagged ship was prosecuted and dismissed in the Maldives Criminal Court on the grounds that it was not a crime under Maldivian law to violate United Nations sanctions.²⁹ This demonstrates the very limited legal framework for TFS-PF in place which is not applicable to all natural and legal persons.

288. Nationals from all countries can enter and apply for a work visa in the Maldives as a result of their universal visa regime, which could include nationals from the DPRK. While it is not known to have occurred to date, in practice DPRK nationals could be able to open a bank account at Maldives-based banks as long as they possessed a valid work permit and were not a UNSC designated entity.

289. The FIU has issued 'Guidance on Proliferation and Proliferation Financing' on 29 January 2017, which is available and accessible on the FIU website, to assist the relevant REs with implementing preventative measures and TFS-PF. This information provides guidance on how obligations can be best implemented however it has not been shared with all REs, nor been updated, and does not establish any legal obligations.

Identification of assets and funds held by designated persons/entities and prohibitions

290. The Maldives has not proactively taken action to identify funds or other assets of designated persons and entities (and those acting on their behalf or at their direction) in relation to TFS-PF. For example, Maldives authorities are not systemically pursuing identification of potential PF cases or

²⁹ <https://criminalcourt.gov.mv/CriminalCourt/wp-content/uploads/data-storage-qaziyyanimmunugothugereport/399-Cr-C-2018-khulaasaa-report.pdf/>
<https://maldivesindependent.com/crime-2/court-dismisses-charges-raised-over-oil-supply-to-north-korea-148030>

tracing transactions suspected to be related to PF as there is a limited understanding of PF risks across most agencies. FIs, DNFBPs, and competent authorities have not identified or frozen any funds in connection to PF which is inconsistent with the broader risk profile in the Maldives.

291. The Maldives is actively working with regional partners on the monitoring and surveillance of its maritime territory. While Customs and the Coast Guard undertake basic monitoring for ship-to-ship transfers and have a list of red flag indicators, authorities during the onsite noted that to date no ship-to-ship transfer has been identified that involved a DPRK-flagged vessel by Maldivian authorities which is in contradiction to an identified case in 2019 and is not in line with its risk profile. During the onsite visit it was not evident to the assessment team that all authorities were aware of the 2019 case and overall, there was a lack of PF sanction risk awareness from most authorities.

292. The FIU has conducted some outreach activities to FIs that includes TFS-PF information for example a comprehensive workshop for FIs and authorities was held in March 2024 on countering the financing of proliferation. The FIU has also collaborated with the US State Department in training for FIs and authorities on PF including “Training on Proliferation Finance Risk & Cryptocurrency Risks” in July 2022.

FIs and DNFBPs’ understanding of and compliance with obligations

293. As outlined in IO.10, FIs displayed a varying understanding of their obligations and implementation of TFS-PF. While commercial banks, remitters, insurances companies and some DNFBPs are conducting either automated or manual screening processes against up-to-date UN sanction lists, the effectiveness of the implementation of these measures varies.

294. In line with TFS-TF screening (see IO.10), TFS-PF screening is only being conducted to a limited extent. Banks, remittance companies and some e-money issuance service providers use commercial software to screen customers against the UNSCR lists and other international lists for sanctioned entities. Smaller FIs use manual screening tools and demonstrated a weak understanding of their TFS obligations. Many FIs were not able to clearly articulate to the assessment team what steps they would take if there was a match (see IO.4).

295. In 2017, the FIU issued one specific circular on PF to FIs and the limited DNFBPs they supervise. The guidance is somewhat limited, and it did not go to all REs. During the onsite visit most REs did not indicate they were aware of this guidance.

296. To date, there has been no positive match with a UN designated person or entity, but one instance of a false positive was identified by an FI during their screening process. As outlined in IO.3 banks and remittance companies conduct transaction monitoring, with remittance companies using less sophisticated and manual systems however overall, there are a number of deficiencies with sanctions screening and transaction monitoring. The lack of matches is not in line with the PF risk exposure that the Maldives faces.

297. Overall, FIs and DNFBPs have a low understanding of TFS-PF freezing obligations in the Maldives. If a situation arose where there was a match or false positive against a designated person or entity, many FIs and DNFBPs were unaware of what actions they were legally required to take.

Competent authorities ensuring and monitoring compliance

298. As identified in R.7, there is no specific legal basis in the Maldives to monitor FIs, DNFBPs or VASPs compliance with TFS-PF, only provisions relating to broader AML/CFT compliance obligations. Therefore, the extent to which Maldives is ensuring or monitoring compliance of PF in the Maldives is unclear. The AT notes the FIU includes some supervisory activities for TFS-PF as part of its broader AML/CFT supervision. Specifically, the FIU examines to a limited extent the compliance with UN sanctions screening requirements as part of its onsite supervisory examinations of some FIs and provides regular updates to FIs regarding changes to the UN sanctions list. However, these updates are not provided to all REs, are not always provided without delay and there is no designated competent authority responsible for CPF explicitly set out in law. There have been no thematic inspections related to TFS.

299. There has been minimal outreach to FIs on measures to implement TFS-PF obligations. The FIU, with collaboration from MMA and CMDA, has conducted some outreach to REs in the Maldives including issuing PF guidance on red flags and measures to assist the implementation of TFS-PF. Positively in 2017, the FIU also distributed one circular to Reporting Entities related specifically to TFS-PF. However, this guidance does not establish any freezing obligations to natural and legal persons and there has been no outreach to natural persons on mitigation of PF risks.

Overall conclusion on Immediate Outcome 11

300. The Maldives has a very limited legal framework to implement some aspects of TFS-PF however, there is no enforceable legal obligation for all natural and legal persons in the Maldives to freeze funds or assets of persons or entities designated by the UN in relation to the proliferation of WMD.

301. There is no specific legal basis in the Maldives to monitor FIs, DNFBPs or VASPs (noting these are not yet regulated in the Maldives) compliance with TFS-PF, only provisions relating to broader AML/CFT compliance obligations. Authorities, FIs and DNFBPs appear to have a varying understanding of exposure to PF risk. Some FIs and DNFBPs are conducting some automated and manual screening however neither FIs, DNFBPs nor authorities have identified or frozen any funds related to PF which does not appear to be in line with the potential exposure to risks of sanctions evasion faced by the Maldives.

302. **Maldives has a low level of effectiveness for IO.11.**

CHAPTER 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key Findings

- a) Understanding of ML risks and AML/CFT obligations broadly among reporting entities is mixed, with banks having a reasonable and more mature understanding. NBFIs and DNFBPs demonstrate weak understanding of ML risks and AML/CFT obligations in general. TF risks are not well understood across all FIs and DNFBPs despite higher TF risk profile of the Maldives.
- b) The application of risk mitigating measures is not commensurate with the ML/TF risk profile of higher risk sectors like remittance companies, money changers and real estate sector.
- c) While FIs and DNFBPs are aware of CDD obligations, there is a significant shortcoming in the accessibility of the verification of customer information, including with respect to BO information, across all reporting entities. The presence of an illegal and unregulated secondary market for money changing and hawala-like operations exacerbates the issue of identification of source of funds. DNFBPs usually rely on CDD conducted by banks and have undertaken limited CDD themselves. The lack of legal framework for licensing of real estate sector and its operations significantly hinders the application of CDD.
- d) Despite high sensitisation on PEP obligations, adequate screening of customers, including family members and close associates, is not occurring across all high-risk sectors. Application of enhanced measures was not well demonstrated by NBFIs and DNFBPs.
- e) The use of an illegal and unregulated secondary market for money changing and hawala-like operations in cash is considered common.
- f) The significant deficiency in the legal framework inhibits the application of TFS. This is somewhat overcome by the use of commercial databases by bank, remittance and e-money issuance service providers for screening and dissemination of related lists by the FIU. Other FIs and DNFBPs did not demonstrate adequate understanding of TFS obligations. There is limited application of enhanced measures against higher-risk countries identified by the FATF.
- g) Banks have been the focus of outreach by the FIU, and this has resulted in almost all STRs in the Maldives generated by banks. There have been minimal STRs from NBFIs (none by MCBs and minimal by MVTs) and none from DNFBPs which is inconsistent with the ML/TF vulnerability.
- h) Banks apply robust internal controls and procedures to ensure compliance with AML/CFT requirements. NBFIs and DNFBPs do not have adequate internal controls to ensure a functioning AML/CFT program.
- i) There are no local VASPs in operation in the Maldives but there is exposure to foreign VASPs operating in the Maldives. There is no clear regulatory framework in place.

Recommended Actions

- a) Address the technical deficiencies in the legal framework for preventive measures for FIs and DNFBPs, specifically in relation to CDD (R.10), PEPs (R.12) and obligations for DNFBPs (R.22-23).

- b) All competent authorities should work with REs to enhance their understanding of ML/TF risks, risks emanating from the informal economy and AML/CFT obligations of high-risk sectors. As a start, require REs to conduct enterprise-wide risk assessment to support REs to identify risks and apply risk-based approach. A specific focus on TF risk is also warranted.
- c) Conduct sustained outreach across all FIs and DNFBPs on ML/TF risks and application of risk mitigating measures to enhance the understanding of AML/CFT obligations and apply robust internal control framework.
- d) Integrate REs of all high-risk sectors into the STR reporting platform and conduct further outreach, particularly to MVTS, MCBs and high risk DNFBPs, to strengthen their understanding of STR obligations through guidance (with specific guidance issued to DNFBPs). Regularly update the existing STR guidance issued to FIs by including emerging trends and patterns.
- e) Enable REs to gain reliable access to accurate and up-to-date identification verification database as well as BO information through direct access to the business registry.
- f) Enhance awareness of obligations on PEPs, including family members and close associates to maintain uniform understanding of PEPs across all REs. Provide practical steps on application of enhanced or specific measures for PEPs, wire transfers, TFS-TF and higher-risk countries identified by the FATF.
- g) Adopt a clear framework for VASPs to either regulate or prohibit them. Additionally, Maldives should assess risks associated with VASPs and expedite rectifying technical gaps in compliance with R.15.

303. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23, and elements of R.1, 6, 15 and 29.

Immediate Outcome 4 (Preventive Measures)

Understanding of ML/TF risks and AML/CFT obligations

304. Banks, remitters, MCBs, e-money issuance service providers, finance and leasing company, insurance companies, securities intermediaries and the state-owned pension fund operate as FIs. All FIs have a designated prudential supervisor with some AML/CFT supervision responsibilities in addition to FIU as the AML/CFT supervisor. Casinos are prohibited. The FIU is also designated as the AML/CFT supervisor for DNFBPs, however, due to the absence of a regulatory framework for the real estate sector, DPMS and TCSPs, REs in operation has not been identified. Similarly, while legal professionals (including notaries), accountants, auditors and tax advisors operate within a regulatory framework, REs undertaking other specified activities under the FATF methodology are not identified and subjected to supervision. Banks are highly weighted given their size and vulnerabilities present in the sector. MCBs and remittance companies are strategically important in the risk and context of the Maldives due to large incoming tourists and expat population that use these services. Other FI sectors are much smaller in size and are weighted less. Real estate sector is highly weighted due to exposure to foreign investments and vast number of islands and lagoons available for leasehold and are particularly vulnerable due to inadequate legal framework. DPMS is moderately weighted followed by other DNFBP sectors, including TCSP functions which are carried out to a limited extent by lawyers and accountants, which are weighted less.

305. There are no local VASPs currently in operation but there is exposure to risks due to lack of regulation of VAs and the presence of overseas VASPs providing service to people in the Maldives to some extent. There are no prohibitions on Maldivians dealing with VA and VASPs which may be incorporated overseas. VASPs are lowly weighted in the context of Maldives, noting of the absence of a risk assessment and vulnerabilities associated with the presence of VASPs incorporated overseas operating to some extent in the Maldives.

Understanding of ML/TF risks and AML/CFT obligations

Financial Institutions

306. Banks have a reasonable and more developed understanding of ML risks and AML/CFT obligations compared to other FIs in the Maldives. Despite higher TF risk profile of the Maldives, TF risk understanding is much poorer across all FIs. NBFIs demonstrated limited understanding of ML/TF risks. Most of the FIs acknowledge corruption and bribery as the main ML threats, in line with the NRA findings, but only few were able to demonstrate a good understanding of the other major risks of drug trafficking and organised crime. MCBs and remitters recognise cash-intensiveness as a main vulnerability, and fraudulent scam activities as posing greater risks to their business, generally consistent with the NRA findings.

307. Banks have been the focus of outreach programs from the FIU and are informed of the findings of the NRA, but other higher risk sectors are not exposed to such sustained outreach. Interaction sessions with the FIU (bimonthly on average during the reporting period), in its capacity as both supervisor and intelligence agency have strengthened ML/TF risk understanding among banks. These meetings include discussions on risks and trends, policies and advice on STR reporting. This has also promoted the implementation of risk-based AML/CFT programs and compliance with AML/CFT obligations of banks. Other designated AML/CFT supervisors have had minimal interactions on ML/TF risks and AML/CFT obligations and have depended upon FIU for such outreach.

308. Only banks complete enterprise or group-wide AML/CFT risk assessments on an annual basis, largely due to capacity and internal organisational requirements, in the absence of an enforceable requirement in Maldivian law. These assessments cover factors like types of customers, transactions, delivery channels and geographical links and are reviewed by the FIU as part of supervisory actions. During the onsite visits, banks indicated limited feedback was provided on these risk assessments. Risks emanating from informal sectors were understood but were considered to be a supplementary 'secondary' part of the economy. Risks associated with the presence of VASPs providing services to people in the Maldives was not well articulated.

309. Sectoral regulations under the PMLFT Act and guidance documents have been provided to FIs by both the MMA and FIU in relation to AML/CFT obligations. Most banks demonstrated a mature understanding of AML/CFT obligations through the application of enterprise-wide policies which are largely attributed to the internal organisational requirements of branches of foreign banks and the internal capacity of local banks. Remittance businesses also demonstrated a good understanding of AML/CFT obligations, largely due to the assistance provided for complying with parent company obligations. Other FIs displayed varied understanding of AML/CFT obligations during the onsite visit with MCBs demonstrating minimal understanding compounded by lack of supervisory engagements. While recent legislative and licensing reforms in the MCBs are being initiated, adequate understanding of obligations by existing businesses was not demonstrated.

DNFBPs

310. DNFBPs, particularly higher risk real estate and DPMS sectors, did not demonstrate an understanding of the ML/TF risks in their sector. No sectoral regulations nor guidance documents have been issued for DNFBPs and there has been minimal interaction with supervisors. As a result, DNFBPs' understanding of their AML/CFT obligations varies and is not well developed. For the high-risk real estate sector, the implementation of AML/CFT obligations is also limited by a lack of identification of operating entities due in the absence of real estate agent licensing/ registration requirements, lack of an up-to-date land ownership registry and inadequate due diligence requirements on leasehold agreements (including valuations).

VASPs

311. There are no local VASPs in operation in the Maldives.

Application of risk mitigating measures

Financial Institutions

312. Largely due to bigger capacity of local banks and/or home country obligations, banks are able to implement a reasonable risk assessment and mitigation frameworks as compared to other sectors. In response to identified risks, these banks have procured additional screening and monitoring tools, accessed historical trade data to identify TBML vulnerabilities, and required certain services to only be available via in-person interactions as risk mitigating measures. While banks and MVTs have adequate AML/CFT policies and procedures in place, other FIs have basic policies and procedures with FIU providing templates for suitable policies for some low capacity MCBs. However, the lack of supervisory engagement and limited understanding of ML/TF risks in their businesses, as demonstrated during the onsite, have contributed to the AML/CFT policies of NBFIs not being fully embedded to effectively mitigate ML/TF risks.

313. General transaction limits³⁰ and regulatory measures, including a requirement of in-person onboarding are in place as a part of prudential regulation, determined without any specific AML/CFT risk assessment. These measures mitigate some risks; but those risks are not well understood or adapted to the specific risks of FIs, and measures are generally implemented by FIs on a rules-basis. Due to lack of adequate awareness of institutional and sectoral risks and general capacity constraints, the NBFIs are particularly vulnerable to apply generic rule-based control systems, whereas banks have a more risk-based approach.

314. Banks and remittance companies undertake risk-profiling of customers to determine the level of ongoing customer due diligence. Risk profiles are reviewed periodically, with all higher risk customers reviewed more frequently than lower risk. Application of risk-based approach is not well understood across all FIs. Despite having a reasonable risk mitigating frameworks compared to other sectors, some banks try to avoid business with high-risk entities, such as MCBs, rather than mitigate them, raising some concerns around de-risking and financial inclusion.

315. The use of currency converted through the illegal and unregulated secondary market appears to be readily accepted by FIs such as remittance companies to make outward remittances. This

³⁰ See Chapter One, paragraph 22

indicates inadequate understanding of risks associated with the unregulated secondary market and application of appropriate mitigation measures. Banks and remittance companies conduct transaction monitoring, with remittance companies using less sophisticated and manual systems. MCBs and money remitters only allow in-person services and money remitters only make person to person transfers and do not provide domestic remittance services. E-money issuance service providers provide domestic transfer services, such as small utilities payments, but are still in a nascent stage of operations. In case of securities and insurance businesses, payments are made only through banks in order to mitigate risks.

316. Most NBFIs are still in the very early stages of implementing effective risk mitigating measures. Given the ML/TF risk profile for money remitters and money changers, and the volume of transactions they are engaged in, the current measures are not adequate or commensurate with risk.

DNFBPs

317. There is minimal application of risk mitigating measures which correlates with the narrow understanding of ML/TF risks among DNFBPs. Some DNFBPs, such as the larger legal and accounting firms, demonstrated a basic understanding of customer identification and AML/CFT policy requirements. Generally, DNFBPs are not undertaking risk assessments of their businesses or customer, nor monitoring transaction. Specifically, there are fundamental legal gaps impacting the ability of the high-risk real estate sector to apply appropriate risk mitigating measures.

Application of CDD and record keeping requirements

Financial Institutions

318. FIs demonstrated a strong awareness of their CDD obligations. Branches of foreign banks leverage the well-established policies and practices of their parent company regarding CDD measures and record keeping requirements with other banks also aware of requisite CDD policies and procedures. Verification is largely undertaken with reference to recently accessible national identification database (eFaas) and work permit database. However, these databases are not integrated into their existing systems for efficiency, nor adequately utilised by all FIs.

319. FIs had a robust understanding of the need to obtain BO information but this was less developed in relation to verification. FIs rely on the BO information that has been available in the business registry since 2010, with recent changes to the Companies Act in 2024 expanding the obligations on necessary BO information to be filed with the business registry. Integrated access to the registry is currently only granted to one bank. Other FIs are able to verify the information they have been provided through the public component of the business registry, but it is not clear if this extends to the full BO information stored in the registry. Additionally, there are concerns on the accuracy and up-to-date BO information available in the registry itself (see IO 5).

320. The extent to which FIs identify the ultimate beneficial owner also varies due to differences in the threshold for ownership levels, as set out in the various pieces of legislation, some of which are not in keeping with the international standards. Identifying the person who ultimately owns or controls a customer who is a natural person is also not well understood, which is not commensurate with the risks present in industries where ownership is restricted to Maldivian nationals, such as guesthouses and fishing vessels. FIs have encountered some trusts and complex legal structures and taken steps to identify BOs in these cases.

321. Despite strong awareness, NBFIs did not demonstrate systematic application of risk-based CDD measures during the onsite visit. Manual processes are largely relied upon for ongoing monitoring of transactions. Foreign remittance is only available at physical remittance companies' locations in Male. As a result, money remitters note customers may collect cash from colleagues who are unable to travel to the capital and undertake remittances on their behalf. This hinders the application of CDD as remitters may not fully understand on whose behalf the customer is operating nor the source of funds. The monies from the illegal and unregulated secondary market for money changing operations flow into banks or remittance companies without robust CDD measures being completed on the source of funds. The e-money issuance service providers also provide service of top-up and payments through agents in remote islands via prepaid accounts of the agents but did not demonstrate effective inclusion of such agents in their AML/CFT programs during the onsite visit.

322. Banks have rejected transactions and business relationships, due to CDD concerns. Since 2021, 113 transactions have been rejected and 979 relationships terminated, due to reluctance in submitting requested CDD review information or incompleteness of information provided, mostly indicating a rules-based approach on non-availability of requisite information, rather than on the basis of risk.

Table 5.1 Rejection of transactions and termination of business relationships due to CDD concerns (2021-2025)

	2021	2022	2023	2024	1-23 Jan 2025	TOTAL
Transactions Rejected	-	-	7	78	28	113
Relationships terminated	9	108	421	441	-	979

323. Record-keeping is adequate across all FIs and is an established practice with minimum retention of records for 5 years with digital copies retained beyond that period.

DNFBPs

324. Some DNFBPs such as large law or accounting firms have basic CDD measures in place but not fully complying with the requirements. For the high-risk real estate sector, the government agencies rely on CDD conducted by banks through which most of the payments are conducted for leasehold transactions of resorts/ islands/ lagoons. There are no restrictions on cash payments for leasehold transactions which can be of significant value. There are no CDD measures in place for the sale and purchase of household properties with significant deficiencies regarding record keeping as a large number of properties are not registered at all, and delays of 4-6 years are experienced for changes to ownership of existing properties.

Application of EDD measures

325. While risk profiling of customers is a requirement as per PMLFT Act, it is not consistently applied across all sectors. EDD measures are applied to a varying degree by FIs, particularly because of varied understanding of AML/CFT obligations. There are also gaps within the legislative framework

which impact the effectiveness of EDD measures (see R.10). Except for banks, EDD obligations are not fully understood and where undertaken, it is not systematic.

Politically exposed persons

326. FIs are implementing EDD for PEPs to some extent but the effectiveness of these measures is impacted by deficiencies in the legislative framework, screening practices challenges associated with identifying and maintaining up to date domestic PEPs lists. There are gaps in the definition of domestic and foreign PEPs and FIs do not have an explicit obligation to implement risk management systems to determine whether a customer is a PEP. Implementation of EDD is most advanced in the banks, particularly in relation to identifying the source of funds.

327. There is no specific PEP list that is centrally maintained and disseminated, with most FIs developing their own lists and relying on self-declaration, commercial databases, or publicly sourced information. The maintenance of these lists and access to current PEP information was not demonstrated at the onsite visit. The FIU provided a non-exhaustive domestic PEP list in September 2020 to some FIs to support implementation of PEP requirements, but this has only been reviewed once in November 2023. The list also lacks details of family members and close associates to adequately identify them.

328. Banks and remitters utilise parent company obligations to identify foreign PEPs through subscriptions to commercial databases. International organisation PEPs are not included in the legal framework in the Maldives, but banks and remitters do use commercial databases to screen for PEPs, which would identify PEPs from international organisations.

329. Screening for PEPs is conducted on a manual basis by NBFIs which inhibits the capacity to adequately identify PEPs or conduct screening as a routine process. Identified PEPs are to be classified as high risk, but supervisors have regularly identified that this approach is not consistently applied by FIs. FIs apply senior management approval while establishing business relationship with domestic and foreign PEPs.

330. FIs indicate that it is challenging to identify PEPs, and particularly their family members and close associates as well as PEPs that are BOs or persons acting on behalf of a PEP. The FIU has issued a General Guideline for Reporting Entities on PEPs in August 2020, but this has not yet resulted in a comprehensive understanding of identification of PEPs and application of enhanced measures across FIs and DNFBPs.

331. DNFBPs do not comprehensively understand the risks posed by PEPs and implement limited measures to identify PEPs. There are no thorough mechanisms for conducting enhanced due diligence and identifying PEPs and classifying them as high-risk across DNFBPs, which is not in line with the exposure to ML/TF risks, particularly the specific vulnerabilities associated with corruption in the real estate sector, identified in the NRA.

Correspondent Banking

332. Branches of foreign banks operating in the Maldives leverage correspondent banking relationships of the parent company and implement their correspondent banking policies and procedures. Other banks maintain correspondent banking relationships through appropriate due diligence measures, including obtaining information of AML/CFT controls of correspondent bank,

ownership structure and use of Wolfberg questionnaire. There are some minor TC gaps which relate to ensuring if the correspondent banks have been subject to ML/TF investigation or regulatory action and clearly understanding respective AML/CFT responsibilities. However, the FIU has not found any significant deficiency in the implementation of due diligence procedures relating to correspondent banking relationships or the prohibitions on dealing with shell banks through its supervisory activities.

New Technologies

5

333. There are no obligations in place for new technologies, products or business practices resulting in significant deficiency (see R.15). While branches of foreign banks may apply risk-based measures to new technologies based on parent institution requirements, any risk assessment undertaken by the parent institution is not regularly adapted to the specific risk and context of the Maldives.

334. The Maldives has not implemented a vast array of new technologies which are common in other jurisdictions and there are generally less sophisticated products in the financial sector. Most services require in-person interactions, while business registration can be done without requiring physical attendance in the Maldives or have strict limits on how they can be used.

335. MMA has introduced 'favara' in August 2023 for promoting instant payments among local banks. Due to lack of legal requirement, risks emanating from such integration are not assessed.

336. The recently introduced e-money wallet is expected to promote financial inclusion but only has a small customer base and is primarily used for the payment of household bills rather than peer-to-peer payments. e-wallets users only make small payments and the mitigating measures that are in place are more of a regulatory requirement on the wallet size and transaction limit, rather than based on risk assessment. While reporting entities have no obligations to identify and mitigate the risks associated with these products, there is a low uptake of this technology, and the technology is only being used for low value transactions which mitigates the risks faced.

Wire transfer rules

337. Banks, remittance companies and e-money issuance service providers obtain the necessary originator and beneficiary information for initiating, forwarding or receiving wire transfers. The application of EDD with respect to seeking source of funds is in place for these REs, however, there does not seem to be risk-based policy and procedure in place across all FIs to execute or reject transactions. These deficiencies are weighted significantly in view of the volume of transactions linked to the expatriate community and tourism industry, and the widely acknowledged existence of an illegal and unregulated secondary market in foreign exchange and hawala-like operations. The lack of STRs from MVTs sector since 2021 is not in line with risk profile of the Maldives.

338. Wire transfers are mostly required to be carried out in-person (for remittance as well as trade-based transactions) which mitigates some risks if CDD is being correctly implemented but also impedes use of financial technology for providing broad range of services to the geographically dispersed Maldivian population.

339. Other FIs and DNFBPs do not conduct wire transfers and there are no obligations relating to virtual asset transfer rules.

Targeted Financial Sanctions relating to TF

340. There are major shortcomings in the legal framework for implementation of TFS related to TF in the Maldives (see R.6) without delay. Despite this, FIU regularly disseminates changes to UNSCR lists to most of the FIs and DNFBPs on a regular basis through email. Banks, remittance companies and e-money issuance service providers use commercial software to screen customers against the UNSCR lists and other international lists for sanctioned entities. Other FIs use manual screening tools and demonstrated a weak understanding of their TFS obligations. Many FIs were not able to clearly articulate to the assessment team what steps they would take if there was a match.

341. DNFBPs are not applying mitigating measures for TFS related to TF risks.

Higher-risk countries identified by the FATF

342. Understanding of higher-risk countries identified by the FATF varies significantly across FIs. There is a higher understanding among banks, due to parent institution requirements, internal capacity, and outreach from the FIU, with advice to FIs via email until June 2022. Enhanced measures for high-risk jurisdictions are largely consistently applied across banks in the Maldives, with some smaller FIs referring to different lists with a varied understanding of their obligations.

343. Some banks indicated that they would not onboard customers from 'blacklist' jurisdictions and customers from 'grey list' would be subject to enhanced monitoring. Most of the NBFIs indicated that links with higher risk jurisdiction and any other jurisdiction would not result in differential treatment on neither conducting transactions nor monitoring them.

344. DNFBPs met during the onsite visit had a limited understanding of high-risk countries, as identified by the FATF, and were not applying enhanced due diligence measures proportionate to these risks.

*Reporting obligations and tipping off**Financial Institutions*

345. Banks and e-money wallet providers have strong frameworks for identifying and reporting suspicious transactions. The alerts generated by the transaction monitoring systems of banks and e-money issuance providers lead to further investigations before determining if a transaction is to be reported as suspicious. During the period under review, banks have filed 1091 STRs, with e-money issuance service providers not yet filing STRs (see Table 3.5 in IO.6). Other FIs do not have a comprehensive frameworks or software in place but undertake manual monitoring.

346. There has been gradual growth in the STRs submitted by banks in line with their risk profile, mainly attributed to sustained outreach by FIU to banks (see Table 3.5 in IO.6). There are negligible STRs from NBFIs, particularly for MVTs and MCBs, which is inconsistent with the ML/TF vulnerabilities present and highlights the limited understanding of ML/TF risks and reporting obligations among NBFIs.

347. The FIU has established a reporting platform for filing STRs. All FIs, but one recently licensed bank and none of the MCBs are integrated into this platform. There is no clear mechanism for filing

STRs by MCBs, even if there is identification of suspected ML/TF, which is not in keeping with their risk profile.

348. FIU acknowledges the STRs received and are generally perceived to be of good quality, The FIU has recently began providing feedback on STRs. This has included the sharing of high quality STRs as part of the feedback provided to banks to encourage the filing of quality STRs.

349. FIU issued STR Guideline for FIs in 2016 with some generic red flags indicators. Sector specific guidelines issued by FIU for banks, MVTs, securities business and finance companies also consist of red flags for identifying suspicious transactions and behaviours, The guidelines have not been reviewed since their issuance. Some FIs are unaware of such guideline or if at all it is used in identifying suspicious transactions.

350. All domestic and cross-border remittance transactions are to be reported to the FIU. Similarly, the MMA prescribes limits for submission of TTRs relating to cash or currency transaction in respective regulations to banks, MVTs, MCBs, insurance and securities businesses which must be submitted to the FIU. Generally, NBFIs appeared to conflate threshold reporting requirements as STR obligations in interviews with the AT.

351. Banks generally display good knowledge regarding the obligation to not tip-off. Compliance is supported by their staff through internal policies and procedures and training initiatives, including strict confidentiality requirements for staff and standard response to customers when refusing a transaction or business, such as citing “administrative reasons”.

352. While secure monitoring and reporting channels makes tipping off difficult in addition to policy requirements, not all FIs have comprehensive and integrated monitoring and reporting channels. However, no instances of tipping off have been observed by relevant authorities, as of yet.

DNFBPs

353. No STR guideline has been issued for DNFBPs resulting in lower understanding of AML/CFT obligations in the sector. DNFBPs are not integrated into the STR reporting platform and have not filed any STRs during the period under review which is inconsistent with the risks prevalent in the sector. DNFBPs met during the onsite visit had minimal awareness of STR reporting obligations and tipping-off requirements.

Internal controls and legal/regulatory requirements impeding implementation

354. There are no legal or regulatory impediments to the implementation of internal controls and procedures for FIs or DNFBPs, and there are no financial groups operating in the Maldives.

Financial Institutions

355. Banks have comprehensive AML/CFT policies and procedures in place resulting in robust internal AML/CFT controls. Branches of foreign banks follow group policies to keep up to date with the global requirements and adhere to the stricter of requirements between Maldives and home jurisdiction obligations. Banks have internal audit capabilities and designate compliance officers to cover AML/CFT issues. Mandatory yearly training and examinations are required for all staff for most

of the banks. Similarly, remittance companies have reasonable AML/CFT internal controls due to parent company requirements.

356. Other NBFIs do not have robust internal controls in place and are often under resourced and undertrained on AML/CFT issues. Some NBFIs have a designated compliance officer, but they also have other roles in the business. Most MCBs have low numbers of staff who conduct large volume and amount of transactions, and adequate controls are not in place for such high-risk sector.

DNFBPs

357. DNFBPs did not demonstrate that they have internal controls in place or the veracity of these controls.

Overall conclusion on Immediate Outcome 4

358. Banks, remittance companies, MCBs and the real estate sector have been heavily weighted given their materiality and the risks prevalent in these sectors. DNFBPs (other than real estate) and NBFIs received lower weighting and do not adequately understand ML/TF risks nor their obligations to implement mitigating measures commensurate with their risks. Banks have the most comprehensive understanding of ML/TF risks and AML/CFT obligations and application of internal controls compared to other sectors. Limited or minimal interactions between high-risk sectors (other than banks) and supervisors as well as lack of explicit requirement to complete an institutional risk assessment contribute to lower understanding. Though there is strong awareness of CDD obligations, weaknesses in accessibility to information for verification purposes may undermine these measures.

359. The scope of coverage of PEPs is not consistent with FATF requirement and application of EDD measures is not adequately applied by NBFIs and DNFBPs, with challenges in identification of PEPs as well as family members and close associates (including BO). TFS obligations are being met in some branches of foreign FIs largely due to parent institution requirements but there is no effective mechanism for fulfilment of 'without delay'. Understanding of obligations related to higher-risk countries significantly varies across all REs. STR reporting is not in line with risk, with an absence of STRs filed by the higher-risk MCBs and real estate sector and none since 2021 by remittance businesses.

360. **Maldives has a low level of effectiveness for IO.4.**

CHAPTER 6. SUPERVISION

Key Findings and Recommended Actions

Key Findings

- a) While there are fit and proper requirements for FIs, the lack of adequate procedures and verification tools inhibit effective market entry controls. Supervisors rely upon the BO information held in the business registry, which might not be accurate or up to date (see IO 5).
- b) Despite significant presence of illegal and unregulated MCBs and hawala-like operations, there are no strategic plans or concerted efforts to discourage such activity and apply sanctions, with limited coordination among supervisors and LEAs. Efficacy of recent licensing framework for MCBs remains to be seen.
- c) Lack of designated regulators and legal framework for licensing of real estate agents, TCSPs (except for lawyers and accountants carrying out these activities) and DPMS results in ineffective fit and proper checks.
- d) MMA and FIU demonstrated awareness of ML risks but understanding of TF risks was less advanced for all FI supervisors except for the FIU. DNFBP supervisors did not demonstrate adequate understanding of ML/TF risks or their role as AML/CFT supervisor in general.
- e) Apart from the FIU, other supervisors have conducted limited activity to demonstrate risk-based supervision in place and have heavily relied on the FIU for supervisory activities. Joint supervision is carried out in limited instances. Banks are the focus of supervision for the FIU. The limited supervisory activity for MVTs providers and MCBs by the FIU during the review period is not in line with the risks. Further, no supervisory activities of DNFBPs, particularly for real estate sector, is of significant concern.
- f) Limited administrative sanctions have been applied for non-compliance and adequate remedial action against FIs and DNFBPs was not demonstrated.
- g) Due to limited supervisory engagements by designated AML/CFT supervisors, impact of supervision on AML/CFT compliance by DNFBPs and NBFIs could not be demonstrated.
- h) FIU's efforts through trainings and guidance to promote understanding of AML/CFT obligations and ML/TF risks was focussed on banks, with other higher risk sectors unable to demonstrate reasonable understanding of obligations and risks. Other supervisors did not demonstrate any action to enhance understanding of AML/CFT obligations and ML/TF risks.
- i) Due to lack of legal or regulatory framework for VASPs, licencing requirements are unclear, and risks posed by VAs/ VASPs have not been assessed.

Recommended Actions

- a) Undertake coordinated legislative and regulatory reform to clarify regulation of the real estate sector and maintain accurate and up-to-date records so that the buying and selling of real estate is effectively licensed, registered and subsequently supervised.
- b) Strengthen legal framework to identify DNFBPs operating in the real estate sector, DPMS, TCSPs and legal and accounting professions and subsequently supervise them. Specifically, identify DNFBPs that carry out stipulated tasks and fall within the purview of PMLTFA.

- c) Take coordinated and proactive action against unlicensed money changing operators and remittance companies to stifle the illegal and unregulated secondary market.
- d) Enhance fit and proper requirements with clearly defined procedures to utilise verification tools for supervisors including BO requirements and identify designated regulators in real estate, DPMS and TCSP sector to oversee licensing as well as ongoing fit and proper checks
- e) Enhance supervisory resource and capability to further improve risk-based AML/CFT supervision activities across all FIs and DNFBPs, with revision of tool to encompass complexity and size of different sectors.
- f) Enhance coordination among supervisors for effective implementation of risk-based supervision across all high-risk sectors with meaningful integration of offsite supervision into the onsite inspections.
- g) Conduct sectoral risk assessments on an ongoing basis to maintain a current understanding of ML/TF risks and conduct outreach activities to inform of the ML/TF risks. Issue guidance or regulations to help DNFBPs understand their AML/CFT obligations.
- h) Implement the broad sanctions available under the PMLFT Act with AML/CFT obligations and enhance impact of supervisory and remedial actions to promote compliance.

361. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The recommendations relevant for the assessment of effectiveness under this section are R.14, 15, 26-28 & R.34 & 35 and elements of R.1 and 40.

Immediate Outcome 3 (Supervision)

362. The weighting given to the different financial and DNFBP sectors, as well as to VASPs regarding supervision, is the same as the one applied for preventive measures (see IO4 and further details in Chapter 1).

Licensing, registration and controls preventing criminals and associates from entering the market

Financial Institutions

363. MMA is the licensing authority for banks, remittance companies, MCBs, e-money issuance service providers, finance and leasing companies and insurance businesses. The MMA also has the authority to license offshore banking institutions and offshore insurance/ financing business but has neither granted any license to operate offshore business nor designated any SEZ. For banks, license to operate a domestically owned bank is granted after registration as per Companies Act in the Maldives and for foreign banks wishing to operate as branch or subsidiary or representative office, a banking license is granted to investments registered under the Foreign Investment Act.

364. Licensing and fit and proper checks were done by Banks and Other Financial Institutions Division of the MMA until 26 September 2024 after which the Financial Institutions Licensing Division was created. The division currently has four staff designated for licensing and fit and proper checks across all FIs under MMA's remit. The resources are not adequate due to large number of reporting

entities to be covered and the various categories of key personnel to be screened, with overhaul of licensing framework for MCBs underway.

365. The MMA has rejected four applications for banking licences during the review period with a new application currently under review. Several applications for insurance companies and brokers have also been rejected during the period under review. None of these rejections were due to criminality or associations with criminals, with the most common reasons for rejection including incomplete submissions and failure to meet all licensing criteria.

366. MCBs have operated in the Maldives since 1 March 1987, and the licensing framework has recently changed with the issuance of Regulation on Money Changing Business on 1 October 2024. At the time of the onsite, the MMA had received 96 new applications from prospective MCBs, out of which 50 were existing licensed MCBs and 46 were new, with review of applications underway. MCB licences issued by MMA during the review period under previous legislation were as follows, with no rejections based on fit and proper checks.

Table 6.1 MCB licences issued by MMA, 2019-2024

Year	New	Renewed
2019	65	8
2020*	21	-
2021	-	3
2022	-	4
2023	-	5
2024	-	12
Total	86	32

* Suspension of issuance of new license since October 2020.

367. There are numerous cases, and almost 100 STRs during the review period, related to unlicensed MCBs operating as an illegal and unregulated secondary market. The recently reformed licensing requirements for the MCB sector restricts the number of MCBs which can operate in the Maldives. However, there is no concerted effort to identify unlicensed entities in a strategic or systematic way to address the illegal and unregulated secondary market, and the effect of new licensing regime cannot be assessed at this stage. There are a few cases of enforcement action taken against unlicensed operators, based on complaints received. As a regulator, MMA issues list of licensed entities and provides public notice on revoked licences to protect consumers.

368. Similar to MCBs, there are illegal hawala-like providers and minimal coordinated actions have been taken to identify such service providers and impose sanctions. Two licences were granted to existing remittance service providers under the new legal statute, NPSA, in 2022. An application received in 2024 was rejected as not all licensing criteria were met.

369. There were no new license applications for finance and leasing companies during the review period. Regarding e-money issuance service providers, no licences have been rejected based on fit and proper checks.

370. CMDA issues licenses for securities businesses and a single state-owned pension fund is in operation through a separate statute that does not require license by CMDA. During the review period, 38 new licenses to securities businesses were issued by the CMDA and no breaches related to fit and proper checks were found along with when ownership transfer or management change took place.

371. MMA conducts fit and proper checks for major shareholders (holding more than 10%) and administrators (includes director and executive officer) for banks and insurance companies. Similar checks are in place for MVTs and financing businesses covering major shareholders, board of directors and members of senior management. For MCBs, the majority shareholders are considered one holding more than 25%. Such checks are done by seeking criminal records and gathering information from commercial databases, MPS, ACC, PGO and Judicial Administration, in addition to confirming the qualifications, experience, suitability, financial history reviews, integrity and competency checks. Information from open sources and the FIU is also sought but is not consistent and not well demonstrated as a routine and effective means for fit and proper checks.

372. There are no written procedures for verification, however, supervisors indicated the use of QR codes to verify some criminal history reports. Other reports from MPS, PGO and Judicial Administration can be verified through their websites, but this use was not well documented nor demonstrated.

373. As an additional measure, the boards of directors of banks, insurance companies, and finance and leasing companies are responsible for ensuring that fit and proper requirements are consistently met for board members and senior management, as set out in the relevant sectoral regulations. These measures are not in place for MVTs and MCBs.

374. CMDA, through the Market Regulation and Enforcement Division, conducts fit and proper tests for securities intermediaries and directors of such businesses by receiving self-declared criminal background questionnaires with no verification undertaken. Further, there are no specific checks made for majority shareholders or senior management. Comparatively, fit and proper checks for the state-owned pension fund directors are robust with submission of criminal record background by the applicants attested by MPS, but not from PGO, ACC or Judicial Administration.

375. Major shareholders and BOs of banks, insurance, financing businesses, MCBs and MVTs, are required to obtain pre-approval from MMA and provide a police clearance certificate. There are no requirements on BO for securities businesses or the state-owned pension fund. In addition, all licensing authorities are reliant on the information in the business registry, which might not be accurate and up to date (see IO 5). Adequate review and checks of BO were not well documented or demonstrated.

376. Fit and proper checks as an ongoing basis was not adequately demonstrated across all FIs.

DNFBPs

377. MBC licenses legal professionals including firms and notaries as per the requirements of Maldives Legal Professionals Act that was introduced in 2019 requiring attestation of criminal records from MPS, ACC and Judicial Administration, but not from PGO. ICAM licenses accountants and auditors as per the requirements of Chartered Accountants of Maldives Act, that was introduced in 2020. ICAM seeks police records from Maldivian and foreign nationals, and self-declarations from applicants from foreign countries and relies on information from MPS and Judicial Administration, but not from PGO and ACC, for attestation for criminal history checks of Maldivian citizens. MIRA licenses tax agents and requires attestation of criminal records from MPS, ACC, Judicial Administration and PGO. Across all sectors, these self-regulatory bodies do not have adequate measures to verify information received from the applicants. Additionally, understanding and identification of BO and related checks for licence applications was not demonstrated by all DNFBP supervisors.

378. Since the establishment of ICAM in 2020, the Institute has approved over 200 applications. MBC has registered 367 legal practitioners, 182 law firms and 469 notary public practitioners during the review period. No applications have been rejected due to the criminal history of owners or managers.

379. Casinos are prohibited in the Maldives. There are instances of local online betting/ gambling in operation, also informed through STRs, with some actions being undertaken to enforce prohibition measures, such as blocking online gambling sites.

380. There are no designated regulators for DPMS, TCSPs and real estate agents, thereby lacking any licensing requirements or ongoing fit and proper checks. Given the ML/TF risks prevalent in the real estate sector, this is a significant concern and is heavily weighted. Some of the functions of TCSPs that are carried out by the lawyers and accountants are regulated by MBC and ICAM.

381. Fit and proper checks as an ongoing basis was not adequately demonstrated across all DNFBPs.

VASPs

382. There are no VASPs operating in the Maldives. The Maldives does not have a legal framework to regulate VASPs, nor has it issued any prohibitions relating to VA/VASP activity.

Supervisors' understanding and identification of ML/TF risks

Financial Institutions

383. MMA is prudential supervisor of banks, remittance companies, MCBs, e-money issuance service providers, finance and leasing company and insurance business and CMDA is prudential supervisor for securities intermediaries and the state-owned pension fund. These prudential supervisors also have responsibilities as AML/CFT supervisor, as per the PMLFT Act, with the FIU also mandated as the AML/CFT supervisor for FIs, with information-sharing occurring to some extent between supervisors. In practice, these prudential supervisors conduct limited AML/CFT supervision within the scope of their broader prudential priorities. Supervisors' understanding of ML/TF risks is informed primarily through NRA 2022 which noted higher risks for banks and MVTS. Direct involvement of supervisors, particularly MMA and FIU, during the NRA process resulted in having reasonable understanding of cross-sectoral risks. Understanding of TF risks is less advanced for all supervisors (except for FIU). Overall, MMA and CMDA indicate much less understanding of ML/TF risks, due to fewer engagement with the FIs through supervisory or outreach interaction and heavily rely on FIU for as the primary AML/CFT supervisor.

384. Outside of the NRA there have been no separate sectoral or thematic risk assessments undertaken. There is lack of adequate coordination among FIU, MMA, CMDA, LEAs and other relevant stakeholders share insights from their work to inform understanding of the risks present in individual FIs or the sector as a whole. Supervisors' understanding of ML/TF risks has been inhibited by lack of explicit requirements for enterprise-wide risk assessment of REs and it is not clear that information on risk that is gathered as part of supervisory activities is routinely shared.

385. FIU conducts risk assessments of each FI and updates these on an annual basis to update risk understanding and determine the type of upcoming supervisory intervention, but this is not broadly

shared with other supervisors. Outside of this, other activities to enhance the supervisors' understanding of ML/TF risks were not utilised to their full extent. The FIU's bi-monthly interactions with banks' compliance officers have not been effectively used to gather information from these officers on emerging risks and enhance understanding across supervisors but has some elements of coordination with LEAs who are invited to participate. There has been limited engagement with other sectors, including high-risk sectors, which inhibits supervisors' understanding of ML/TF risks across all FIs, and limited use of the analysis of TTRs and cross-border remittance transaction reports has been made to inform of the ML/TF risks in specific sectors in support of the FIU's role as supervisor.

DNFBPs and VASPs

386. ICAM and MBC are SRBs for Chartered Accountants, and lawyers and notaries respectively. MIRA supervises tax agents. These SRBs also have responsibilities as AML/CFT supervisor with the FIU also mandated as the AML/CFT supervisor for DNFBPs. There is no designated regulator for the real estate sector, DPMS and TCSPs, with the FIU named as AML/CFT supervisor in the PMLFT Act. Despite having received some training, understanding of ML/TF risks for DNFBP supervisors is much less compared to FI supervisors, which can be attributed to comparatively less supervision activities and lack of legal measures in place for most of the sectors. Despite the high ML/TF risks identified in parts of the DNFBPs sector, limited actions have been initiated to mitigating legal lacunae, designating competent supervisors, initiating licensing procedures and having comprehensive AML/CFT supervision framework.

387. The Maldives has not assessed risks posed by VA/VASPs, and CMDA has inadequate understanding of its risks and impact on other sectors.

Risk-based supervision of compliance with AML/CFT requirements

Financial Institutions

388. As noted above, the FIU, MMA and CMDA are designated AML/CFT supervisors for FIs, with the FIU primarily carrying out these activities. The MMA and CMDA have been limited to a rules-based supervision approach with a focus on prudential supervisory actions, which incorporate supervision of limited AML/CFT components. There have not been any thematic/ issue specific inspections in the review period. The FIU has one dedicated staff member for supervisory actions (previously, two staff), with other FIU staff forming part of a supervision team during onsite and offsite inspections. Given the FIU's role as AML/CFT supervisor for FIs and DNFBPs, this level of resourcing is insufficient.

389. The FIU uses a single risk rating tool applicable to all FIs, which informs their supervisory plan and the frequency of inspections. The tool is not sufficiently sensitive to identify different levels of risks between or within NBFIs. The tool has not been adapted to cover the changing risk parameters and has macro level risk assessment modality, rather than measuring the specificities and does not cover TF risk components. This risk rating tool is currently being reviewed.

390. Banks have been the focus of AML/CFT supervision considering their size and vulnerabilities, which is largely in line with risk. The MMA engages in onsite inspections of banks covering a limited scope of AML/CFT components, despite the MMA Onsite Supervision Manual comprehensively covering AML/CFT measures to be reviewed by the supervisors. Over the review period, 2-4 annual onsite inspections of banks were carried out on a rule-based approach overseeing some AML/CFT compliance issues by the MMA. Due to the smaller size of foreign bank branches compared to parent institution,

limited joint supervisory engagements have been made with foreign home supervisors, which is not in line with the risks they pose in the Maldives. The FIU is relied upon to supervise AML/CFT obligations of banks. There was minimal collaborative supervision between the MMA and FIU, with minimal exchange of findings of both supervisors' reports demonstrated during the onsite and an absence of enforcement actions taken with each other. However, eight risk-based onsite AML/CFT inspections of banks, with one targeted supervision conducted based on STR findings in 2024, were carried out by the FIU in the review period engaging over 3-5 staff for over 1- 8 weeks.

Table 6.2 AML/CFT Onsite inspections of FIs by FIU (2019-2024)

Year	2019	2020	2021	2022	2023	2024	2025
Banks	2	1	1	2	1	1	0
Remittance companies	0	0	1 (Joint with MMA)		0	0	0
MCBs	0	0	0	0	0	0	0
e money issuance service provider	0	0	0	0	0	0	0
Insurance Companies	0	0	0	1	0	0	0
Finance and Leasing Company	0	0	0	0	0	0	0
Securities Businesses	0	0	0	0	2 (Joint with CMDA)	0	0
State-owned pension fund	0	0	0	0	0	0	0

Table 6.3 AML/CFT Offsite inspections of FIs by FIU (2019-2024)

Year	2019	2020	2021	2022	2023	2024	2025
Banks	0	0	0	0	0	1	0
Remittance companies	0	0	0	0	0	0	0
MCBs	0	0	0	0	0	0	0
e-money issuance service provider	0	0	0	1	0	0	0
Insurance Companies	0	0	0	0	0	0	0
Finance and Leasing Company	0	0	0	0	1	0	0
Securities Businesses	0	0	0	0	0	0	0
State-owned pension fund	0	0	0	0	0	0	0

391. The MMA conducts onsite inspection of remittance companies to check compliance with provisions of acts and regulations, but this is not on a risk-sensitive basis. The FIU has completed one onsite AML/CFT inspection of an MVTs provider during the period under review (see Case Study 6.1, which is not in line with risk.

Case Study 6.1 Joint inspection of remittance company by FIU and MMA

On September 2021, FIU identified compliance issues with one of the remittance companies and sought information from them. After identifying further gaps based on information received, FIU discussed the matter with MMA and an onsite inspection was conducted in the same month. FIU directed the company to conduct an audit and was agreed to be conducted within November 2021, but the audit was not conducted by the company within January 2022, consequently, FIU issued a warning letter. An audit report was finally presented by the company to the FIU in February 2022. With other issues still remaining to be addressed, MMA issued a fine based on prudential grounds of repeated non-compliance of instructions.

During a follow-up inspection during August 2022, MMA observed persistent non-compliance with the instructions and as a result, the license was suspended with immediate effect and was instructed to complete corrective measures by 31 August 2022. The suspension decision was informed to the public. Post request from the remittance company, a follow-up joint inspection was carried out by the FIU and MMA on 16 August 2022 and based on the improved compliance, the license was reinstated on 18 August 2022.

392. There has been a lack of supervisory engagement with MCBs which is not in keeping with risk. The MMA has not conducted any risk-based AML/CFT onsite inspections of MCBs since 2020, with a current focus on consolidating the MCB sector with new licensing provisions. The FIU has not undertaken any onsite AML/CFT inspections of MCBs during the period under review.

393. No offsite inspection was carried out by the FIU during the review period of remittance companies or MCBs.

394. MMA conducts offsite and onsite compliance review of insurance businesses, e-money issuance service providers and finance & leasing companies covering limited elements of AML/CFT.

395. Given the lower volume and size of operations and risks in the securities business, CMDA conducts offsite and onsite compliance review on a rule-based approach. However, CMDA seeks support from FIU in conducting such inspections and has since 2023 initiated joint supervision efforts.

396. The FIU's supervisory engagement with lower risk sectors is also limited. FIU did not conduct any onsite/offsite inspection of FIs (other than banks and remittance companies) during 2019-2021 and 2024, with one onsite inspection of the only life insurance company and one offsite inspection of e-money issuance service provider in 2022. Similarly, in 2023, two joint onsite inspections were carried with CMDA of securities brokers and one offsite review of finance and leasing company, based on the FIU's supervisory plan drawing on the results of the single risk-rating tool. Although the volume of inspections in lower risk sectors is in line with risk, the efficacy of supervisory engagements with these lower risk sectors could not be demonstrated.

DNFBPs and VASPs

397. FIU is the AML/CFT supervisor for DNFBPs but there have been no AML/CFT supervisory activities undertaken, which is not in keeping with the higher risks associated with the real estate sector, DPMS and legal professionals, as identified by the NRA 2022. Additionally, recently established SRBs, ICAM and MBC, are seeking to collaborate with the FIU on supervisory activities, but this has not yet commenced.

398. There is no AML/CFT supervision framework in place for VASPs.

Remedial actions and effective, proportionate, and dissuasive sanctions

399. Designated AML/CFT supervisors can impose a wide range of administrative sanctions for non-compliance of PMLFT Act, but these are not considered to be dissuasive. As noted in R.35, this does not extend to these supervisors' ability to enforce sanction on the sectoral regulations issued subsequent to the PMLFT Act. The FIU can also impose a limited range of administrative sanctions which does extend to non-compliance of regulations issued under PMLFT Act. The absence of designated AML/CFT supervisors for real estate agents, DPMS and TCSPs also limits the application of sanctions.

Financial Institutions

400. MMA has not applied any sanctions for non-compliance of AML/CFT issues by banks, MCBs, and insurance companies with one warning letter issued to a remittance company in 2022 due to inadequate internal information system for customer profiling, transaction monitoring, threshold limits and identifying red flags, with subsequent revocation of license which was later reinstated (see Case Study 6.1). The MMA revoked a number of licences of MCBs during the period under review but these were mostly due to violations of licensing conditions or inadequacy of documents submitted for re-licensing purposes. These pertained to information provided by the FIU or MPS, or from public complaints and mostly due to recently initiated re-licensing framework. It is unclear if any of the cases pertained to AML/CFT non-compliance issues.

401. FIU has issued warning letters to few banks (one in 2020, two in 2022 and one in 2024) and a remittance company during the review period (in 2022), mainly due to deficiencies in implementation of CDD measures. These actions are not publicised; however, the FIU has informed the prudential supervisor of enforcement actions. In summary, following sanctions have been imposed by the supervisors for various sectors during the period under review:

Table 6.4 Sanctions imposed (2019-2024)

Categories of Institutions	Sanctions imposed by prudential Regulator (MMA, CMDA)	FIU
Banks	None	<ul style="list-style-type: none"> • 1 warning letter (2020) • 2 warning letters (2022) • 1 warning letter (2024)
Remittance companies	1 warning letter along with license suspension with license reinstated in the same year (2022)	1 warning letter to the same company by MMA (2022)

Categories of Institutions	Sanctions imposed by prudential Regulator (MMA, CMDA)	FIU
MCBs	None	None
e-money issuance service providers	None	None
Insurance Companies	None	None
Finance and leasing company	None	None
Securities businesses	None	None
State-owned pension fund	None	None

402. MMA and FIU give directions to FIs for remedial actions to be taken by FIs on AML/CFT non-compliance issues. When such directions are not complied within stipulated timeline, enforcement sanctions are imposed.

403. CMDA has not applied any remedial action plans or sanctions on non-compliance of AML/CFT obligations by FIs during the review period.

404. The Maldives' application of few administrative sanctions does not align with the NRA's assessment of higher risk sectors. Maldives pursues an outreach and engagement approach to compliance as opposed to enforcement. There has also been limited application out of the broad range of sanction powers embedded within the PMLFT Act to determine whether the remedial actions have been effective, proportionate and dissuasive.

DNFBPs and VASPs

405. There have been no remedial actions or sanctions applied by designated DNFBP supervisors or the FIU for DNFBP sector. There is no legal or regulatory framework to sanction VASPs.

Impact of supervisory actions on compliance

Financial Institutions

406. There is minimal supervisory engagement with REs by designated AML/CFT supervisors. Engagement of MMA and CMDA with FIs under their remit has not demonstrated in improvement of compliance, firstly due to its rule-based approach to supervision and secondly, due to lack of adequate understanding among supervisors of AML/CFT obligations to be fulfilled by FIs and ML/TF risks institutionally or sectoral. This is also evidenced by greater reliance of MMA and CMDA on the FIU on AML/CFT supervision.

407. Supervisory actions by the FIU have improved compliance by FIs to some extent. There have been some examples of improvements in transaction monitoring and screening systems subsequent to supervisory recommendations in case of banks (see Case Study 6.2) and MVTs sector, but this has not resulted in an increase in STRs from the MVTs sector, which is not in line with the risk profile of the Maldives. In the absence of supervisory actions for MCBs, no positive impacts on compliance have been observed. However, few instances of warning letters issued to banks and remittance companies have resulted in prompt corrective measures and compliance by them.

408. FIU could not demonstrate that the institutional risk profiles of FIs, or updated sectoral risk assessments, have improved due to supervisory intervention.

409. With the limited risk-based supervisory actions it is difficult to determine the impact on compliance. Supervisory actions, including sanctions, are not made public which may limit FIs' deterrent impact on non-compliant behaviour.

Case Study 6.2 Improved compliance through offsite supervision

FIU conducted an off-site supervision of a bank in October 2024 and deficiencies in the effectiveness of the CDD were noticed, in addition to the gaps in submitting Threshold Transaction Reports to FIU. Relevant sample documents and information collected by FIU were considered in assessing the AML/CFT compliance by the bank. The supervision team also observed that the highlighted issues had already been brought to the attention of the bank following a previous on-site examination and through several other communication between the bank and FIU.

Subsequently, a warning letter was issued to the bank highlighting the related gaps, instructing the bank to provide a timeline to address the non-compliance issues by undertaking the recommended actions by FIU. The warning letter further provided notice of potential financial penalty in case the bank failed to address the issues in accordance with the agreed timeline. The non-compliance gaps were subsequently addressed by the bank within timeline. The relevant information was also shared with the head office of bank in principal country and the MMA.

DNFBPs and VASPs

410. The lack of designated regulators in real estate, DPMS and TCSP sector is a fundamental shortcoming, as a result, there are no specific REs identified. Further, FIU has not undertaken any activity on supervision of DNFBPs. Thus, impact of supervisory action on compliance could not be demonstrated by the Maldives.

411. There is no legal or regulatory framework to supervise VASPs and improve compliance with AML/CFT obligations.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

412. MMA and CMDA did not demonstrate that they have been promoting understanding of AML/CFT obligations and ML/TF risks for FIs under their remit and rely on activities undertaken by FIU as an AML/CFT supervisor instead. The outcomes of NRA 2022 were not consistently disseminated across all REs including those FIs that were directly involved in the process.

413. FIU has been focusing on promoting understanding of AML/CFT obligations and ML/TF risks for REs through outreach programs and issuance of guidelines. However, AML/CFT trainings are highly focused on banking sector with minimal outreach for MVTs and none for MCBs and real-estate sector. FIU conducted 26 meetings with compliance officers of banks from 2019 to 2024 but only two meetings were held with compliance officer of MVTs sector, once for representatives of financing businesses and none for other sectors. While this has translated into improved understanding of AML/CFT obligations and ML/TF risks in banking sector, other high-risk sectors remain vulnerable at large. It is also unclear if the outreach and engagement have translated into application of adequate ML/TF risk mitigation measures and improved understanding of AML/CFT obligations across all REs.

414. Sectoral regulations on AML/CFT obligations have been issued by MMA for banks, MVTS, MCBs, securities related businesses and life insurance businesses, but not for the state-owned pension fund, finance and leasing companies. Those issued do not provide additional information further to the obligations already mentioned in the PMLFT Act and have not been revised since issuance in 2015.

415. Guidelines issued by the FIU on sectoral basis for banks, MVTS, finance and leasing companies and securities related businesses are comprehensive in nature but have not been revised since issuance in 2016 and 2017. There is mixed use by FIs of these guidelines in understanding AML/CFT obligations with some sector unaware of these guidelines. FIU has also issued thematic guideline on proliferation and PF as well as general guideline on PEPs. Despite this, understanding of proliferation and PF and meeting obligations related to PEPs by FIs and DNFBPs is not at par indicating issue of adequate transmission and discussion of these guidelines through appropriate means. No regulations and guidelines have been specifically issued for DNFBPs.

416. The FIU publishes regular annual reports with typologies on emerging risks but its effective use by other supervisors and FIs and DNFBPs has not been demonstrated. The FIU has also engaged with SRBs for lawyers and accountants with plans for coordinated outreach to those sectors. Overall, despite limited resources, the FIU has taken positive steps on promoting understanding of AML/CFT obligations and ML/TF risks.

Overall conclusion on Immediate Outcome 3

417. The existence of a significant illegal and unregulated secondary market for money changing business and hawala-like operations indicates that the operation of unlicensed entities is not well monitored and sanctioned in the Maldives. While there are some controls in place to prevent criminals from holding or managing FIs, there is inadequate coverage of officials and review procedures with some supervisors relying on self-declarations, with persistent deficiencies in identifying BOs. The controls in place for DNFBPs are inadequate, compounded by an absence of dedicated regulators for real estate, DPMS and TCSPs. Understanding and identification of ML/TF risks is not consistent across all supervisors with FIU having more advanced understanding. Risks are primarily informed through the 2022 NRA with no mechanism for maintaining an up-to-date understanding of risks. The MMA and CMDA have rules-based AML/CFT supervision frameworks and FIU's risk-based supervision is not consistent across all high-risk sectors. FIU applies few remedial actions for certain FIs for non-compliance but lacks demonstration of effective, proportionate and dissuasive sanctions or significant positive impacts on compliance. Other supervisors have either applied minimal or no enforcement measures.

418. **Maldives has a low level of effectiveness for IO.3.**

CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings and Recommended Actions

Key Findings

- a) The primary form of legal persons in the Maldives is companies³¹, with information on the creation and types of all legal persons, including companies, cooperative societies and limited liability partnerships, publicly available on the one-stop government website.
- b) The NRA assesses the legal persons sector as a whole, but there had been no assessment to identify the different characteristics of different types of legal persons that may expose them to ML/TF risks. There had also been no assessment on TF risk arising from different types of legal persons or the sector as a whole. As such, the Maldives has not adequately assessed the ML/TF risks and vulnerabilities associated all types of legal persons created in the Maldives. Competent authorities did not demonstrate a comprehensive understanding of ML risks associated with legal persons.
- c) There is no legislation in the Maldives governing the establishment of legal arrangements, including common law trusts, nor their registration and regulation of their operation, including waqfs. At the same time, Maldives authorities have no visibility of the nature and extent of legal arrangements, including waqfs, operating in the Maldives. Most competent authorities have not demonstrated that there is comprehensive understanding of ML/TF risks and vulnerabilities associated with legal arrangements in the Maldives.
- d) All legal persons are required to be registered and both public and private sectors in the Maldives rely heavily on the basic and beneficial information on legal persons maintained in the Business Registry. While an adequate range of basic and BO information is collected, there is no mechanism to ensure that this information in the database is adequate, accurate, and up to date.
- e) There are technical compliance deficiencies with the BO information which legal persons provide to the registry. Competent authorities are able to obtain this BO information through the secure portal for access to the Business Registry in a timely fashion; however, this information has not been systematically verified. Competent authorities may compel the production of basic and BO information of legal persons collected by REs but did not demonstrate this was actively sought and used for ML and predicate offence investigations in line with the Maldives' risk and context.
- f) The PMLFT Act also allows competent authorities to compel the production of BO information of legal arrangements required to be collected by REs. Competent authorities have not demonstrated they can obtain accurate and up-date BO information of legal arrangements in a timely manner.
- g) The Companies Act allows nominee shareholders and nominee directors, and the ML/TF risks are not sufficiently mitigated.
- h) There are a range of sanctions for non-compliance of various obligations in relation to transparency of BO information, however due to the lack of statistics it has not been demonstrated that the competent authorities have taken enforcement actions effectively and applied dissuasive sanctions accordingly.

³¹ "Company" is a type of legal entity in the Maldives, which includes public companies, private companies, Government companies, etc. It is the most prevalent form of legal persons in operation in the Maldives
Anti-money laundering and counter-terrorist financing measures in the Maldives @ APG 2025

Recommended Actions

- a) Identify and assess the vulnerabilities, and the extent to which different legal persons created in the Maldives can be or are being misused for ML/TF and enhance competent authorities' understanding of these risks.
- b) Implement risk-based measures to prevent the misuse of different types of legal persons for ML/TF purposes including measures to verify the information in the BO registry in a systematic way to ensure accuracy and currency of the information provided and implement measures to strengthen compliance, including applying the available sanctions for non-compliance.
- c) Implement a more robust verification process and prioritise resources to ensure the information collected by the registry is verified as accurate and up to date, particularly for foreign companies.
- d) Implement measures to prevent the misuse of legal arrangements, including addressing deficiencies in R.25

419. The relevant Immediate Outcome considered and assessed in this chapter is IO5. The recommendations relevant for the assessment of effectiveness under this section are R24 & 25, and elements of R.1, 10, 37 and 40.

Immediate Outcome 5 (Legal Persons and Arrangements)

420. Under Maldives law, a variety of legal persons can be created, including: (i) companies registered under the Companies Act; (ii) partnerships registered under the Partnerships Act; (iii) cooperative societies registered under the Co-operative Societies Act; and (iv) sole proprietorships. This legislation is publicly available. The forms and processes for registration, are set out in the Business Registration Act 2014 and publicly available online at <http://one.gov.mv/services>.

421. The Registrar of Businesses established under the Ministry of Economic Development and Trade (MEDT), formerly known as the Ministry of Economic Development, is responsible for registration of legal persons and maintains the database of the legal persons registered in the Maldives.

422. The most prevalent form a legal person in the Maldives is private company, with 25,976 private companies registered at the end of 2024 (see Table 1.5 in Chapter One for the number of each type of legal person which can be created in the Maldives). Despite a slight downturn during the COVID period, the number of each type of legal person has been steadily increasing during the period under review, as per Table 7.1 below.

Table 7.1 New Registrations of Legal Persons in the Maldives (2019-2024)

Business Entity Type	2019	2020	2021	2022	2023	2024
Public Company	1	-	-	-	-	2
Private Company	1280	1153	1379	1625	1925	2936
Government Company	4	0	1	-	0	2
Local Authority Company	-	-	-	2	3	7

Business Entity Type	2019	2020	2021	2022	2023	2024
Foreign Investment Company	74	35	59	78	86	73
Cooperative Society	5	3	6	4	2	4
General Partnership	107	70	73	70	110	107
Limited Liability Partnership	106	134	125	128	122	91

Public availability of information on the creation and types of legal persons and arrangements

423. Information on the creation and types of legal persons, including companies, cooperative societies and limited liability partnerships, is publicly available on the one-stop government website (<https://one.gov.mv/>). The website contains comprehensive information on the step-by-step process of how to register a legal person in the Maldives, the documents required, and other details on the actions required before and after registration. This includes the process for foreign companies to register to undertake business or investment activities in the Maldives. The basic information on legal persons is available on the online business registry (<https://business.egov.mv/BusinessRegistry>), which is publicly accessible and free of charge.

424. There is no legislation in the Maldives governing the establishment of legal arrangements, including common law trusts and there are no specific legal requirements for foreign trusts or other similar legal arrangements that could be operating in the jurisdiction to obtain their basic and BO information. Trusts are indirectly regulated through requirements set out in the PMLFT Act, through references to express trusts and similar legal arrangements, and authorities have not identified any trusts, either domestic or foreign, in operation in the Maldives. Waqf is not regulated by law but is based on and governed by Islamic Shari'ah principles. No government agency is responsible for regulating or supervising trusts, waqfs or other types of legal arrangements. In the absence of a specific regulatory framework, there is no information publicly available on the creation of legal arrangements in the Maldives.

425. In the absence of a regulatory framework for trusts, there is no information on the number of domestic or foreign trusts settled or operating in the Maldives. The Maldives acknowledges the existence of limited private waqfs (as private arrangements among individuals/entities) and public waqfs (operated by the Government). Further, while the tax law in the Maldives contains provision of tax requirements for trusts, tax authorities confirmed that they have received no tax returns in relation to income generated from trusts.

426. The PMLFT Act imposes requirements on TCSPs acting as trustees to report BO information, and for reporting entities to collect information regarding trustees, however, there is no centrally maintained register recording such information. Meetings with private sector entities indicated that foreign trusts might open bank accounts or create a legal presence in the Maldives (in the form of a foreign company) subject to the submission of the required documents. There are no restrictions in the Maldives preventing a person from acting as a professional trustee of a foreign trust.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities

427. The 2022 NRA identifies the overall ML threat arising from legal persons as medium and the overall vulnerability of the sector as medium low, acknowledging the deficiencies in the regulation of gatekeeper roles, enforcement of BO obligations and limitations in the available data. There was no assessment on TF risk arising from different types of legal persons or the sector as a whole. The NRA does not identify the different characteristics of different types of legal persons that may expose them to ML/TF risks. It is also not clear what, if any, risk relates to foreign companies, noting that in 2020, 225 foreign companies were registered in the Maldives amounting to around 18% of companies registered in the Maldives. Overall, there has been little analysis on qualitative and quantitative data to enable a comprehensive understanding of the potential risks associated with the misuse of legal entities.

428. At the onsite, the Maldives' competent authorities and private sector entities did not demonstrate a sufficiently strong understanding in relation to the ML and TF risks relating to different types of legal persons.

Mitigating measures to prevent the misuse of legal persons and arrangements

429. To prevent the misuse of legal persons and address ML risk, the Maldives strengthened its legal regime through the introduction of legal requirements for the collection and retention of BO information through the business registry with recent changes to the Companies Act which came into force on 1 January 2024. Prior to this, some BO information was collected as part of the registration process for legal persons, but this was not an explicit requirement in the existing legislation at the time. The PMLFT Act also requires FIs and DNFBPs to identify and verify BO information in relation to all types of legal persons as part of their customer due diligence obligations, which is hindered by technical compliance deficiencies (see R.10 and R.24).

430. All domestic and foreign legal persons operating in the Maldives are required to register and file basic and BO information with the Registrar of Businesses. For Maldivians, verification of identity information submitted would be checked against the Maldives' National Digital Identity database (eFaas). For foreign shareholders, prior screening by Maldives Immigration on basic information has been implemented since 3rd December 2024 following the enactment of the Foreign Investment Act (Law No. 11/2024). The screening procedure includes the checking of INTERPOL database, validity of visa and criminal record self-declaration. The screening is from the immigration control perspective, and it has not been demonstrated that the screening aims to mitigate the risk of misuse of legal persons at the time of creation of legal persons, and its effectiveness cannot be determined due to its nascency.

431. The accuracy and currency of the information recorded with the Registrar was however not demonstrated during the review period. The Registrar of Businesses does not undertake a systematic or risk-based approach to verify the information provided at the time of company incorporation nor does it systematically review the BO information recorded for accuracy and currency. There is no mechanism in place to monitor whether the legal persons are in compliance with the filing requirements, for example random checks or prioritising the checking with the risk associated with the legal person, and to verify the information submitted for registration of legal persons, for example to cross-check information with foreign authorities submitted by a high-risk person or entity.

432. Prior to the screening introduced in December 2024, there was no measure in place to ensure the accuracy and currency of the information regarding foreign individuals or entities. This screening

is only at the time of incorporation, and there is no continuing or regular process after the registration of a legal person (whether by local or foreign individuals or entities). As such, the verification process involving eFaas or the prior screening process for foreign individuals, does not serve the purpose of ensuring the accuracy and currency of information.

433. Companies are required to notify the Registrar of changes to ownership within 15 days and LLPs are required to do the same within 7 days. The Maldives did not demonstrate that legal persons were complying with this obligation, and no sanctions have been applied for non-compliance.

434. The Maldives has implemented additional requirements for foreign companies and foreign investment through a multi-stage foreign investment approval process, but it is not clear that this is in response to well-understood ML/TF vulnerabilities. The information required to complete the foreign investment approval process does not seem to require BO information of the foreign entity involved in the proposed investment. The absence of such a BO requirement hinders the mitigation of the risk of abuse of these types of legal persons.

435. If FIs and DNFBPs are unable to identify the natural person who is the BO, they are not to establish or continue the relationship, and file a report to the FIU, where appropriate. These requirements are implemented to varying degrees across these entities, as demonstrated during the onsite visit. The PMLFT Act also imposes an obligation on all legal persons to maintain accurate and current information of their beneficial ownership and control structure.

436. There is no requirement to use service agents, such as lawyers or company secretaries, in the creation or registration of legal persons in the Maldives. However, legal and accounting professions may assist in performing these roles, particularly with foreign legal persons, as ancillary services to their primary professional services. During the onsite visit, these professions did not consider these services to amount to TCSP roles, and subject to those specific provisions under the PMLFT Act, nor do they undertake CDD beyond what they would normally require to on-board a client. The activities which would fall under TCSP services and the obligations on those performing these activities as gatekeepers is not clearly understood or implemented in the Maldives.

437. Nominee shareholders and nominee directors are allowed under the Companies Act. However, the Act also specifies obligations on disclosing the identities of these nominees and to have their personal particulars maintained in the register (see R.24). There are requirements for members/shareholders (both natural and legal persons) to disclose information to the company on the natural person who is the beneficial owner of shares in a company.

438. Bearer shares and bearer share warrants are not explicitly prohibited. In practice, it is not possible due to the operation of the notification requirements of share transfer to the Registrar under Section 168 of the Companies Act and the requirement of disclosure of information of the beneficial owners of legal persons and arrangements under Section 26 of the PMLFT Act (see R.24).

439. Under tax law and the PMLFT Act, there are obligations for the collection and provision of BO information of legal arrangements, but these have not been applied. There are also significant technical deficiencies in these obligations (see R.25) which adversely impact the mitigation of ML/TF risk regarding legal arrangements.

440. Waqf are practiced in the Maldives and are a form of charitable trust based on and governed by Islamic Shari'ah principles. Under waqf, assets, properties and funds are given to island communities

and ownership is passed on to those communities. The Ministry of Islamic Affairs is managing the public Waqf Fund, subject to public finance regulations, while private waqfs are generally considered cultural and religious practices as opposed to legal arrangements. There are no measures to provide for the transparency of legal arrangements, such as waqfs, including no requirement for waqfs to register with an authority, and for REs to collect BO information for waqfs under PMLFT Act. Given the unique nature of waqfs and the absence of specific legal framework for registration and regulation, the extent to which they are operating in the Maldives is generally assessed to be minimal, with the exception of the public Waqf Fund.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

441. Basic information for legal persons is publicly available online via the Registrar of Businesses. This information includes the business name, registration number, address, director(s), shareholder(s) and any permits or licences held by the legal person, with some gaps in the required information (see R.24). As noted above, the Registrar of Businesses does not have an established and implemented mechanism to verify the information submitted to ensure it is accurate and up to date.

442. Competent authorities can obtain BO information through the secure portal for access to the business registry in a timely fashion. Many agencies have direct access to this secure portal and regularly use this information. However, the information maintained in this registry may not be current as per the minor deficiencies noted in R.24 on holding up-to-date information, as well as deficiencies in retaining this information for a period of 5 years after the LLP or cooperative society has been dissolved.

443. Competent authorities are also able to compel the production of BO information held by FIs and DNFBPs as part of their KYC and CDD obligations but statistics on these are not available. The FIU, in particular, is able to obtain the CDD information collected from FIs and DNFBPs, but statistics on these are not available. However, the verification of this information is also heavily dependent on the records held in the business registry and subject to the same limitations on accuracy and currency, but it is not clear that any additional verification is undertaken to ensure the information is accurate and up to date. There are some informal mechanisms for reporting conflict in the information held by the business registry and the information collected by REs but these are not systematically applied nor coordinated to enforce compliance by legal persons on their reporting obligations.

444. During the onsite visit, competent authorities did not demonstrate a comprehensive understanding of the basic and BO information available to them, and how this could be obtained from sources of information other than the business registry and the secure portal, such as directly from the REs. The different information available publicly on basic information, and through the secure side of the business registry on BO information, is not as clearly understood by licensing authorities as it is by the LEAs.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

445. As noted above, in the absence of a specific regulatory framework, the extent to which trusts, or other legal arrangements are operating in the Maldives cannot be determined, although it is considered to be minimal.

446. Basic and BO information on legal arrangements is required to be obtained by FIs and DNFBPs under the PMLFT Act, with competent authorities also able to compel the production of this information from REs. However, such information has not been provided to FIs and DNFBPs to date.

447. There is no information from authorities on the timely access to basic or beneficial ownership on the parties to a legal arrangement and no examples of when this information has been sought by competent authorities was provided. In the absence of such data, an assessment of the timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements cannot be determined.

Effectiveness, proportionality and dissuasiveness of sanctions

448. A range of sanctions is available for non-compliance with information requirements relating to the transparency of BO information of legal persons in the Maldives. The implementation of enhanced obligations for BO information disclosure is in their nascent stages and the level of compliance with these obligations by legal persons has not been monitored or enforced. As such, the Maldives has not demonstrated the proportionality, effectiveness and dissuasiveness of these sanctions.

449. Supervisors are able to apply a range of sanctions under the PMLFT Act to FIs and DNFBPs for non-compliance with CDD and record-keeping obligations relating to obtaining basic and BO information, but these are not considered to be dissuasive. In practice, the FIU has issued four warning letters to REs requesting them to rectify deficiencies in record-keeping, CDD and data quality issues and requirements, but it is not clear that these related to BO information. However, sanctions have not been applied to FIs and DNFBPs and their proportionality, effectiveness and dissuasiveness cannot be determined at the time of the onsite.

450. There are no explicit obligations on obtaining information held by trustees and limited sanctions available under Maldives law for non-compliance by TCSPs with basic and BO information requirements. No sanctions have been applied for failing to provide timely access to information on legal arrangements in the Maldives.

Overall conclusion on Immediate Outcome 5

451. There is publicly available information on the creation and types of legal persons in the Maldives. However, improvements are required in the understanding of the ML/TF risks posed by different types of legal persons created or operating in the Maldives. Measures to mitigate ML/TF risks have been implemented, including the establishment of a business registry for basic and BO information which has been strengthened by legislative changes which came into effect in 2024. The accuracy and currency of the information recorded in this registry was not demonstrated during the review period. Competent authorities can obtain basic and BO information in a timely manner directly from the registry, but statistics on the extent of this access were not available. A range of sanctions is available for non-compliance with information requirements relating to the transparency of BO information of legal persons in the Maldives, but the level of compliance with these obligations by legal persons has not yet been monitored or enforced. As such, the Maldives has not demonstrated the proportionality, effectiveness and dissuasiveness of these sanctions.

452. There is no standalone legislation in the Maldives governing the establishment of legal arrangements and there are no specific legal requirements for foreign trusts or other similar legal arrangements that could be operating in the jurisdiction to obtain their basic and BO information. Legal

arrangements are indirectly regulated through the PMLFT Act and no other mitigating measures have been implemented with regard to legal arrangements and the timely access to adequate, accurate and current basic and BO information on legal arrangements cannot be determined.

453. **Maldives has a moderate level of effectiveness for IO.5.**



CHAPTER 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key Findings

- a) The Maldives' legal framework for MLA allows the provision of wide-ranging assistance in relation to ML/TF and associated predicate offences and there is also an adequate legal framework for extradition requests.
- b) The level of formal international co-operation sought by the Maldives is somewhat in line with its geographical risk profile although no MLA outgoing requests have been made relating to high-risk offences such as drug trafficking or TF.
- c) The Maldives has utilised MLA and other forms of informal cooperation to some extent. The Maldives made 8 MLA requests from 2019 to 2024 with almost all outgoing MLA requests sent to neighbouring jurisdictions which is in line with geographical risk. Among these outgoing requests, some cases related to high-risk offences, e.g. corruption and fraud.
- d) The Maldives has the ability to provide constructive and timely MLA. During the period under review, the Maldives has received 35 incoming MLA requests and responded to most of these in a timely manner. To date, the Maldives has not made or received any extradition requests. Instead, the Maldives utilises administrative measures in lieu of extradition as they are deemed more efficient.
- e) The Maldives does not have an electronic case management system to track MLA or extradition requests. Instead, they use a manual process to monitor, track and record cases which is currently sufficient due to low volume of cases but is not scalable if requests increase in the future.
- f) The Maldives has a solid network of international and regional counterparts and most competent authorities regularly use these networks and channels to exchange information but the extent of use, particularly for asset recovery, has not been fully demonstrated due to limited statistics provided.
- g) Informal international cooperation is the preferred approach for the agencies in the Maldives, as it is considered more efficient and timelier than formal MLA and is actively sought to some extent.
- h) The Maldives has various channels to provide financial intelligence with international partners, but there is still opportunity to further expand and fully utilise informal international cooperation channels.
- i) The Maldives has made and received minimal requests for BO information concerning legal persons or legal arrangements however the company registry is publicly available if they were to receive an incoming request related to basic BO.

Recommended Actions

- a) In line with the Maldives' risk profile, competent authorities should enhance all available international, regional and bilateral cooperation channels to better combat ML, TF and associated predicate crimes and to trace assets for example the PGO should utilise MLA and extradition channels, FIU should leverage its recent membership to Egmont and proactively seek opportunities to exchange financial intelligence with other Egmont members and MCS should enhance shipment related intelligence exchanges with international counterparts.

- b) Expand the use of regional and international networks to pursue ML, TF and predicate offence cases in line with risk.
- c) Increase ability to provide and seek extradition in line with risk and context profile by entering into bilateral extradition treaties. Further and as soon as possible, Maldives should list all treaty partners as “Extradition Countries” in Extradition Act, instead of relying on administrative measures such as deportation.
- d) PGO should provide training to and raise awareness of competent authorities regarding formal tools of international co-operation. Formalise and implement processes to ensure outgoing requests are high quality, appropriate and followed up regularly to ensure effective and timely response times.
- e) Maintain comprehensive statistics on all international cooperation activities to enable each competent authority to monitor the timeliness and quality of each request.
- f) Integrate MLA/extradition tracking into the PGO’s existing electronic case management system to monitor, track and record the progress of formal MLA and extradition requests and to better coordinate requests involving criminal cases.

454. The relevant Immediate Outcome considered and assessed in this chapter is IO2. The recommendations relevant for the assessment of effectiveness under this section are R.36-40 and elements of R.9, 15, 24, 25 and 32.

Immediate Outcome 2 (International Cooperation)

Providing constructive and timely MLA and extradition

455. As noted in the TC Annex, the Maldives’ legal framework for MLA allows the provision of wide-ranging assistance in relation to ML/TF and associated predicate offences. The MLA Act and the Extradition Act, both enacted in 2015, are the legal bases for formal international cooperation for assistance in criminal matters and extradition in relation to ML/TF and associated predicate offences. The deficiencies in the extradition regime include restrictions on extraditing a Maldivian citizen from the Maldives and the lack of bilateral extradition treaties for more timely and effective cooperation. There have been no cases where the Maldives has prosecuted their nationals in lieu of extradition and there has been no internal guideline or procedures developed for such cases. Therefore, the extent to which the Maldives prosecutes its own nationals without undue delay in situations when it is unable by law to extradite them cannot be assessed.

456. The PGO is the Central Authority for MLA and extradition. Within the PGO, the International Relations Department (IRD) is tasked with handling matters under the MLA Act and the Extradition Act. The IRD comprises 5 prosecutors and 1 administrative staff member. The IRD also handles informal international cooperation matters.

457. The PGO recently joined the SEAJust Network to enable them to better understand the MLA and extradition requirements and practice of other jurisdictions in the Network which, in turn, will facilitate future exchanges for MLA and extradition in the region.

CHAPTER 8. INTERNATIONAL COOPERATION

MLA requests

458. The MLA Act provides the legal framework that enables formal requests to be processed by the Maldives in relation to investigations, prosecutions and other related proceedings concerning criminal offences against the law of any foreign jurisdictions with a treaty or a reciprocity undertaking. Currently the Maldives has an operative bilateral agreement with India.

459. The Maldives has some incoming and outgoing MLA requests relating to ML/TF or associated predicate offences over the period from 2019 to 2024 as outlined in Table 8.1 below. The Maldives received 35 incoming MLA requests from 2019 to 2024 and at the time of the onsite had responded to 22 of these requests. These responses were provided in a timely manner.

460. Maldives does not control the incoming MLA requests, but it is reasonable that they would actively engage with foreign partners on key risk areas to support international cooperation. During the period under review, the high-risk offences of corruption, drug trafficking, human trafficking, fraud were 15 of the 35 (42%) incoming requests, somewhat in line with risk profile (see Table 8.2).

Table 8.1 Incoming MLA requests (2019 to 2024)

Year	Received	Executed / Responded*	Pending**	Refused***
2019	4	4	0	Nil
2020	4	2	1	1
2021	4	3	1	Nil
2022	13	11	1	1
2023	4	2	2	Nil
2024	6	2	4	Nil
Total	35	22	11	2

1. *"Executed" refers to the provision of the requested assistance while "Responded" refers to the situation where the requesting places no longer required the requested assistance via MLA regime, or the matter has been resolved outside the MLA regime, or non-executable cases.
2. **7 out of the 11 "Pending" cases are currently pending information from domestic agencies while the remaining cases are pending requesting places' providing supplementary information.
3. ***The two "refused" requests are due to the insufficiency of information for execution of the requests.

Table 8.2 Incoming MLA requests by offence types (2019-2024)

Offence	2019	2020	2021	2022	2023	2024	Total
Corruption	2	0	1	0	0	2	5
Human Trafficking / abduction	0	1	0	1	2	0	4
Drug Trafficking	0	0	2	0	1	1	4
Fraud / misuse of funds	0	0	0	0	0	2	2
Terrorism only	0	0	0	9	0	1	10
Murder	2	0	0	0	1	0	3
Tax crimes	0	2	1	3	0	0	6
Other	0	1	0	0	0	0	1

Offence	2019	2020	2021	2022	2023	2024	Total
Total	4	4	4	13	4	6	35

461. The PGO also indicated during the onsite that informal cooperation is very common, for example at the pre-MLA stage whereby advice may informally be given to the requesting jurisdiction. There were occasions on which the pre-MLA enquiry did not mature into a formal MLA request, or the matter has been resolved via informal channel. There were also requests for which the Maldivian authorities have already taken steps to execute the requests and for reasons beyond the Maldivian authorities' control, the requests became non-executable.

462. As demonstrated in Table 8.3, many MLA requests include requests for financial information including seven out of 41 requests for bank or transaction information, five for financial evaluation or analytical reports and one for asset tracing.

Table 8.3 Incoming MLA requests: type of assistance requested (2019-2024)

Assistance	2020	2021	2022	2023	2024	Total
Bank / transaction / payment records	1	1	3		2	7
Business / company records	1		3		4	8
Witness statements		3	2	1	1	7
Travel related records	3		1	1		5
Financial evaluation / Investigation reports / analytical reports / medical report			1	1	3	5
Asset tracing				1		1
Interrogation			6			6
Electronic evidence / records			2			2
Total	5	4	18	4	10	41*

*Total number of requests in 35 (refer Table 8.2 above) however some requests involved multiple types of assistance therefore the total is higher than the number of requests.

463. According to the PGO, it generally takes two to five months to execute an MLA request which is considered to be timely. The reasons for variance in response time include various reasonable factors, including whether there is sufficient information in the request and the response time of the requesting jurisdiction for providing supplemental information. While the MLA Act does not require a request made to the Maldives be routed through diplomatic channels, on some occasions, the delay was caused due to the requesting jurisdictions' need or practice to have a request routed through the diplomatic channel. There were also instances that the matter was delayed or, in some cases, remain pending due to the delay in or lack of response of the requesting jurisdictions for additional information.

464. The Maldives can provide constructive and timely MLA. For example, the Maldives maintains communications with an attaché officer and legal advisor deployed by foreign jurisdiction in the region which significantly facilitates cooperation and enables responses to be expedited as demonstrated in Case Study 8.1.

Case Study 8.1 Expedited incoming MLA Request

A foreign jurisdiction sent an MLA request via e-mail on 23rd September 2024 to the PGO. The MLA request concerned collecting evidence (business records) to be used in an ongoing trial in the foreign jurisdiction with regard to fraud/sanctions. Prior to the request being sent, informal communications were carried out by the foreign jurisdiction to notify Maldivian authorities of the urgent nature of the request. The MLA was executed through Maldives Police Service, and the requested evidence, including transaction records, travel records and hotel resort accommodation records) was delivered to the requesting state on 11th October 2024.

The Maldives has been commended by the requesting jurisdiction for its assistance in obtaining the important evidence so that the prosecution can proceed further.

465. Case Study 8.2 provides an example of an incoming MLA request relating to asset tracing for a drug trafficking case which is considered high risk in the Maldives.

Case Study 8.2 MLA request involving asset tracing

In 2023, the Maldives received an MLA request from a Eurasian country concerning one of their nationals who had been charged with drug trafficking in the Maldives in 2021. Due to the suspect's medical condition, he was repatriated to his home country in 2022. Authorities in his country initiated their own investigation and requested the chargesheet and all evidence used in the Maldivian investigation. The requested materials from the Maldives Police Service were shared with the requesting country. The request included the identification and tracing of the suspect's assets in the Maldives. The Maldivian authorities took steps to ascertain whether the suspect had assets in the Maldives and found that there was none.

466. It is difficult to further assess the quality of information that the Maldives provides in response to MLA requests primarily due to the lack of feedback received from requesting jurisdictions regarding processing times and quality of information provided. Overall, the Maldives has demonstrated, through case studies and statistics, the ability to deal with a variety of MLA requests for various forms of assistance. There are also instances where supplementary requests were sent to the Maldives, and further assistance has been provided accordingly which demonstrates that the assistance rendered by the Maldives allows the requesting place to pursue a line of enquiry to further the criminal matter. The information received from the Global Network on international cooperation with the Maldives was generally positive, with only one jurisdiction highlighting a need to more clearly define the nature of the request.

Extradition requests

467. Requests under the Extradition Act may be made by a 'designated country' as listed in the Extradition (Designated Countries) Order. Currently, the Maldives only has bilateral extradition arrangements with Sri Lanka and Pakistan but, as with other multilateral conventions applicable to the Maldives, they have not been included in this list. The Maldives is also able, pursuant to Section 36 of the Extradition Act, through the MFA to approve ad hoc arrangement for extradition. When the need for an ad hoc arrangement arises, after the Central Authorities negotiate and agree on the contents of the arrangement, the proposed ad hoc arrangement is then provided to the MFA for consideration. This somewhat hinders the Maldives' ability in processing extradition requests in a timely manner.

468. It is unclear whether the Maldives has experience handling urgent cases. However, the Extradition Act allows for provisional arrest of a fugitive for jurisdictions which are not listed as “Extradition Countries”, pending receipt of a formal request. The provisionally arrested person may be remanded in custody for up to 90 days or any other period as stipulated under treaties between the Maldives and the relevant jurisdiction. Yet, for invoking formal extradition procedures to act on the formal request (e.g. authority to proceed, extradition proceedings, decision to extradite), the requesting jurisdiction must have already become one of the “Extradition Countries”. There is no example of going through the process described above in case of provisional arrest, nor is there a guideline. As such, there is no information upon which to assess the effectiveness of the measures of provisional arrest with a view to extradition.

469. The Maldives has not received an extradition request to date, nor has it made any outgoing requests. As such, there is no information for AT to review on the quality and timeliness of any extradition assistance rendered by the Maldives however the Extradition Act is the legal basis for extraditing fugitive offenders.

470. The absence of extradition requests is largely due to the Maldives’ long-established practice on the reliance of administrative measures, particularly with neighbouring jurisdictions, which the competent authorities found effective. Further, due to the lack of “Designated Countries” allowing the immediate application of the Extradition Act, along with the process and time required for ad hoc arrangements, formal extradition avenue does not generate interest or awareness for the competent authorities to use it. During the onsite, most competent authorities did not demonstrate a strong understanding on the use of formal cooperation. Administrative measures have been effective and sufficient for their needs in relation of offenders fleeing to and from regional partners.

471. The Maldives is actively seeking to negotiate and sign treaties with jurisdictions where criminals have been identified to flee, in line with risk profile, but these have not yet been finalised at the time of the onsite. Under Section 12 of the Extradition Act, the Maldives does not extradite its citizens. Instead, the PGO may pursue to prosecute their nationals locally in lieu of extradition pursuant to Section 46 of the Extradition Act. Yet, there have been no cases that the Maldives has prosecuted their nationals in lieu of extradition.

472. As an alternative to formal extradition requests, in practice, the Immigration department has refused entry to wanted persons on INTERPOL’s Red Notice alert system. This is possible as the Maldives’ border control system is linked to the INTERPOL system, making it possible for the Immigration department to refuse entry of a wanted person put onto the INTERPOL Red Notice as the notification and alert system is automatic. When a fugitive is in the Maldives, through informal international cooperation and intelligence exchange between competent authorities, the Maldives is able to revoke the visa of that person and deport him accordingly. The effect of these administrative measures and informal cooperation allows the return of the wanted person to his or her place of origin by deportation or refusal of entry, although his place of origin may not be the jurisdiction seeking to extradite. The timeliness is impacted by domestic coordination issues in order to identify that a person in Maldives is subject to a Red Notice, detain them and remove them. For refusal of entry based on the INTERPOL Red Notice, it has not been demonstrated that there is an established mechanism or protocol for facilitation of timely exchanging feedback and updates between the MPS (INTERPOL NCB of the Maldives) and the competent authorities of the jurisdiction putting the person on INTERPOL Red Notice, particularly when the fugitive is not a national of the jurisdiction putting on the Red Notice.

473. The IRD does not have an electronic case management system to track MLA or extradition requests. Instead, they use a manual process to monitor, track and record cases which is currently sufficient due to low volume of cases but is not scalable if requests increase in the future. Given the current volume of extradition requests received or made, this level of sophistication is adequate for now and as outlined in Case Study 8.1, the Maldives authorities can adequately prioritise and expedite urgent requests when required.

Seeking timely legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements

474. Through the PGO, the Maldives can seek international legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements. The Maldives made eight MLA requests from 2019 to 2024 with almost all outgoing MLA requests sent to neighbouring jurisdictions which is in line with risk. Among these outgoing requests, some cases related to high-risk offences, e.g. corruption and fraud.

475. As demonstrated in Table 8.4, some MLA requests sought financial information including three out of eight requests for bank records or property information. Two of these requests were from the southeast Asian region in line with risk profile. Overall, only one MLA request was for the high-risk activity of corruption. Two out of eight MLA requests (25%) were for medium risk activity of fraud which is not wholly in line with the Maldives' risk profile. The effectiveness of Maldives' MLA requests is achieved to some extent however only three out of the eight MLA requests have been completed to date. Three requests are still pending; one received no response and was not followed up and one was refused.

Table 8.4 Outgoing MLA requests (2019-2024)

Year	No. of outgoing requests	Offence	Requested jurisdiction	Nature of request	Status
2019	2	Forced prostitution/human trafficking	South East Asia	Witness testimony	No response
		Murder	South Asia	autopsy	completed
2020	1	Corruption	South East Asia	Bank records and property information	completed
2021	1	Fraud	Europe	Bank records and property information	Refused without reason
2022	2 (1 terrorism and 1 murder)	Terrorism	South Asia	Witness statements and business records	Completed
		Murder	South Asia	autopsy report, witness statements and investigation report	Pending
2023	-	-	-	-	-

Year	No. of outgoing requests	Offence	Requested jurisdiction	Nature of request	Status
2024	2 (1 fraud and 1 murder)	Fraud	South East Asia	Bank records and property information	Pending
		Murder	South Asia	Arrangement for expert to give evidence	Pending
Total	8				

476. In addition to the eight outgoing MLA requests identified in Table 8.4, the Maldives also uses informal channels for cooperation with their counterparts. During the period under review, informal cooperation has been the predominant means for the Maldivian authorities to obtain financial information from international counterparts.

477. Case Study 8.3 and 8.4 provide examples where Maldives has used MLA as part of ML and predicate offence investigations.

Case Study 8.3 Real estate fraud

In response to media reports on potential fraud arising from the sale of residential apartments under construction involving the Maldives and a foreign jurisdiction, the FIU started analysis on financial information in mid-2023 and disseminated findings in less than 5 months to the MPS and MIRA for further investigation. After reviewing the FIU's financial analysis, MPS conducted an investigation and quickly submitted the case to PGO, whereby raids and seizures of assets were thereafter conducted, and the prosecution was initiated within a month. PGO commenced pre-MLA dialogue with foreign authorities regarding the making of formal MLA request for seizure and confiscation of a residential apartment in that jurisdiction, which is believed to have been purchased with criminal proceeds. The seizure of the residential apartment and other assets was successfully completed via MLA and the remaining MLA procedures are still ongoing. All these actions were concluded by the end of 2023.

Case Study 8.4 Use of MLA in a corruption case

In 2020, during an investigation into a corruption and embezzlement scheme of a high-level PEP, a close associate of the PEP was identified as someone benefiting from the scheme. MPS Investigators found that the associate had sent funds to an account in another jurisdiction. MLA request was duly sent on 13 July 2020 to that jurisdiction to obtain bank records for fund tracing purposes. The requested information was provided to Maldives on 27 September 2021. This case is still ongoing but demonstrates the use of MLA to some extent.

478. The Maldives has made no outgoing extradition requests. Instead, the Maldives has utilised administrative measures in lieu of extradition due to lengthy processes involved and lack of awareness of the use of formal extradition requests. As demonstrated during onsite, most competent authorities' understanding of the importance and use of formal regime is low, as they deemed regional cooperation via informal means sufficient for their purposes. For example, the Maldives has used the

exchange of information to locate a wanted Maldivian citizen. Administrative measures including the cancellation of passports can be communicated to the jurisdiction where the fugitive is located, the fugitive will then be deported back to the Maldives as demonstrated in Case Study 8.5.

Case Study 8.5 Deportation

In 2019, a Maldivian suspect of a fraud case fled the country and through INTERPOL cooperation was located in a neighbouring jurisdiction. Following investigation, it was discovered that the suspect was staying in that jurisdiction without a valid visa and the jurisdiction deported the suspect back to the Maldives.

Seeking and providing other forms of international cooperation for AML/CFT purposes

479. The Maldives has some informal international cooperation mechanisms e.g. MOUs, legal instruments and memberships in international and regional organisations that enable it to seek and provide international cooperation for AML/CFT purposes to some extent. While the scope, volume and complexity of international information exchanges vary between agencies, Maldives has demonstrated that overall, informal cooperation is somewhat effective and usually suffices for the practical needs of the competent authorities to achieve outcomes. LEAs, FIU and supervisors in the Maldives can provide and seek international cooperation other than MLA and extradition (see R.40). Competent authorities are members of several regional and international bodies that enable them to seek international cooperation for AML/CFT purposes, but the full extent to which these networks have been used has not been provided in the form of comprehensive statistics.

480. The Maldivian supervisors can seek and provide international cooperation for AML/CFT purposes as and when required, however during the review period, such need did not regularly arise. Hence, limited international cooperation has occurred between supervisors, which is somewhat in line with the risk profile.

481. International cooperation is occurring to some extent through the Maldives's regional and international networks, as shown in the statistics and case studies set out below. As noted above, informal international cooperation is the preferred approach for the agencies in the Maldives, as it is more efficient and timelier than formal MLA. The extent to how effectively Maldivian authorities have used informal channels for asset recovery is not clear. The Maldives highlighted that generally there is a time bar for criminal offences and that obtained via informal cooperation can be used in the Maldivian court, for example, evidence provided by social media operator via its law enforcement agency data request platform. Authorities consider that in such cases informal cooperation is more conducive to domestic criminal matters.

482. The Maldives is seeking to expand their networks by entering into bilateral and multilateral MOUs and participating in more networks. Overall, most agencies are able to seek or provide assistance on regular and spontaneous basis through established secure private networks, emails or phone.

*Exchange of Financial Intelligence & Law Enforcement Information**FIU*

483. The Maldives has various channels to share financial intelligence with international partners, but the extent to which these have been used has not been fully demonstrated. The FIU receives foreign FIU requests through formal and informal channels. An initial verification is conducted to check if the FIU has available information, after which requests are manually examined and prioritised for analysis based on ML/TF risks.

484. Some positive feedback has been received from the Global Network on the quality and usefulness of information provided by the Maldives. The FIU has made nine requests in total to a foreign FIU including four requests in 2019 and five requests in 2024 which is not consistent with the Maldives risk profile. Part of the reason for only one request being made was that many foreign FIUs refused to cooperate with Maldives FIU due to its lack of Egmont Group membership.

485. The FIU is able to provide and share information with international counterparts or non-counterparts, regardless of whether the requesting agency is a member of a specific body or a MOU partner. Prior to the Maldives' Egmont membership in 2024, there were instances where foreign authorities refused information requests due to the Maldives not being a member of Egmont or not having an MOU/agreement in place. However, with the FIU's recent membership in Egmont, it will enable the Maldives to more effectively exchange information with partners via secure portals in the future.

MPS

486. MPS actively uses the INTERPOL (NCB) channel and made 343 outgoing requests to foreign LEAs during the period under refer and received 108 incoming requests for information (refer Table 8.5).

Table 8.5 Information Requests to/from Foreign LEAs via INTERPOL (NCB) (2019-2024)

	2019	2020	2021	2022	2023	2024	Total
Outgoing requests	NA	NA	29	55	115	144	343
Incoming requests	NA	NA	19	30	28	31	108

487. As demonstrated in Table 8.6, outgoing information requests relating to drug trafficking were the most requested by MPS which is in line with risk profile. Outgoing requests relating to financial crime were also high particularly in 2023 and 2024.

Table 8.6 All Information Requests by Crime Type (2021-2024)

Crime Type	2021		2022		2023		2024	
	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing
Assault			1	1				
Background check	1	2	5	14		-	2	12
Biometrics search / DNA	2					-	3	-

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	2021		2022		2023		2024	
Crime Type	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing
Blackmail						-	-	1
CAF search						-	-	4
Crimes against children		3		1	3	4	2	-
Cybercrime	1	1	1		1	4	-	3
Data extraction						-	-	1
Death	1	1		1		-	-	3
Device recovery				3		-	-	1
Drug trafficking	1	3	3	16	6	20	5	35
Financial Crime	4	7	8	8	6	44	3	35
Firearms trafficking	1	1				-	-	1
Forgery	1	2		1		-	2	3
Fugitive recovery		1			3	-	-	13
Homicide		2	1			-	-	2
Human Trafficking	3		1	5		8	1	2
Kidnapping		1				-	-	1
Manslaughter					1	-	-	3
Missing person			1	1	1	-	-	10
Notices & Diffusions						-	-	8
Organized Crime			3	2				
Passport check						-	-	1
Prostitution						-	-	1
Romance scam						8	-	1
Safety & Well-being Check			1			-	2	-
Sex Crimes / Sex offender	1	1	1		1	-	4	-
Terrorism	1	2	2	2	6	6	3	1
Theft		1				6	-	1
Travel records	2	1				-	4	1
Other			2			15	-	-
Total	19	29	30	55	28	115	31	144

488. Overall, information requests are predominantly geographically in line with risk for example, in 2024, 94 out of 144 (65%) outgoing NCB requests were sent to regional partners (refer to Table 8.7).

Table 8.7 Information requests by jurisdiction (2021-2024)

	2021		2022		2023		2024	
Australia					-	3	-	-
Bangladesh	1	1	1	5	-	6	-	3
Belgium					-	-	-	2
Brazil			1	1	2		-	
Canada					-	-	-	2
Egypt				1	-	-	-	2
France					-	-	3	1
Germany			3	1	2	3	-	6
India	1	3	1	3	1	12	2	10
Ireland					-	-	-	3
Italy		2	1		-	-	-	1
Kazakhstan					3	3	-	
Malaysia				1	-	4	-	9
Nigeria					-	2	-	1
Pakistan		1		4	-	4	1	12
Philippines			1	2	-	2	-	2
Poland	1				-	-	-	2
Qatar					-	-	2	1
Russia	1		7	1	3	5	2	1
Saudi Arabia				1	-	-	-	2
Singapore		1		2	1	-	-	3
South Korea					-	3	-	
Sri Lanka	4	7	4	7	8	11	6	17
Thailand	2		1	6	-	14	1	21
The Netherlands					-	-	-	
Turkiye				1	-	2	-	
UAE		4	3	5	-	4	1	16
Uganda					-	2	-	
UK	3	2	3	2	3	7	5	7
USA					-	4	1	2
Others	6	8	4	12	5	27	7	18
Total	19	29	30	55	28	115	31	144

PGO

489. The PGO has signed MOUs with four international counterparts somewhat in line with its risk profile.

Table 8.8 PGO MOUs with international counterparts

No.	Agencies	Jurisdiction
1	MOU Between China and Maldives	China
2	MOU between Malaysia and Maldives	Malaysia
3	MOU between PGO Maldives and PGO Russia	Russia
4	MOU between Supreme Court appeal of the Republic of Turkey and the PGO Maldives	Turkey

Case Study 8.6 Use of foreign expertise in investigations

Following a direct attempt to target a PEP using explosives, three foreign jurisdictions provided expertise and assistance in different areas of investigation. As the case was not a scenario that Maldivian prosecutors and police have dealt with before, their input became extremely insightful and helpful. The prosecution secured a conviction against the main suspect of the case for terrorism after the accused accepted a plea deal. Cases against several other suspects are still on going.

MCS

490. Maldives Customs Service is a member of the World Customs Organization (WCO) and has had several engagements through this membership. These engagements include but are not limited to international operations and sharing of alerts. MCS participated in a flagship AML/CFT initiative within the WCO, in cooperation with Egmont Group and Interpol, specifically aimed at combating counter-bulk cash smuggling and the illicit trade of gems and precious metals. MCS is also a member of the South Asia Subregional Economic Cooperation (SASEC).

491. MCS has sent seven outgoing requests to international counterparts as outlined in Table 8.9 below which is somewhat in line with the risk profile.

Table 8.9 MCS international cooperation requests (2020-2024)

	2020	2021	2022	2023	Up to August 2024
Outgoing request	0	2 (43 shipments)	3 (5 shipments)	1 (1 shipment)	1 (5 shipments)

ACC

492. ACC has made 14 outgoing requests to international counterparts as outlined in Table 8.9 below. The outgoing requests are in line with Maldives risk profile as the majority are to regional and neighbouring jurisdictions, however, it is not clear whether these requests include specific reference to ML or financial information. From the 14 outgoing requests, three have been responded to while the remainder are still outstanding.

Table 8.10 ACC international cooperation requests regarding corruption offences (2019-2024)

	2019	2020	2021	2022	2023	Jan-Aug 2024	Total
Outgoing request	1	4	1	5	2	2	14
Incoming requests	0	0	0	0	0	0	0

8

MIRA

493. MIRA is a member of many international associations including the Addis Tax Initiative, Asia Initiative, Association of Tax Authorities of Islamic Countries, Commonwealth Association for Tax Administrators, International Fiscal Association, Global Forum and Inclusive Framework.

494. MIRA has made one outgoing request to an international counterpart as outlined in Table 8.11 below.

Table 8.11 MIRA international cooperation requests (2020-2024)

	2020	2021	2022	2023	Jan-Aug 2024	Total
Outgoing requests	0	0	0	0	1	1
Incoming requests	0	0	0	0	0	0

495. Other forms of MIRA's international cooperation can be demonstrated since joining the Convention on Mutual Administrative Assistance in Tax Matters (MAAC) in August 2021, the Maldives completed three cycles of Automatic Exchange of Financial Account Information (AEOI) on data exchange. This includes exchange of information under Common Reporting Standard (CRS) and exchange of Country-by-Country Information (CbCR). Below shows a summary of AEOI data received by the Maldives from 2022 – 2024.

496. Information was only exchanged with signatories of the MAAC since 2022. This includes both CRS and CbCR reporting with relevant jurisdictions as outlined in Table 8.12. MIRA's international cooperation is somewhat in line with the Maldives' risk profile.

Table 8.12 AEOI data received by MIRA (2022-2024)

Data received / No. of Jurisdictions	2022	2023	2024	TOTAL
CRS files	26	55	69	150
CbCR files	1	10	10	21

*Financial and Non-Financial Supervisors**MMA*

497. MMA has sought information from foreign counterparts on AML/CFT supervisory issues to some extent as outlined in Table 8.13 below.

Table 8.13 Request for information from home country supervisors regarding on-site examination (2021-2023)

Year	Central Banks
2021	India, Sri Lanka and Mauritius
2023	Sri Lanka and Mauritius

498. MMA cooperates with home country supervisors of foreign supervisors to some extent including requesting information to inform on-site examinations from India, Sri Lanka and Mauritius central banks in 2021 and Sri Lanka and Mauritius in 2023. However, they are mainly on broad supervisory aspects.

Table 8.14 Dissemination of examination reports to home country supervisors (2019-2024)

Year	Central Banks
2019	Pakistan, India and Hong Kong, China
2020	-
2021	Pakistan and Hong Kong, China
2022	Mauritius and India
2023	Sri Lanka
2024	Pakistan, Sri Lanka and India

499. The MMA met with banking supervision officials from the Central Bank of Sri Lanka in September 2024 to discuss the supervision of Bank of Ceylon which included the Maldives branch of this bank. MMA also participated in supervisory colleges of Reserve Bank of India and Bank of Mauritius, mostly on prudential supervisory matters. Elements of AML/CFT issues were also discussed during these participations. There had been cooperation with foreign regulators, including on-site examination, pre-onsite information exchange and sharing of findings of the on-site examination, in keeping with risk.

CMDA

500. CMDA has responded to 14 incoming requests during the period under review and there have been no outgoing requests (refer to Table 8.15).

Table 8.15 CMDA Requests on pension funds (2019-2024)

Years	No. Incoming requests*	No. Outgoing requests	Status
2019	2	0	Completed
2020	1	0	Completed
2021	2	0	Completed
2022	3	0	Completed
2023	3	0	Completed
2024	3	0	Completed
Total	14	0	

501. CMDA has not fully utilised its existing MOUs to seek information from foreign counterparts on AML/CFT supervisory activities.

8

FIU

502. As a supervisor, the FIU has not sought information from foreign supervisors to support AML/CFT supervisory activities. There are no instances of joint supervision on foreign banks in the review period. However, the FIU has communicated non-compliance concerns of foreign bank branches with home country supervisors.

International exchange of basic and beneficial ownership information of legal persons and arrangements

503. Foreign agencies can access the publicly available business registry for basic information on Maldivian legal persons. Statistics regarding the use of this registry by foreign agencies is not available.

504. The FIU has received five requests for BO information from foreign FIUs during the period under review as set out in Table 8.16 below. Limited information on the nature or reasons of these requests has been provided. Competent authorities also have access to the business registry holding BO information and can provide information in response to foreign requests. However, concerns with the accuracy and currency of the information in the business registry may impact the quality of any information shared (refer IO.5 for further details). Authorities can request BO information from foreign agencies when required, and the FIU made four requests in 2024 noting the FIU had difficulty in requesting information including BO information due to lack of Egmont membership during the assessment period.

Table 8.16 International Cooperation Requests Pertaining to exchange of BO information (2019-2024)

Year	2019	2020	2021	2022	2023	2024	TOTAL
Requests received from foreign FIUs (incoming)		1			1	3	5
Requests made to foreign FIUs (outgoing)						4	4

505. Noting the number of incoming requests is beyond the Maldives' control and that outgoing requests is on an 'as needed' basis, the Maldives demonstrated it was able to exchange BO information within 2 to 3 months' of receiving a request for ML and fraud cases including an instance leveraging the Egmont network soon after becoming a member. However, given the limited requests to date, identified in Table 8.16, the effectiveness and timeliness of the exchange of BO information cannot be fully assessed.

506. No information is available for demonstrating the Maldives' cooperation in providing and responding to requests to identify and exchange beneficial information relating to legal arrangements.

Overall conclusion on Immediate Outcome 2

507. The Maldives has a legal framework for formal cooperation including MLA and extradition and has the ability to provide constructive and timely assistance when requested. The Maldives demonstrated the ability to provide timely response to some MLA requests, yet the quality and constructiveness cannot be fully assessed due to limited feedback and outcome tracking. The level of formal international co-operation sought by the Maldives is somewhat in line with its risk profile, e.g. geographically, although no MLA outgoing requests have been made relating to drug trafficking or TF which are deemed high-risk offences. The Maldives is taking steps to increase the ability to provide and seek extradition in line with the risk profile by entering into bilateral extradition treaties.

508. In the context of the Maldives, informal working relationships with international counterparts are common as the Maldives has a solid network of international and regional counterparts. Most competent authorities regularly use these networks and channels to exchange information. The Maldives relies on its informal international cooperation as the primary channel to exchange information largely due to their domestic evidential requirements. Overall, informal cooperation is somewhat effective and suffices for the practical needs of the competent authorities to achieve outcomes; hence the competent authorities do not see the need of invoking formal cooperation regime, resulting in the low number of formal requests as compared to informal requests. Due to the limited statistics and case examples provided relating to asset recovery, and given the Maldives regularly engages and relies on informal cooperation, it has not been fully demonstrated that in practice, informal cooperation has resulted in the recovery of assets which have been moved overseas. Overall, the Maldives lacks comprehensive statistics to fully demonstrate the extent of international cooperation, however the assessment team concludes that international cooperation are being implemented to some extent.

509. The Maldives has made and received minimal requests for BO information for legal persons and legal arrangements. However, the company registry is publicly available to foreign agencies for BO, and competent authorities in the Maldives have access to the BO information held in this registry and could and have responded to requests relating to BO information.

510. **Maldives has a moderate level of effectiveness for IO.2.**

TECHNICAL COMPLIANCE ANNEX

1. This annex provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the member's situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

2. Where both the FATF requirements and national laws or regulations remain the same, this report refers to analysis conducted as part of the previous Mutual Evaluation in 2011. This report is available from www.apgml.org.

Recommendation 1 - Assessing Risks and applying a Risk-Based Approach

1. Recommendation 1 is a new requirement that was not assessed as part of Maldives' 2011 MER.

2. *Criterion 1.1* - The Maldives completed its first ML/TF risk assessment in 2022 under the oversight of the FIU as the NRA coordinator; and employed the World Bank's NRA tool. The assessment involved twelve working groups, comprising over 140 representatives from approximately 80 public and private sector institutions. This consultative process enabled a foundational mapping of ML/TF risks within the jurisdiction.

3. The NRA utilised both quantitative and qualitative data sources to identify threats and assess vulnerabilities across key sectors. However, the AT was in the view that the assessment was constrained by notable deficiencies. These included limited availability and quality of sector-specific data, in particular on DNFBPs, outdated statistics on ML investigations and convictions, and insufficient data or analysis related to TF and environmental crimes. Many participants within the working groups lacked technical expertise, and challenges in inter-agency coordination further limited the depth and consistency of the assessment. Consequently, the NRA provides only a generalised understanding of ML/TF risks and does not sufficiently articulate how specific threats exploit vulnerabilities within sectors, products, or delivery channels.

4. The NRA identifies the overall ML risk as high, driven by threats from drug trafficking, organised crimes, and bribery and corruption (high), as well as fraud and embezzlement (medium high), illegal foreign exchange activities and tax offences (medium low). It also noted structured vulnerabilities such as the prevalence of cash transactions, limited supervisory coverage and weak enforcement of AML/CFT obligations – particularly among DNFBPs. While the NRA identifies high-risk sectors, including real estate, money changers, and designated professions (e.g. lawyers, accountants, and DPMS), the underlying analysis lacks the necessary depth and supporting evidence. Most DNFBPs are not subject to enforceable AML/CFT obligations, and supervisory mechanisms for these sectors remain largely undeveloped.

5. The TF risk was also assessed as high, primarily based on the involvement of Maldivian nationals in foreign terrorist organisations. However, the assessment lacked a detailed analysis of TF methodologies, sectoral vulnerabilities and the potential misuse of NPOs. The NRA does not provide sufficient linkage between identified TF threats and relevant vulnerabilities or sectors. Moreover, while several information sources were referenced – such as criminal intelligence, court records, and case studies – the NRA did not clearly explain the basis for its TF risk ratings.

6. Although the NRA recognises several methodological and data limitations and proposes areas for improvement, it has not been formally disseminated across all relevant

authorities and has not been updated since its initial publication in 2022. There is no established mechanism to ensure periodic reassessment or monitoring of evolving ML/TF risks.

7. Overall, the NRA identifies and assesses various threat and vulnerability factors related to ML/TF to some extent, including considerations on both regional and international contexts. However, it does not adequately provide a comprehensive, evidence-based understanding of the nature, sources, and consequences of ML/TF risks. Sector-specific vulnerabilities, particularly in relation to DNFBPs, NPOs, and TF remain under analysed. While the AT agrees in principle with the NRA's overall assessment of ML/TF risks as high, the limitations mentioned above indicate that the findings presented in the NRA may not fully reflect the existing risk landscape in the Maldives.

8. *Criterion 1.2-* The NCC coordinates government action and activities to ensure Maldives' compliance with international standards against ML and TF. The NCC, consisting of 17 ministries/agencies, was established by the MMA on 26 November 2019. The lead agency is the MMA, and decisions are to be made by agreement of member agencies. However, there is no specific legal provision authorising the formation or establishment of the NCC and there is a lack of clarity in the NCC TOR that demonstrates a designated authority or mechanism to coordinate actions to assess ML/TF risks.

9. *Criterion 1.3 -* The NRA has not been updated since 2022. There is no specific statutory requirement to conduct ML/TF risk assessment, and no measures are in place that require the Maldives to keep the risk assessment up to date. In terms of ongoing actions to assess risk, FIU is working on conducting a PF risk assessment and planning to prepare an update to the NRA in coordination with the FCWG.

10. *Criterion 1.4 -* Although the NRA has not been made publicly available, the FIU disseminated the NRA findings to competent authorities and particular private sector stakeholders through a series of outreach activities between February 2023 to July 2024. These outreach efforts function as informal mechanisms for sharing the result of the risk assessment. While no formal mechanism exists to ensure the ongoing and systematic provision of risk information to all relevant competent authorities, self-regulatory bodies (SRBs), FIs and DNFBPs, the frequency and scope of FIU's engagement reflect a reasonable level of dissemination consistent with the requirements under c.1.4.

11. *Criterion 1.5 -* Following the completion of the NRA in 2022, the Maldives has yet to develop and formally adopt a comprehensive national AML/CFT strategy or action plan. The absence of a comprehensive and centralised strategic framework results in limited national-level coordination in the implementation of the risk-based approach (RBA), particularly regarding the allocation of resources and the execution of preventive and mitigating measures to address ML and TF risks.

12. At the institutional level, key competent authorities, including MPS and ACC have incorporated the results of the 2022 NRA into their respective strategic planning frameworks. The MPS Strategic Plan 2024-2028 prioritises six crime areas that broadly correspond to the key ML/TF risks identified in the NRA: (1) organised crime, including violent crimes, drug trafficking, and financial crime; (2) fraud and economic crimes; (3) cybercrime; (4) theft, robbery and property crimes; (5) terrorism and violent extremism; and (6) domestic violence, including violence against women and children. This strategic alignment evidences institutional recognition and prioritization of key vulnerabilities and threats associated with ML/TF.

13. The ACC has taken proactive measures to foster inter-agency collaboration by engaging with relevant government agencies such as the FIU, MPS, Prosecutor General's Office

(PGO), Maldives Inland Revenue Authority (MIRA) and Maldives Customs Service (MCS), to enhance the national asset recovery framework. This coordinated approach facilitates targeted operational responses informed by risk assessments and contributes to strengthening the overall AML/CFT regime.

14. Supervisory authorities, particularly the FIU and other sectoral regulators, have commenced the implementation of risk-based supervisory frameworks. These frameworks incorporate findings from risk assessments into supervisory planning, compliance monitoring, enforcement actions, and other operational measures to detect, prevent, and mitigate financial crimes. Additionally, the FIU initiated the FCWG to promote inter-agency information sharing and coordination. However, these initiatives currently lack defined implementation timelines and do not yet constitute a fully integrated or national coordinated approach.

15. The AT was in the view that the absence of a unified national AML/CFT strategy contributes to a fragmented approach in resource allocation and the effectiveness of risk mitigation efforts across competent authorities. Institutions largely operate within their own mandates, resulting in limited government-wide oversight or transparency concerning the allocation and prioritization of AML/CFT resources. Despite this, the FIU and MMA, to some extent, retain the authority to submit proposals for budgetary allocations dedicated to AML/CFT initiatives to the Ministry of Finance, demonstrating some capacity of risk-based resource prioritization in accordance with requirements under this criterion.

16. Overall, although the Maldives has not yet formalized a comprehensive national AML/CFT strategy or action plan, there is demonstrable evidence of risk-based implementation through sector-specific strategic plans and inter-agency cooperation mechanisms. However, the development and adoption of a coordinated national approach would substantially enhance the coherence, efficiency and effectiveness of the Maldives' AML/CFT framework by promoting integrated resource management and improving overall governance.

17. *Criterion 1.6* - According to the PMLFT Act, all FIs and DNFBPs in Maldives are covered in the FATF definition are required to comply with that legislation.

18. *Criterion 1.7*

19. *Criterion 1.7 (a)* - The Maldives has issued AML/CFT regulations applicable to various FIs, including banks, money remittance providers and money changers, life insurance and family takaful operators and entities operating in the securities sector. These regulations require FIs to apply enhanced measures in situations where higher ML/TF risks are identified. However, the regulatory framework primarily focuses on EDD measures and does not comprehensively mandate the broader range of enhanced mitigating measures as required under c.1.7(a).

20. The existing regulatory provisions do not require FIs to implement other proportionate and risk-based enhance measures, such as increased frequency or intensity of ongoing monitoring, senior management approval for the establishment or continuation of high-risk business relationships, restrictions or limitations on certain high-risk products or services, or heightened scrutiny by supervisors. Although certain FIs appear to consider risk in their internal processes, there is a lack of formal, detailed guidance issued by supervisory authorities on how FIs should assess risk levels and determine the appropriate type and scale of enhanced measures to be applied. This absence of supervisory guidance limits the consistent and effective application of risk-based mitigating measures beyond standard EDD.

21. In relation to DNFBPs, there are currently no enforceable requirements that mandate the application of a risk-based approach, nor are there provisions requiring the implementation of enhanced measures in higher risks situations. Consequently, DNFBPs are not subject to equivalent obligations as FIs in this regard. Furthermore, there is no supervisory guidance outlining how DNFBPs should identify, assess and mitigate higher ML/TF risks in their respective sectors.

22. *Criterion 1.7 (b)* - There is no explicit obligation requiring FIs to integrate the enhanced measures taken for high-risk areas into their institution-wide risk assessments.

23. *Criterion 1.8* - The AML/CFT regulatory framework in the Maldives permits FIs—including banks, money remittance providers, money changers, life insurance and family takaful operators, and securities sector entities—to apply simplified CDD measures in cases where business relationships or transactions are assessed to present a low risk of ML/TF. However, the regulatory provisions do not set out clear criteria, thresholds, or supervisory guidance for identifying low-risk scenarios. There is also no requirement for FIs to ensure that the application of simplified measures is aligned with the findings of the NRA or other risk assessments. Moreover, there is limited supervisory oversight or verification to ensure that simplified measures are applied in an appropriate and risk-consistent manner. With respect to DNFBPs, there are no enforceable provisions or regulatory guidance that permit the application of simplified measures for lower-risk situations. DNFBPs are not currently subject to a risk-based framework that would enable the application of proportionate CDD requirements based on risk. As such, the framework does not allow for the application of simplified measures in DNFBP sectors, which constitutes a gap in the implementation of this criterion.

24. *Criterion 1.9* - Despite the FIU providing some level of supervision for financial institutions in terms of AML/CFT obligations, the Maldives lacks detailed guidelines for conducting the risk assessments. While the FIU Supervision Policy 2020 has been introduced, it is overly general and does not give concrete procedures for supervisors to assess the ML/TF risk profiles of FIs. Additionally, the role and responsibilities of the FIU in supervising DNFBPs are unclear due to the absence of specific regulations governing these entities. There is also a notable lack of comprehensive supervisory manuals or guidelines to facilitate risk-based supervision for FIs/DNFBPs.

25. *Criterion 1.10* - The Maldives has issued regulations that promote the application of a risk-based approach by FIs. However, the regulatory framework does not establish detailed or enforceable obligations requiring FIs or DNFBPs to identify, assess, and understand their ML/TF risks. Specifically, the regulations do not mandate the assessment of risk across the full range of relevant factors, including customer types, countries or geographic areas, and products, services, transactions or delivery channels.

26. The authorities have issued non-binding PMLFT guidelines for specific categories of FIs – namely banks, money remittance institutions, securities, consumer financial institutions, and mobile payment service providers. These guidelines require these institutions to (a) document their risk assessments, (b) evaluate all relevant risk factors before determining overall risk levels and appropriate mitigation measures, (c) maintain up-to-date assessments; and (d) establish mechanisms for sharing risk assessment information with competent authorities and SRBs. While these guidelines reflect key elements of a sound risk-based approach, they are not enforceable instruments and do not have legal effect under the current Maldives' AML/CFT framework. Furthermore, no equivalent requirements or guidance exist for DNFBPs.

27. *Criterion 1.11* - The Maldives requires all REs to conduct on-going CDD with respect to business relationships and transaction monitoring to ensure consistency with customer information, business activities, risk profiles and where applicable, the source of funds (as outlined in Section 16(h) of the PMLFT Act). These requirements are reflected in regulations for banks, money transfer businesses, money changers, securities institutions, and insurance companies. However, the current AML/CFT framework lacks enforceable obligations requiring FIs and DNFBPs to (a) establish policies, controls and procedures, which are approved by senior management, to enable them to manage and mitigate the risks that have been identified (either by the country or by the financial institution or DNFBP); (b) monitor the implementation of those controls and to enhance them if necessary; and (c) take enhanced measures to manage and mitigate the risks where higher risks are identified. Furthermore, there are concerns regarding the accuracy and appropriateness of high-risk customer classifications, which undermines the effectiveness of ongoing monitoring and risk mitigation efforts.

28. *Criterion 1.12* - There are no provisions under the PMLFT Act allowing FIs and DNFBPs to apply simplified measures for managing and mitigating lower ML/TF risks. However, the implementing PMLFT regulations applicable to certain categories of FIs – including banks, money remittance businesses, money changers, securities institutions and insurance companies - permit the application of simplified customer identification and due diligence measures in cases where a business relationships or single transaction is assessed to present a low risk of ML or TF. However, no equivalent legal or regulatory provisions for DNFBPs, nor are there enforceable guidelines permitting or governing the application of simplified measures in low-risk situations within these sectors. The lack of risk-based frameworks for DNFBPs undermines consistent application of proportionate AML/CFT measures across sectors. Additionally, the existing regulations do not allow the application of simplified due diligence measures in scenarios where there is any suspicion of ML/TF involvement. The criteria 1.9 to 1.11 are not fully met.

Weighting and Conclusion

29. The Maldives has undertaken one ML/TF risks assessment in the period under review. The NRA highlights areas and sectors that are considered to of higher risk. However, there are notable gaps in the development and identification of threats, vulnerabilities, and risks, which could affect accuracy and reliability of the findings and ratings presented in the NRA report. Furthermore, there is no formal mechanism or obligation to ensure that the NRA is updated regularly and disseminated widely among all relevant competent authorities and SRBs, financial institutions and DNFBPs.

30. When it comes to risk mitigation measures, several deficiencies can be observed: (i) lack of clarity on the mechanism of identifying higher risks and measures within FIs; (ii) no specific regulatory provision for DNFBPs to apply a risk-based approach to AML/CFT compliance; (iii) unclear mechanism or regulation to ensure that the information of higher risks is incorporated into the risk assessments; (iv) lack of mechanism applied within the financial institutions of identifying lower risks and whether such measures are consistent with the national assessment of its ML/TF risks; and no specific AML/CFT supervision manual or guideline/or any other relevant documents on risk-based supervision activities for FIs/DNFBPs. In addition, there are gaps in information regarding the classification of high-risk customers, as well as a lack of specific provisions under the PMLFT Act that enable institutions to take simplified measures for managing and mitigating lower risks.

31. **Recommendation 1 is rated partially compliant.**

Recommendation 2 - National Cooperation and Coordination

32. In the 2011 MER, the Maldives was rated partially compliant with former R.31. Deficiencies noted were: (i) the Coordination Committee was in place but had not delivered tangible outcomes; and (ii) no formal mechanism in place to ensure a dialogue with representatives from the private sector and the authorities.

33. *Criterion 2.1* - The Maldives does not have a national AML/CFT policy. The NCC, established in 2019 and chaired by the Governor of the MMA, comprises 17 domestic agencies and serves as an inter-agency coordination focused on developing national AML/CFT policies in alignment with FATF standards. Its primary objective is to enhance operational coordination among law enforcement authorities, the FIU, and regulatory and policy agencies.

34. The FCWG, formed as a technical sub-committee under the NCC in 2020, aims to improve operational coordination in the fight against financial crimes and facilitates asset recovery. While the FCWG does not have a formal requirement for regular meetings, its TOR recommends quarterly meetings. Since 2022, the FCWG has held at least three meetings to discuss action plans for updating the NRA and strengthening inter-agency coordination on TBML and cybercrimes initiatives. The group is currently developing a National Strategic Plan along with an Action Plan for AML/CFT/CPF.

35. Other agencies, including the ACC and the FIU, have initiated additional plans such as the Asset Recovery Action Plan and strategies for Preventing and Countering Violent Extremism. These initiatives aim to create national frameworks addressing ML, TF and PF in the Maldives. However, as the National Strategic Plan has not yet been adopted, there remains no established national strategy for ML and TF, nor a systematic mechanism for the regular review of AML/CFT policies.

36. *Criterion 2.2* - The Maldives indicates that the NCC is the lead authority for coordination and cooperation for national AML/CFT policies. The NCC is an inter-agency grouping, initially established by the MMA in November 2019, with updated TOR approved in August 2022. Members include Financial Intelligence Unit (MMA-FIU), National Security Advisor's Office of Presidents' Office (NSAO), Anti-Corruption Commission (ACC), Attorney General's Office (AGO), Capital Market Development Authority (CMDA), Prosecutor General's Office (PGO), Maldives Immigration (MI), Judicial Service Commission (JSC), Ministry of Foreign Affairs (MoFA), Ministry of Finance and Treasury (MoFT), Maldives Police Service (MPS), Maldives Customs Service (MCS), Maldives National Defence Force (MNDF) / National Counter Terrorism Center (NCTC), Ministry of Home Affairs (MoHA), Maldives Inland Revenue Authority (MIRA), and Auditor General's office (AuGO). The main functions of the NCC are: (i) to develop national policy on measures to counter money laundering and the financing of terrorism; and (ii) to coordinate national policies with regional and international initiatives. There is no requirement for the NCC to set up a regular meeting, however, the meeting is conducted based on a need basis.

37. There are also other agencies that are responsible for ensuring coordination among relevant agencies, such as the FIU, which is the national central agency for receiving, analysing, and disseminating information concerning ML and TF. The NCTC is mandated to provide information to relevant government authorities on activities related to terrorism, financing of terrorism, and other funds movements for such activities (Mandate 4 of the NCTC). The NCTC also forms a Counter Radicalization Committee that is responsible to national strategies and policies in preventing radicalization and violent extremism.

38. *Criterion 2.3* - The Maldives has established mechanisms to facilitate domestic cooperation and coordination on AML/CFT issues at both the policy and operational levels. At the policy level, the NCC functions as the primary national body responsible for coordinating the development and implementation of AML/CFT policies. The NCC comprises key competent authorities, including FIU, ACC, MCS, MPS, MIRA, Maldives Immigration, and PGO. The NCC plays a coordinating role in strategic planning and the oversight of AML/CFT initiatives. While there are no formalised procedures detailing structured policy consultation processes, existing practices allow for inter-agency dialogue and high-level coordination. At the operational level, the FCWG serves as a platform for inter-agency cooperation on the implementation AML/CFT measures. The group facilitates regular engagement on matters including financial crime investigations, asset recovery, emerging typologies, and operational challenges. Although the FCWG is not governed by a legally binding mandate outlining procedural aspects – such as frequency of meetings or decision-making protocols – it performs an active role in supporting real-time coordination and information exchange. The absence of formalisation does not significantly hinder the functionality of the group in practice.

39. Several competent authorities have entered into bilateral and multilateral MoUs to support technical-level cooperation and the exchange of information. The FIU has concluded MoUs with several domestic stakeholders, enabling the sharing of financial intelligence and coordination on operational cases. However, these MoUs do not appear to include detailed provisions regarding joint operational planning or structured mechanisms for collaborative decision-making in high-risk or complex cases. There are currently no identified barriers to domestic information exchange, and relevant authorities report that they are able to cooperate effectively in practice. Nonetheless, the lack of detailed formalised procedures and clearly defined roles for joint operational planning could, in some cases, affect consistency and predictability in coordination outcomes.

40. *Criterion 2.4* - The Maldives has established legal provisions concerning the criminalisation of proliferation financing as outlined in the Sections 4(c), 11(c)(1), 12, 64(f) of the Anti-Terrorism Act, and Section 54 of the PMLFT Act. These provisions indicate that the mechanisms for cooperation and coordination among relevant authorities are available for addressing PF. However, at this stage, there is no national mechanism in place to ensure effective cooperation and coordination among competent authorities especially for combatting PF. Furthermore, the existing frameworks for inter-agency cooperation and coordination through the NCC do not explicitly include strategies to address PF.

41. *Criterion 2.5* - While relevant authorities in the Maldives, such as FIU, MPS, ACC and MCS, have internal mechanisms and procedures - such as policies, rules, SOPs and code of conduct - to maintain confidentiality, there is no evidence of national-level cooperation or coordination to ensure AML/CFT requirements are compatible with data protection and privacy rules. The Maldives lacks a comprehensive data protection framework, and there are no formal mechanisms for competent authorities to coordinate on aligning AML/CFT obligations with privacy safeguards. No inter-agency consultations or joint protocols exist to guide the handling, sharing, or retention of personal data in the AML/CFT context.

Weighting and Conclusion

42. The Maldives has designated the MMA as the authority responsible for national coordination and cooperation on AML/CFT policies. However, there are no national ML/TF policies informed by the National Strategic Plan, nor is there a mechanism in place for the regular review of AML/CFT policies, including the NRA. Additional significant include: (i) the

absence of a formal mechanism for operational coordination and information exchange; (ii) ambiguity in the strategy and mechanisms for combating PF; and (iii) inadequacies in the implementation of data protection and privacy rules at the national level.

43. **Recommendation 2 is rated non-compliant.**

Recommendation 3 - Money laundering offence

44. In its last DAR in 2011, the Maldives was rated non-compliant with former Recommendation 1 as money laundering was not criminalised in keeping with international standards. Since then, the Maldives has criminalised the offence of money laundering in line with the Vienna and Palermo Conventions, under Section 53(a) of the PMLFT Act.

45. *Criterion 3.1* - The Maldives criminalises money laundering in line with the Vienna and Palermo Conventions, under Section 53(a) of the PMLFT Act which states ‘commission of any activity or an act within the meaning of money laundering under Section 5 of this Act is an offence’. ML is defined in Section 5 of the PMLFT Act as:

- (1) The conversion or transfer of property, by any person who knows or has reasonable grounds to suspect that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of such property or of assisting any person who is involved in the commission of predicate offence to evade the legal consequences of his or her actions; or
- (2) The concealment or disguise of the true nature, source, location, transferee, movement or ownership of or rights with respect to property, by any person who knows or has reasonable grounds to suspect that such property is the proceeds of crime; or
- (3) The acquisition, possession or use of property by any person who knows or has reasonable grounds to suspect that such property is the proceeds of crime; or
- (4) Participation in or conspiracy to commit, attempt to commit and aiding, abetting, facilitating and counselling the commission of any of the activities in the above paragraphs.

46. ‘Funds’ or ‘property’ are defined under Section 11 of the PMLFT Act as “assets of every kind” and incorporates the FATF definition of proceeds to some extent however it is not explicit in proceeds being derived from or obtained directly or indirectly and therefore does not have as much coverage as the FATF definition.

47. *Criterion 3.2* - The Maldives uses a combined approach to designating predicate offences for money laundering. Section 7 of the PMLFT Act defines “predicate offence” as any of the following offences that enable its perpetrator to generate “proceeds of crime”, as defined in the PMLFT Act, including:

- a) Terrorism;
- b) Terrorism financing;
- c) Illicit trafficking in narcotic drugs and psychotropic substances;
- d) Human trafficking;
- e) Illicit arms trafficking;
- f) Counterfeiting currency;
- g) Insider trading;
- h) Corruption;

- i) Crimes committed through an organised criminal group;
- j) Any offence, in addition to the offences listed above (a) to (i), that is prescribed as a serious offence under any other legislation; or
- k) Aiding, abetting and participating in the commission of an offence listed from paragraphs (a) to (j).

48. The amended Section 22 of Criminal Procedure Act (Law No. 12/2016) prescribes “serious offences” in keeping with Section 7(j) of the PMLFT Act as follows:

- Murder offences
- Sexual assault offences
- Sexual offences committed against children
- Terrorism and terrorism financing offences
- Money laundering offences
- Trafficking in human beings
- Drug offences
- Offences involving financial matters with a value of MVR100,000 and above (including assault, threat, corruption, tax offences, riot and Class 1 and Class 2 felonies).

49. S.5.(b) of the PMLFT Act states that the offence of money laundering shall also apply to persons who have committed any of the predicate offence as listed above.

50. However, the Supreme Court decision 2021/SC-A/30 determined that under the PMLFT Act, for a money laundering charge to be pursued, predicate offences are not limited to the predicate offences listed in Section 7 of PMLFT Act only, but rather all offenses criminalised under the Maldivian law are considered predicate offences for money laundering.

51. Further, under Section 82 of the Penal Code, conspiracy to commit criminal acts within the Maldives is criminalised. As the Maldives follow an “all crimes approach” to predicate offences to money laundering, having conspiracy to commit a crime criminalised, brings the offense within the scope of Section 82 of the Penal Code.

52. However, illicit trafficking in stolen and other goods and piracy are not criminalised in the Maldives under prevailing laws and cannot be considered predicates offences for ML. There is also an insufficient range of offences for environmental crimes that are predicate offences for ML.

53. *Criterion 3.3* - The Maldives has a combined approach as detailed in c.3.2. Predicate offences comprise, at a minimum, all offences that fall within the category of serious offence under the national law.

54. *Criterion 3.4* - The ML offence outlined in Section 53 of the PMLFT Act has no restrictions on the value of property. Section 8 of the PMLFT Act states that ‘proceeds of crime’ shall mean any funds or property derived from or obtained, directly or indirectly, within or outside the Maldives, from any offence under the laws of the Maldives. Proceeds of crime shall include substitute assets and investment yields.

55. *Criterion 3.5* - There is no express legal provision requiring a person to be convicted of a predicate offense when proving that property is the proceeds of crime. This is further supported in case law. The Supreme Court decision in Case No. 2021/SC-A/30 determined that a previous conviction in another case with regard to the proceeds of crime is not required.

56. *Criterion 3.6* - Section 7 of the PMLFT Act provides that a predicate offence also includes offences committed outside the territory of the Maldives, only if they constituted offences in the foreign country where they were committed and would have constituted an offence if they had been committed within the Maldives.

57. *Criterion 3.7* - Section 5(b) of the PMLFT Act states that the offence of money laundering also applies to persons who have committed the predicate offence.

58. *Criterion 3.8* - Section 24 of the Penal Code provides principles applicable to intent (s.24(c)) and knowledge (s.24(d)) in criminal offences and proof can be inferred from factual and objective circumstances.

59. *Criterion 3.9* - Section 53(b) of the PMLFT Act sets the penalty prescribed for a money laundering offence - between 100,000 Maldivian Rufiyaa (USD6,500) and 1,000,000 Maldivian Rufiyaa (USD65,000) with imprisonment between 5 (five) years and 15 (fifteen) years, or a fine not exceeding 5 (five) times the amount of the laundered funds with imprisonment between 5 (five) years and 15 (fifteen) years. These administrative and criminal sanctions are deemed proportionate and dissuasive.

60. Other dissuasive sanctions apply to offences of Section 53(c) of the PMLFT Act which covers an attempt to commit a ML offence or aiding, abetting, facilitating or counselling the commission of such an offence. Section 55 of the PMLFT Act addresses the participation in, association with or conspiracy to commit a ML/TF offence referred to in Section 53. Additionally, in certain circumstances, the courts may increase the penalties for imprisonment and/or fines under the circumstances provided in that provision (s.59(a)-(f), PMLFT Act). Overall, the criminal sanctions for natural persons convicted of ML in the Maldives are considered proportionate and dissuasive.

61. *Criterion 3.10* - Section 58(a) of the PMLFT Act imposes a penalty on any legal person who commits an offence under the Act of a fine of an amount equal to 2 (two) times the fines specified in this Act for natural persons. That is between USD13,000 – 130,000 or a fine not exceeding 10 (ten) times the amount of the laundered funds. The maximum threshold of USD130,000 is not deemed dissuasive however 10 times the laundered amount

62. Further, Chapter 15 of Companies Act provides additional administrative and criminal penalties applicable to companies, their directors, managing directors and other third parties which wouldn't be precluded from also being applied for breaches of the Companies Act upon any conviction for ML.

63. Section 58(b) of the PMLFT Act, holds legal persons liable for money laundering, terrorism financing or predicate offences where the lack of supervision over a natural person, who has a power of representation of the legal person or who has a leading position within it, has made possible the commission of any of those offences for the benefit of that legal person by a natural person acting under its authority. The penalty is a fine of an amount equal to 2 (two) times the fines specified in this Act for natural persons. This sanction is not considered proportionate nor dissuasive.

64. Under Section 58(c) of the PMLFT Act, the following penalties may also be imposed on legal persons:

- barred permanently or for a specific period from directly or indirectly carrying on certain business activities;
- placed under court supervision;

- barred permanently or for a specific period from using the place used in the commission of the offence;
- wound up if they had been established for the purpose of committing the offence in question;
- publication of the judgement against the legal person.

65. *Criterion 3.11* - Under Section 55 of the PMLFT Act, participation in, association with or conspiracy to commit an offence referred to in Section 53 (money laundering) are also offences punishable by a fine between 50,000 (fifty thousand) (USD\$3.25K) Maldivian Rufiyaa and 500,000 (five hundred thousand) (\$32.5K) Maldivian Rufiyaa or imprisonment between 2 (two) years and 10 (ten) years or both these penalties of fine and imprisonment. Criminal acts that constitute money laundering are stipulated under Section 5 of the PMLFT Act.

66. Attempting, aiding and abetting, facilitating and counselling the commission defined as ML offences in Section 52(c) of the PMLFT Act and a person who commits the offence specified in paragraph (c) of this Section is liable to pay a fine between 50,000 (fifty thousand) Maldivian Rufiyaa and 500,000 (five hundred thousand) Maldivian Rufiyaa with imprisonment between 2 (two) years and 10 (ten) years or to pay a fine not exceeding 5 (five) times the amount of the laundered funds with imprisonment between 2 (two) years and 10 (ten) years under Section 52(d) of the PMLFT Act.

Weighting and Conclusion

67. The Maldives has criminalised ML on the basis of the Vienna and Palermo Convention however Maldives law does not capture all categories of predicate offences nor the widest range within each category. Sanctions are somewhat proportionate and dissuasive although less so for legal persons.

68. **Recommendation 3 is rated largely compliant.**

Recommendation 4 - Confiscation and provisional measures

69. The Maldives was rated NC with former R.3 with the main deficiencies as follows: (i) limitations on the kinds of property to which confiscation provisions can be applied; (ii) inability to confiscate instrumentalities for offenses other than those contained in the Drugs Act, the Corruption Act, and the Fisheries Act.; (iii) inability to confiscate property of corresponding value; (iv) inability to confiscate all property derived directly or indirectly from the proceeds of the crime; (v) limitations on confiscation when property is held by a third party; (vi) laws limit the use of freezing and seizing of property to four Acts; (vii) no laws or measures in place to allow the initial application to freeze or seize to be made ex parte or without prior notice; (viii) LEAs and the FIU do not sufficiently utilise their powers to identify and trace property; (ix) no protection for the rights of bona fide third parties; and (x) limitations on authorities to prevent or void actions aimed at prejudicing their ability to recover property subject to confiscation. Since the 2011 DAR, the Maldives has issued the PMLFT Act in 2014 which introduced some legislation relating to confiscation as set out below.

70. *Criterion 4.1*

71. *Criterion 4.1(a)* - The Maldives, under court order, is able to confiscate laundered property held by criminal defendants under s.62(a)(1) of the PMLFT Act. The PMLFT Act is the substantive law and Section 192 of the CPRC is also relevant to confiscating laundered property.

Section 62(b) of the PMLFT Act enables a confiscation order to be made against the person to whom the funds or property may belong which while not explicit may include third parties. Further, Section 195(a) of the CRPC concerns the confiscation of proceeds or property other than the proceeds of crime and property subject to an order of confiscation. This legal provision covers property or money that has been sold or given to a third person.

72. The definition of property is set out in legislation under Section 11 of the PMLFT Act and is consistent with the FATF definition. “Funds” or “property” shall mean assets of every kind, and while this provision does not specifically list an exhaustive list of what property would entail, this definition is broadly applied in the Maldives. In an event that the definition was deemed non-exhaustive and broad, what that definition could entail would be decided based on Section 11 (e) of Interpretation Act (Act No 4/2011) which states that a definition of a word in another Act can be used as an extrinsic tool to further clarify or define the meaning of the word in an Act. Based on these legal principles, the definition of property in Section 11 of PMLFTA has to be read together with the Penal Code and as a result, the definition of “property” in Maldivian legal system is in line with the FATF definition.

73. *Criterion 4.1(b)* - The Maldives, under court order, has legislative measures to confiscate proceeds (s.62(a)(3) and (4), PMLFT Act) and instrumentalities intended for use in ML or predicate offences (s.62(a)(2), (3) and (5), PMLFT Act).

74. The definition of “proceeds of crimes” is set out in legislation under Section 8 of the PMLFT Act is broader than the FATF definition as it includes both funds and property.

75. Further, Section.192 of CRPC allows the state to confiscate proceeds of crime based on a court order where it can be proven that a property is derived from commission of an offense, stating ‘proceeds of crime including benefits from the proceeds of crime where a law prescribes the confiscation of such proceeds of crime’. Section 62(b) of the PMLFT Act enables a confiscation order to be made against the person to whom the funds or property may belong which, while not explicit, may include third parties. Section 195(a) of the CRPC concerns the confiscation of proceeds or property other than the proceeds of crime and property subject to an order of confiscation. This legal provision covers property or money that has been sold or given to a third person.

76. *Criterion 4.1(c)* - The Maldives, under court order, has legislative measures to confiscate property that is the proceeds of (s.62(a)(3), PMLFT Act) or used in (s.62(a)(1), PMLFT Act) or intended for use (s.62(a)(4), PMLFT Act) in TF, terrorist acts or terrorist organisations. Section 62(a)(7) of the PMLFT Act includes property derived directly or indirectly from proceeds of crime, including income, profits or other benefits from the proceeds of crime.

77. *Criterion 4.1(d)* - Section 195 of the CRPC addresses “confiscating proceeds or property other than the proceeds of crime and property subject to an order of confiscation”.

78. *Criterion 4.2*

79. *Criterion 4.2(a)* - Maldives provides legislative measures to investigate a broad range of crimes, for example, MPS is granted special investigative techniques under Section 101 of MPS Act however there are no specific legislative measures to identify, trace and evaluate property that is subject to confiscation.

80. *Criterion 4.2(b)* - Under Sections 51(b) and (c) of the PMLFT Act, the provisional measures to enable competent authorities to freeze and seize funds and properties are set out. However, it is not clear if initial application to freeze or seize property subject to confiscation

is allowed to be made ex-parte or without prior notice as it is not explicit in law. Further, the gap in the definition of property identified in c.4.1(a) also applies.

81. *Criterion 4.2(c)* - The Maldives has taken steps that will prevent or void actions that prejudice the country's ability to freeze or seize or recover property that is subject to confiscation, including through invalidating any legal instruments designed to void the confiscation of property (s.63, PMLFT Act).

82. *Criterion 4.2(d)* - Maldives has a wide range of investigative powers defined in legislation including Section 101 of the MPS Act which covers surveillance and interception; Chapter IV of the Customs Act which covers inspection, searches and controlled deliveries; and Section 22 of the ACC Act which provide the power to produce documents and records, summon witness, enter premises and produce bank records. However, deficiencies exist in relation to investigative measures as outlined in R.31.

83. *Criterion 4.3* - Third party rights are addressed in Chapter 3 of Regulation on Management of Confiscated Funds and Properties Related to Money Laundering and Financing of Terrorism 2020/R-61 issued under the provisions of the PMLFT Act. Section 8(a) of the PMLFT Act outlines the procedures for a bona fide third party to claim rights to a confiscated funds or property while Section 8(b) of the PMLFT Act sets out parties considered to be "third party acting in good faith".

84. Further, under Section 73(b) of the CRPC, freezing bank accounts and preventing transaction pursuant to Section 73(a) of the CRPC an 'account shall only be frozen, or a prohibition of transaction shall only be done in a manner that does not infringe innocent third-party rights.' The person accused of the offence or an interested third party may make an application to court to invalidate the freezing order or the prohibition of transaction under granted under this Section, (s.73(f), CRPC).

85. The existence of third-party rights is also covered under Section 196 of the CRPC which states that 'unless mentioned otherwise in any other Act, where there is a third-party interest vested in the property or money ordered to be confiscated, the third party has the right to submit to a court to acquire the right'.

86. *Criterion 4.4* - There are significant deficiencies in the framework for managing and disposing of property that has been frozen, seized or confiscated. There are no SOPs or guidelines relating to managing or disposing of frozen seized or confiscated property and there is no mechanism nor procedures to preserve the value of seized assets.

87. Section 64(a) of the PLMFT Act states some vague and undefined management requirements for confiscated funds or property "confiscated funds or property will be held in the full custody of the agency applying for the confiscation order" however the mechanisms to do so are unknown Section 64(b) of the PMLFT Act also allows authorities to prescribe regulations for the confiscated funds and property.

88. The Regulation on Management of Confiscated Funds and Properties related to Money Laundering and Financing of Terrorism is issued by MMA under the authority of Section 64(c) and sub-paragraph (3) of Section 75(a) of the PMLFT Act. Section 2 and 3 of the Regulation outline how confiscated funds must be managed and Section 4 details the destruction of properties while Section 5 and 6 outline the sale of confiscated properties.

89. Although Maldives has very limited legislation of how and who can manage confiscated property, there are major gaps in mechanisms to dispose of confiscated property which is a serious deficiency for this criterion.

Weighting and Conclusion

90. The Maldives has an incomplete legal framework for confiscation with some gaps including property of corresponding value is not covered and lacks a policy and operational framework for confiscating proceeds and instrumentalities of crime, or property of corresponding value, as a policy objective. In addition, it is unclear whether initial application to freeze or seize property subject to confiscation is allowed to be made *ex-parte* or without prior notice, as well as property of corresponding value being included or not, which is considered as a minor deficiency. Further, the Maldives does not have an adequate mechanism for managing and, when necessary, disposing of property frozen, seized or confiscated.

91. **Recommendation 4 is rated partially compliant.**

Recommendation 5 - Terrorist financing offence

92. In the 2011 MER, Maldives was rated non-compliant with the former SRII. Major shortcomings were identified, including: (i) no separate, autonomous TF offence; only partially criminalized by the aiding and abetting provision; (ii) no criminalization against the collection of funds for terrorist purposes; (iii) no evidence that the use “in full or in part” is covered; (iv) no evidence was provided to show that all the acts in the nine anti-terrorism instruments have been criminalized; (v) no evidence was provided showing the financing of terrorist acts meant to compel governments or international organizations is criminalized; (vi) no criminalization against the financing of individual terrorist and of terrorist organization; (vii) no clear definition of “finance and property” to ascertain that all of the elements of the definition of “funds” in the ICSFT are included; (viii) no criminalization of the attempt to commit the offense under Section 3; and (ix) TF offenses were not predicate offences for ML.

93. The 2011 MER also identified that it was not possible to prosecute persons abroad who were alleged to have engaged in terrorist financing for acts committed or intended to be committed in the Maldives, or to infer the intentional element from objective factual circumstances. In addition, the very limited available sanctions for legal persons were only applicable to those registered with the Government and operating in the Maldives.

Legal Framework

94. In 2014, the Maldives enacted the PMLFT Act which is the current legal framework for the criminalization of terrorist financing, along with provisions in the 2015 Anti-Terrorism Act.

95. *Criterion 5.1* - The PMLFT Act criminalises TF as an offence based on Article 2 of the International Convention for the Suppression of the Financing of Terrorism of 1999 (ICSFT). The “financing of terrorism”, as defined in Section 6 of the PMLFT Act, is criminalised under Section 54(a) of the PMLFT Act. Furthermore, Section 54(b) of the PMLFT Act also criminalises TF as an offence to any person who participates in financing terrorism, organises or directs others to commit an offence within the meaning of terrorism financing, and provides financial assistance to any person who acts with the intention of financing terrorism. Financial assistance refers to where the assistance is made with the intention to further the activity of financing terrorism; or where the assistance is made knowing the intention of the person is to commit the offence of financing of terrorism (s.54(b)(3), PMLFT Act).

96. *Criterion 5.2* - All TF offences extend to the provision or collection of funds or other assets by any means to support a terrorist act, as well as to the funding by individual terrorist or by a terrorist organization (s.6, PMLFT Act). In detail, “financing of terrorism” is defined as an act by any person who by any means, directly or indirectly, willfully, provides or collects

funds, or attempts to do so, with the intention to use the fund or with the knowledge that the funds are to be used, in full or in part, to carry out a terrorist act, by an individual terrorist, or by a terrorist organization. The offence is committed irrespective of any link to a specific terrorist act, or whether the funds have actually been used to commit such act.

97. *Criterion 5.2bis* - The Maldives specifically criminalizes the financing of the travel of individuals who travel to a State other than their States of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training. Under Section 54 (a) of the PMLFT Act these terrorism financing offences encompass acts defined in Section 16 of the Anti-Terrorism Act, which outlines several specific offences related to terrorism, such as: (1) traveling to, entering, or remaining in a war zone; (2) sending an individual to war, along with attempts to encourage or aid another in doing so; and (3) conspiratorial actions related to the aforementioned activities. Section 16 of the Anti-Terrorism Act specifically defines “going to war” as leaving the Republic of Maldives for any of the following purposes: (1) participating in conflicts led by designated terrorist organizations or individuals; (2) preparing for, conspiring to commit, or assisting in acts of terrorism; and (3) providing or receiving training intended to facilitate terrorism. Furthermore, Section 18(f) of the Anti-Terrorism Act clarifies that a “war zone” encompasses areas outside the Republic of Maldives experiencing armed conflict involving designated terrorist organizations or individuals. The definition of terrorist organization in Section 15 of the PMLFT Act aligns with the FATF’s established criteria.

98. *Criterion 5.3* -The definition of “funds or property” in Section 11 of the PMLFT Act is broad enough to cover legitimate and illegitimate sources. Funds or property has been defined as assets of every kind, including movable or immovable property and includes: ownership rights of such properties, and any other rights, interest, benefit over or arising from such properties; and legal document evidencing title to or interest in such properties including but not limited to bank credits, traveler’s cheques, bank cheques, money orders, shares, securities, bonds, bank drafts, letters of credits (s.11, PMLFT Act).

99. *Criterion 5.4* - An act would be considered as a TF offence even if the funds or other assets were not actually used to carry out or attempt a terrorist act(s) or be linked to a specific terrorist act (s.54(a), PMLFT Act).

100. *Criterion 5.5* - Section 24(c) of the Penal Code outlines that the culpability requirements of the law include a person acts purposely: (1) with respect to a conduct or result element if it is the person’s conscious object to engage in such conduct or bring about such result; (2) with respect to a circumstance element if the person is aware of the existence of such circumstances or hopes or believes that such circumstances exist. (3) conditional purpose: A person’s conditional purpose satisfies the purpose requirement unless it negatives the harm or wrong to be prevented by the law defining the offense. Section 24(d) of the Penal Code covers the knowledge element as part of the culpability requirements where a person acts knowingly: (1) with respect to a conduct element if the person is aware that the person’s conduct is of that nature; (2) with respect to a circumstance element if the person is aware that it is probable that such circumstance exists; and (3) with respect to a result element if the person is aware that it is practically certain that his conduct will cause such a result. It is a widely used practice in the Maldives, the intent and knowledge to prove criminal offences to be inferred from factual and objective circumstances.

101. *Criterion 5.6* - The criminal sanctions that apply to natural persons convicted of a TF offence are considered proportionate or dissuasive. Section 54(c) of the PMLFT Act states that a person who commits the TF offence is liable to pay a fine between 100,000 Maldivian Rufiyaa

(≈US\$6.5k) and 1,000,000 Maldivian Rufiyaa(≈US\$65k) or imprisonment between five years and fifteen years or both. Section 54(e) of the PMLFT Act further states that person who attempt to commit the offence of financing of terrorism or aiding, abetting, facilitating or counseling the commission of any such offence is liable to pay a fine between 50,000 Maldivian Rufiyaa(≈US\$3.2k) and 500,000 Maldivian Rufiyaa (≈US\$32,5k) or imprisonment between two years and ten years.

102. A person who participates in, association with or conspiracy to commit a TF offence referred to in Section 54 of the PMLFT Act may be sanctioned by a fine between 50,000 Maldivian Rufiyaa (≈US\$3.2k) and 500,000 Maldivian Rufiyaa (≈US\$32.5k) or imprisonment between two years and ten years or both (s.55, PMLFT Act). Additionally, under Section 60 of the PMLFT Act, the courts have a discretion to increase penalties under the aggravating circumstances provided in that provision.

103. *Criterion 5.7* - Section 58 of the PMLFT Act provides that criminal liability and sanctions apply to a legal person for a TF offence. In the case of a legal person the TF offence is punishable by a fine of an amount equal to 2 (two) times the fines specified in the PMLFT Act for natural persons (Section 58 (a)).

104. Section 58 (b) of the PMLFT Act further provides that a legal person can be held liable where the lack of supervision over a natural person in the position of power within the organization, leading to the commission of money laundering or financing of terrorism for the benefit of that legal person by a natural person acting under its authority. Such a legal person shall be liable to pay a fine of an amount equal to 2 (two) times the fines specified in the PMLFT Act for natural persons. Additionally, aggravating circumstances outlined in Section 60 of the PMLFT Act may also apply to legal persons in connection with TF offences.

105. Under Section 58(c) of the PMLFT Act, legal persons may also be subject to the following penalties:(1) barred permanently or for a specific period from directly or indirectly carrying on certain business activities; (2) placed under court supervision; (3) barred permanently or for a specific period from using the place used in the commission of the offence; (4) wound up if they had been established for the purpose of committing the offence in question; and (5) publication of the judgement against the legal person. In addition, Section 60 of the PMLFT Act outlines that the court may also increase the fine provided for in Section 58 by 150,000 Maldivian Rufiyaa. However, these available sanctions apply to legal persons are too low in practice to be considered proportionate and dissuasive, particularly in relation to the risk and context of potential TF offences in the Maldives.

106. *Criterion 5.8* - As discussed in c.5.1 and c.5.4, it is an offence to attempt to commit a TF offence as defined under Sections 6 and 54(a) of the PMLFT Act. Section 54 (b) of the PMLFT Act criminalizes a full range of ancillary offences to TF offences including the activities of participating in financing terrorism; organizing or directing others to commit a TF offence; or providing financial assistance to any person who acts with the intention of financing terrorism. The activities of providing financial assistance refer to: (i) where the assistance is made with the intention to further the activity of financing of terrorism; or (ii) where the assistance is made knowing the intention of the person is to commit the offence of financing terrorism.

107. Section 54(d) of the PMLFT Act addresses the underlying activities of TF offences covered, by criminalizing an attempt to commit the offence of financing of terrorism or aiding, abetting, facilitating or counselling the commission of any such offence and it shall be treated as if the offence had been completed. Additionally, the extension of the definition of “terrorism financing” provided in Section 6 of the PMLFT Act as well as the combined reading of definitions of “terrorist” and “terrorist organization” (s.14 and s.15, PMLFT Act), contribute to the

commission of one or more TF offence(s) by a group of persons acting with a common purpose will also be subjected to criminal sanctions.

108. *Criterion 5.9* - Terrorism and terrorism financing offences are designated as ML predicate offences as outlined in Section 7 (a) and (b) of the PMLFT Act.

109. *Criterion 5.10* - TF offences apply to any person located within the Maldives regardless of where the TF offence occurred (s.56, PMLFT Act). The penalty for such offence shall be the penalty provided under the PMLFT Act as if it had been committed within the territory of Maldives. Furthermore, a Maldivian national, who commits any of the offences listed in the PMLFT Act, outside the territory of Maldives, shall be prosecuted in Maldives, only if the person has not been prosecuted and convicted under the laws of the country where he committed the offence. Section 13 (1) of the Penal Code provides the definition of jurisdiction used in prosecuting criminal offences including TF. The state has jurisdiction to prosecute, any offense for which any conduct: (i) committed in the Maldives; (ii) results cause substantial harm in the Maldives; or (iii) any inchoate offences that, if completed, in Maldives. Section 13 (2) of the Penal Code further provisions that TF offences should apply on any offense that results in substantial harm to citizens, agents, or property of the State, and any inchoate offense that, if completed, would have likely resulted in substantial harm to citizens, agents, or property of the State.

110. Under Section 56 of the PMLFT Act, aligned with Section 13 (a) of the Penal Code, the state has the right to prosecute Maldivians and foreign nationals who commit offences (including TF) in Maldives and overseas. Further, under Section 13(b) of the Maldives Penal Code, jurisdiction is a prerequisite to prosecution and not an element of an offense. The prosecution is not required to prove the culpability of the defendant as to any of the criteria for jurisdiction.

Weighting and Conclusion

111. The PMLFT Act criminalizes TF and ancillary offences generally in keeping with the TF convention. The potential criminal liability and sanctions that apply to legal persons are not proportionate and dissuasive in the event of a successful conviction.

112. **Recommendation 5 is rated largely compliant.**

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

113. In the 2011 MER the Maldives was rated non-compliant in former SR.III, with deficiencies in most criteria, notably lack of laws or regulations in place that would have allowed the Maldives to implement the obligations under SRIII. These included: (i) the absence of laws and procedures of asset freezing and the freezing mechanisms of other jurisdictions; (ii) no effective and publicly known procedures in place and in a timely manner regarding assets unfreezing and delisting mechanisms, including authorizing funds or other assets for basic or extraordinary purposes; (iii) no clear guidance to financial institutions other persons or entities regarding freezing mechanisms; (iv) no provisional measures/confiscation regarding freezing, seizing, and confiscation of terrorist-related funds in other contexts than that of the United Nations Security Council Resolutions and freezing actions initiated in other countries; (iv) no protection for the rights of bona fide third parties; (v) no appropriate measures to effectively monitor compliance with relevant legislation, rules or regulations; and

(vi) inability to impose civil, administrative or criminal sanctions for failure to comply with such rules.

114. Since the 2011 MER, the Maldives has introduced the 2015 Anti-Terrorism Act, which prohibits, criminalizes and prevents the act of terrorism, and enacted the 2014 Prevention of Money Laundering and Financing of Terrorism Act, which requires the implementation of targeted financial sanctions concerning certain designations made by the UNSC.

115. *Criterion 6.1*

116. *Criterion 6.1(a)* - The Maldives has not identified a competent authority or court responsible for proposing persons or entities to the 1267/1989 Committee for designation, and for proposing persons or entities to the 1988 Committee for designation.

117. *Criterion 6.1(b)* - The Maldives has no mechanisms in place for identifying targets for designation based on the designation criteria set forth in the relevant UNSCRs.

118. *Criterion 6.1(c)* - There are no procedures or mechanisms indicating evidentiary standard of reasonable grounds or reasonable basis when deciding whether or not to make a proposal for designation as established by the UNSC.

119. *Criterion 6.1(d)* - The Maldives does not have an explicit requirement for authorities to comply with or follow the UN Sanctions Regime procedures and standard forms for listing adopted by the relevant the 1267/1989 Committee or 1988 Committee.

120. *Criterion 6.1(e)* - There are no requirements for the authorities to provide as much relevant information as possible when proposing a designation including a statement of case on the basis of listing and specification of whether their status as a designating state may be made known.

121. *Criterion 6.2* - Section 52 of the PMLFT Act requires the Ministry of Foreign Affairs and the FIU to undertake actions against funds associated with TF. The Ministry will send the FIU; the list of designated persons received from foreign partners pursuant to UNSCR 1373. However, there is no legal basis for forming the authority, and effective procedures or mechanisms, to identify and initiate proposals for designations of persons and entities targeted by UNSCR 1373, consistent with the obligations set out in that Security Council resolution.

122. *Criterion 6.2(a)* - The Maldives has not identified a competent authority having responsibility to initiate, or make proposals for designations pursuant to UNSCR 1373, either on its own motion, or at the request of another country.

123. *Criterion 6.2(b)* - The Maldives does not have mechanisms for identifying targets for designation, based on the designation criteria set out in UNSCR 1373.

124. *Criterion 6.2(c)* - The Maldives has no mechanism for designating a person or entity in line with UNSCR 1373 upon prompt consideration of requests from other countries.

125. *Criterion 6.2(d)* - There is no specified evidentiary standard of proof of “reasonable grounds” or “reasonable basis” when deciding whether or not to make a designation.

126. *Criterion 6.2(e)* - There is no specified process for requesting another country to give effect to the actions initiated under the freezing mechanisms, provide as much identifying information, and specific information supporting the designation as possible.

127. *Criterion 6.3* - There is no specified authority with the responsibility to designate terrorist organisations and warzones or any criteria of designation under UNSCR 1373.

128. *Criterion 6.3(a)* - The Maldives has no procedures or mechanisms, or competent authorities, that are legally authorized to collect and solicit information to identify persons and entities that, based on reasonable grounds, meet the criteria for designation.

129. *Criterion 6.3(b)* - There are no procedures or mechanisms to operate *ex parte* against a person or entity who has been identified and whose (proposal for) designation is being considered.

130. *Criterion 6.4* - The limited freezing powers outlined in the PMLFT Act operate without delay based on a standing legal notice issued by the FIU in October 2024 which explicitly or immediate freezing of all UN designations and sets out the basis on which reporting entities should take freezing or unfreezing actions whenever the list of designated persons or entities is changed by the UN.

131. *Criterion 6.5*

132. *Criterion 6.5(a)* - The Maldives has a limited obligations on all natural and legal persons within the country to freeze without delay and without prior notice the funds or other assets of designated persons and entities as required under this criterion. Section 52(a) and (b) of the PMLFT Act and the FIU Circular No. CN/2024/091 dated 10 October 2024 require REs to implement measures immediately on listings, including immediately freeze the funds or assets that are subjects to TFS under all relevant UNSCRs. However, as noted above, Section 52 of the PMLFT Act does not apply to natural or legal persons that are not reporting entities.

133. *Criterion 6.5(b)* - The obligation to freeze under Section 52(c) of the PMLFT Act applies to “the funds or property of persons” on the list submitted to the reporting entities, as referenced in the FIU Circular No. CN/2024/091. These obligations to freeze covers the funds or assets that are owned or controlled by the designated person or entity, but it does not extend to funds that are controlled absent ownership. There is nothing in the freezing obligation that would tie freezing to a particular terrorist act, plot or threat. The freezing obligation does not extend to those funds or assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; and the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.

134. *Criterion 6.5(c)* - While the FIU Circular No. CN/2024/091 includes clauses at *1-Listings or Additions* that require reporting entities to cease any business transactions and refuse any business of designated persons and entities, however it is not clear that the penalty provisions at s.52(f) of the PMLFT Act provides a basis to enforce compliance with those clauses in *1-Listings or Additions*. As such, there is no enforceable provisions or laws that explicitly prohibit Maldivian nationals, or any persons and entities within the jurisdiction from making funds available for the benefit of designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs.

135. *Criterion 6.5(d)* - In the absence of a system for domestic designations pursuant to UNSCR 1373, there are no mechanisms to communicate designations. There is some guidance in the Circular No. CN/2024/091, including CDD of Beneficial Owners (BO) to seek to identify sanctioned individuals, and the 2017 guidance, but overall, the guidance is limited in relation to the narrow freezing mechanisms.

136. *Criterion 6.5(e)* - Based on the PMLTFA (s.52(e)) and the Circular No. CN/2024/091, REs are required to report without delay to the FIU any property frozen in relation to UN designations. However, the PMLFT Act does not specifically provide an obligation to report actions, or the existence of funds or property related to attempted transactions. In addition, the requirements relating to attempted transactions are only outlined in the AMLCFT Guidelines for banks, money remittance institutions, mobile payment service providers, securities institutions, and consumer finance institutions.

137. *Criterion 6.5(f)* - There are no legislative measures, policies and procedures which protect the rights of bona fide third parties acting in good faith when implementing the obligations under Recommendation 6.

138. *Criterion 6.6*

139. *Criterion 6.6(a)* - The request for de-listing and unfreezing the funds should be submitted to the FIU, within 29 days following the freeze instruction (s.52(g), PMLFT Act). However, the Maldives does not have specified and publicly known procedures in place to submit de-listing requests to the relevant UN sanctions Committee in the case of persons and entities designated pursuant to the UN Sanctions Regimes, in the view of the country, do not or no longer meet the criteria for designation.

140. *Criterion 6.6(b)* - There are no provisions explicitly empowering the Maldivian authorities, including no publicly known procedures or mechanisms, to de-list and unfreeze the funds or other assets of persons and entities designated pursuant to UNSCR 1373, that no longer meet the criteria for designation.

141. *Criterion 6.6(c)* - The Maldives does not have a competent authority responsible for designating terrorist groups. The Maldives does not have specified and publicly known procedures to follow, upon request, review of the designation decision before a court or other independent competent authority.

142. *Criterion 6.6(d)* - The Maldives does not have procedures to facilitate review by the 1988 Committee in accordance with the applicable guidelines or procedures.

143. *Criterion 6.6(e)* - The Maldives does not have specific procedures in place for informing designated persons and entities of the availability of the *United Nations Office of the Ombudsperson*, pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions.

144. *Criterion 6.6(f)* - The Maldives laws and competent authorities do not have or specify any publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (*i.e.* a false positive), upon verification that the person or entity involved is not a designated person or entity,

145. *Criterion 6.6(g)* - A person may submit a request for releasing the funds or property and de-listing to the FIU for funds have been frozen pursuant to Section 52(d) of the Act and who considers its inclusion on the list designated by the UNSC to be the results of error, within 29 days following the freeze instruction (s.52(g), PMLFT Act). However, there are no specific mechanisms for communicating de-listings and unfreezing to the financial sector and the DNFBPs immediately upon taking such action.

146. *Criterion 6.7* - The Maldives has no legal provisions that authorize access to frozen funds or other assets which have been determined to be necessary for basic expenses, for the payment of certain types of fees, expenses and service charges, or for extraordinary expenses, in accordance with the procedures set out in UNSCR 1452 and any successor resolutions. In

addition, there are no legislative measures, policies and procedures that authorize access to funds or other assets, if freezing measures are applied to persons and entities designated by a (supra)national country pursuant to UNSCR 1373.

Weighting and Conclusion

147. The Maldives does not have a framework to implement targeted financial sanctions under UNSCR 1373 and very limited elements of a framework to implement some aspects of targeted financial sanctions pursuant relation to UNSCR 1267. Given the Maldives risk and context related to UN-designated persons and entities the major shortcomings are given particular weight. There is no competent authority in the Maldives responsible for proposing entities to the 1267 Committee and 1988 Committee, as appropriate. Consequently, the Maldives also does not have a mechanism in place for identifying potential targets for designation. There are also no measures in place to submit de-listing requests to the Security Council in the case of persons and entities pursuant to resolution 1267 or resolution 1373 that do not or no longer meet with criteria for designation. The mechanisms and procedures of identifying and designating, de-listing, unfreezing and providing access to frozen funds have deficiencies, as they are not specific freezing provisions.

148. **Recommendation 6 is rated non-compliant.**

Recommendation 7 – Targeted financial sanctions related to proliferation

149. The financing of proliferation is a new Recommendation added in 2012 which was not assessed in the previous 2011 DAR.

150. *Criterion 7.1* - The Maldives has a limited legal basis to freeze assets of targeted financial sanctions without delay to comply with UNSCR, adopted under Chapter VII of the Charter of the United Nations, relating to the prevention, suppression and disruption of proliferation of WMD and its financing. Section.52 of the PMLA 2014 Act outlines the actions to be taken to implement TFS-PF however the scope of the freezing requirement and its application is very narrow.

151. In October 2024, the FIU issued a standing order to all REs giving effect to Section 52(a) of the PMLFT Act to implement TFS-PF designated by UNSCR under Chapter VII of the UN Charter. However, there is no clear mechanism to disseminate designations to all REs without delay noting the FIU disseminates updates to some, but not all REs and the freezing obligation does not extend to all natural and legal persons. The freezing obligation enters into force without delay upon designation at the UN, and reporting entities are required to proactively keep up to date with changes to the UN standards. However, the authorities' lack of supporting dissemination of the UN lists undermines the timely operation of the narrow requirements that are in place.

152. The FIU Circular CN/2024/9091 was issued in October 2024 to outline REs obligations in implementing TFS-PF however this has not been shared with all REs i.e. all DNFBPs. While there is no designated competent authority explicitly set out in law for CPF, the FIU is able to instruct REs under PMLFT s.52 and 27(d) as part of its compliance role, however it is unclear whether this Circular is legally binding.

153. *Criterion 7.2* - There is no designated competent authority for CPF explicitly set out in law, however in practice the FIU is the agency that has taken steps under the law to issue limited freezing instructions. Section 52(c) of the PMLFT Act sets out a basis for the FIU to issue enforceable freezing orders related to the UNSCRs.

154. The PMLTFA is a law devoted to combating ML and TF, and does not include any specific reference to combating PF. However, there is clarity of the terms legislated in s.52 related to freezing orders with reference to the “the list of persons designated by the United Nations Security Council acting pursuant to Chapter VII of the United Nations Charter”, which provides a legal basis to extend to PF and any other UNSCR issued under Ch.VII of the UN Charter. The reference is to a chapter of a treaty to which the Maldives is a state party - the Maldives became party to the UN Charter in 1965 by virtue of a Declaration of Acceptance instrument (Obligations_volume-545-I-7929). The legislature was clear in its choice of terms at s.52, even if the title and objectives Sections of the PMLTFA (s.1 & 2) do not reference subjects beyond ML/TF. The FIU standing freezing order further supports this interpretation in its issuance of the standing freezing order in October 2024 with references to PF UNSCRs.

155. *Criterion 7.2(a)* - The Maldives has limited obligations on all natural and legal persons within the country to freeze without delay and without prior notice the funds or other assets of designated persons and entities as required under this criterion. Section 52(a) & (b) of the PMLFT Act combined with FIU Circular No. CN/2024/091 dated 10 October 2024, require REs to implement measures immediately upon listings, including immediately freeze the funds or assets that are subject to TFS under all relevant UNSCRs. However, as noted above, Section 52 of the PMLFT Act does not apply to natural or legal persons that are not REs.

156. *Criterion 7.2(b)* - The obligation to freeze under Section 52(c) of the PMLFT Act applies to “the funds or property of persons” on the list submitted to the REs referenced in the FIU Circular No. CN/2024/091. These obligations to freeze cover the funds or assets that are owned by the designated person or entity, but do not extend to funds that are controlled absent ownership. There is nothing in the freezing obligation that would tie freezing to a particular terrorist act, plot or threat. The freezing obligation does not extend to (ii) those funds or assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; and (iii) the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as (iv) funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.

157. *Criterion 7.2(c)* - While the Maldives FIU Circular No. CN/2024/091 includes clauses at *1-Listings or Additions* that require REs to cease any business transactions and refuse any business of designated persons and entities, however it is not clear that the penalty provisions at s.52(f) of the PMLTF Act provides a basis to enforce compliance with those clauses in 1-Listings or Additions. As such, there are no enforceable provisions that explicitly prohibit Maldivian nationals, or any persons and entities within the jurisdiction from making funds available for the benefit of designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs.

158. *Criterion 7.2(d)* - The PMLFT Act provides that the FIU will instruct REs to freeze the funds as required under Section 52(c) and (d). However, there are no mechanisms explicitly identified to communicate these designations. There is some guidance provided in the FIU Circular No. CN/2024/091, including CDD of BO seeking to identify sanctioned individuals, and the 2017 guidance, but overall, the guidance is limited in relation to the narrow freezing mechanisms.

159. *Criterion 7.2(e)* - Based on the PMLTFA (s.52(e)) and the FIU Circular No. CN/2024/091, REs are required to report without delay to the FIU any property frozen in relation to UN designations. However, the PMLFT Act does not specifically provide an obligation

to report actions, or the existence of funds or property related to attempted transactions. In addition, the requirements relating to attempted transactions are only outlined in the AML/CFT Guidelines for banks, money remittance institutions, mobile payment service providers, securities institutions, and consumer finance institutions.

160. *Criterion 7.2(f)* - There is no legal basis to protect the rights of bona fide third parties acting in good faith when implementing the obligations under R.7.

161. *Criterion 7.3* - There is a legal basis in the Maldives under Section 46(b) of the PMLFTA to monitor REs compliance with TFS obligations relating to PF. This provision gives supervisors a broad range of powers to conduct monitoring of AML/CFT compliance (refer Recommendation 26.4) which may include TFS obligations relating to PF. However as identified in c.7.1 above, the scope of TFS-PF application is narrow under the PMLTF Act which restricts the ability for competent authorities to monitor the REs compliance of TFS-PF and there is no designated supervisor responsible for all DNFBPs.

162. S.52(f) of the PMLTFA sets out enforceable means on REs for failing to comply with the TFS obligations, however the sanctions are not sufficiently dissuasive as they are weak and limited (USD 660 – to USD10,000 (150,000 Rufiyaa). Note the English translation is confusing and refers to both 100,000 & 150,000 rufiyaa.

163. *Criterion 7.4*

164. *Criterion 7.4(a)* - There are no publicly known procedures to submit de-listing requests to the UNSC. As such there are no procedures in place to allow for listed persons and entities to request to be de-listed at the Focal Point for de-listing pursuant to UNSCR 1730.

165. *Criterion 7.4(b)* - There are no publicly known procedures to unfreeze the funds or assets of persons or entities with the same or similar name as designated persons or entities who are inadvertently affected by asset freezing.

166. *Criterion 7.4(c)* - There are no publicly known procedures that authorise the access to funds or other assets, where jurisdictions have determined that the exemption conditions set out in UNSCRs 1718 and 2231 are met.

167. *Criterion 7.4(d)* - While the FIU Circular CN/2024/9091 from October 2024 provides instructions in relation to steps to be taken upon de-listing, including unfreezing, there are no mechanisms for communicating de-listings to the financial sector and the DNFBPs and providing guidance to FIs and other persons or entities, that may be holding targeted funds or other assets.

168. *Criterion 7.5*

169. *Criterion 7.5(a)* - The Maldives has not considered whether any addition to the accounts frozen in the form of interest, other earnings or payments due under contracts, agreements or obligations that arose prior to the designation of the persons and entities could be permitted.

170. *Criterion 7.5(b)* - The Maldives has not considered whether a designated person or entity could make any payment in respect of contracts, agreements or obligations that arose prior to the date on which accounts became subject to targeted financial sanctions.

Weighting and Conclusion

171. The Maldives has a limited legal framework to implement some aspects of TFS-PF however the scope of the freezing requirement and its application is very narrow, there is no clear mechanism to disseminate designations to all REs without delay noting the FIU disseminates updates to some but not all REs, the freezing obligation does not extend to all natural and legal persons and is not well supported with guidance, supervision or enforcement action.

172. The Maldives has not implemented publicly known procedures to submit delisting requests to UNSC nor has it adopted measures to monitor and ensure compliance by all REs regarding their obligations under R.7.

173. **Recommendation 7 is rated non-compliant.**

Recommendation 8 – Non-profit organisations

174. In its 2011 MER, the Maldives was rated non-compliant in former SR.VIII with deficiencies in most criteria, such as: (i) no overall strategy to identify and address ML/TF risks within the NPO sector and no review of the domestic NPO sector. (ii) no outreach to the NPO sector or raising awareness on TF risks or promotion of overall healthy NPO governance; (iii) supervision of NPOs was inadequate and compliance with registration and financial reporting obligations was low; (iv) insufficient transparency of NPOs because the information maintained was insufficient; (v) no ongoing updating and recording of information about those who control NPOs and the operation of these NPOs; and (v) no clear mechanisms to respond to international requests.

175. In 2022, the Maldives passed the Associations Act which governs the rights, powers and authorities to form and operate associations under Article 30(b) of the Constitution of the Republic of Maldives, including incorporation, registration, and regulation; general rights and obligations of such entities; and the duties of the Registrar of Associations. For the purpose of this report, the Associations Act is cited as the NPO Act.

NPOs in the Maldives

176. Registered NPOs, as defined as associations according to Article 30(b) of the Constitution of the Republic of Maldives and Section 8 of the NPO Act, are categorised into six categories: (1) Club; (2) Association, Organisation or Society; (3) Foundation; (4) Federation, Alliance, or Network; (5) Charity; and (6) Professional Workers Association, Union or Organisation (Section 10(a) of the Act). The NPO Act also covers types of activities conducted by NPOs including fundraising, promoting idea or ideology, seeking support for that ideology, disseminating information, monitoring the performance of the functions and responsibilities of government or public agencies in order to achieve its objectives, and advocating for laws, regulations, and government policies (s.7, NPO Act). Section 82 (f) of the NPO Act authorises the Ministry of Youth Empowerment, Information and Art as the regulator for all NPOs where the Registrar of Association is housed at.

177. The Maldives has 2,532 registered NPOs with the Ministry of Youth Empowerment, Information and Art and 83 charitable organisations registered at MIRA as of 1 December 2024.

178. *Criterion 8.1*

179. *Criterion 8.1(a)* - The Maldives has not identified a subset of organisations that fall within the definition of NPO (in the FATF methodology) or those likely to be at risk of terrorist

financing.³² The 2022 NRA identifies that the then 3,231 NPOs registered in the Maldives are exposed to risks and terrorist financing, and there are gaps in the NPO oversight framework and lack of transparency requirements. However, there is no further analysis on the features and types of NPOs which by virtue of their activities or characteristics, are most or likely to be vulnerable to TF within the broader sector.

180. *Criterion 8.1(b)* - The 2022 NRA notes that the risk level on registered NPOs operating in the Maldives, is identified as high, considering that there are activities aimed at soliciting funds from legitimate foreign donors by acting as NGOs and NPOs, and such activities are also identified linking with high-risk jurisdictions. Furthermore, the 2022 NRA also highlights that NPOs are also exposed to TF risks because of: (i) lack of awareness on TF; (ii) gaps in the NPO oversight mechanisms; (iii) lack of adequate NPO transparency requirements; (iv) cross-border financial activity; and (v) cash-based fund raising. Although the Maldives has identified the nature of threats posed by terrorist entities as presented in the NRA; however, it is not clear how terrorist entities abuse the at-risk NPOs.

181. As per c.8.1(a), Maldives has not clearly identified the subset of NPOs falling within the FATF definition or clearly identified NPOs that are likely to be at risk of TF abuse. In addition, the Maldives has not assessed the interplay between NPOs and religious institutions, given that waqfs are not covered under the extensive legislative regime as other NPOs.

182. The Ministry of Islamic Affairs collects Zakat on behalf of Maldivian citizens. Zakat can be accessed by non-profits for certain activities that requires approval from the Ministry of Islamic Affairs. Zakat collection is still in the nascent stages and has only been used by NPOs in limited instances. Waqf collection is also limited in the Maldives. The Ministry of Islamic Affairs is not required to notify the Registrar of Associations when NPOs use Zakat.

183. *Criterion 8.1(c)* - Since 2018, the Maldives has done two reviews of its Association Act, Law No. 1/2003. The first amendment in November 2022 replaced the Association Act with Law No. 3/2022 (NPO Act). Within two years, the Maldives issued a new NPO regulation (Regulation Number: 2024/R-74). The NPO regulation came into effect on 27 August 2024.

184. The NPO Act empowers the Registrar of Associations to take enforcement actions, including written warnings and fines between 500 and 5,000 Maldivian Rufiyaa (≈US\$32.50 – ≈US\$325), against NPOs that fail to comply with the provisions of the Act (s.62(a), NPO Act). NPOs are also prohibited from engaging in or attempting to promote activities outlined in Section 12 of the NPO Act. However, the prohibited activities outlined are limited, and it is not clear how they were identified, whether they relate to the subset of the NPO sector that may be abused for TF, and if they address the most acute TF risks for NPOs.

185. As identified in the 2022 NRA, there are gaps in NPO supervision and oversight mechanisms by the Registrar of Associations and other relevant agencies. There are inadequate measures, including policies and procedures, which promote accountability, integrity, and public confidence in the administration and management of NPOs. The NRA notes that the NPO sector is not effectively monitored and supervised in terms of compliance with the regulatory frameworks. The Maldives has not undertaken some broader reviews on the measures for NPOs; therefore, it is not clear whether the authorities are able to take proportionate and effective actions to address the risks related to NPOs.

³² The Maldives is in the process of identifying a subset of registered and international organisations that fall within the definition of NPO (in the FATF methodology).

186. Criterion 8.1(d) - Sub-paragraph (7) of Section 11(a) of the NPO Regulation requires the Registrar to conduct an annual review of NPOs' activities ensuring their compliance to the regulatory requirements. There are no formal procedures in place requiring these domestic agencies to conduct such regular reviews. The reassessment is conducted in order to inform counter terrorism response strategies (NCTC Mandate No. 8³³) and the National Strategy on Preventing and Countering Violent Extremism. The Registrar of Association has not conducted a reassessment since the NPO Act came into effect in 2022. The MPS regularly monitors NPO activities, including fund raising programs, and activities of NPO senior members. There is no formal coordination mechanism set up between the Registrar, the NCTC, the DIS and the MPS, but they also coordinate with the FIU for intelligence information exchange to support the monitoring and supervision of NPOs activities. The current gaps identified in c.8.1(a) to (b) apply here.

187. Criterion 8.2.

188. Criterion 8.2(a) - Sections 50-58 of the Association Act and Chapter 8 of the NPO Regulation provide legal requirements for NPOs to promote accountability and public confidence including maintaining a registry of members, annual report submission, and audit requirements for financial transactions exceeding a certain amount. However, the Maldives does not have guidelines that are publicly accessible or any other clear policies to promote accountability for NPOs on how to establish and manage accountability and transparency in the administration and management of NPOs.

189. Criterion 8.2(b) - The Maldives does not have clear policies to encourage and undertake outreach and educational programmes to raise and deepen awareness on AML/CFT among NPOs and donor community, including has not developed a no formal mechanism of inter-agency coordination has been developed between the NCTC, the Ministry of Home Affairs, the Registrar and other government authorities in their engagement with NPOs. Furthermore, the NCTC is also mandated to conduct public awareness activities related to counter terrorism, including regular educational programs for NPOs to deepen awareness among NPOs as well as the donor community on TF. However, this outreach does not target the donor community specifically, nor does it specifically discuss the potential vulnerabilities of NPOs to TF risks and the measures NPOs can take to protect themselves against such abuse.

190. In addition, the Maldives has not demonstrated on-going co-ordination between oversight bodies and other government authorities in their engagement with NPOs ensuring clear messages are sent on expectations for TF risk management.

191. Criterion 8.2(c) - Whilst the NCTC and the Police Service conduct re-assessment of the NPO sector in order to inform counter terrorism response strategies, the Maldives has not worked with NPOs to develop and refine best practices to address TF risk and vulnerabilities. The NCTC does not appear to coordinate with the Registrar of Association or the Minister of Home Affairs on this work, which is the authority responsible for implementing the NPO Law. In addition, it is unclear whether the Maldives has a coordination framework applied among authorities in maintaining ongoing and regular dialogue with the NPO sector to ensure an accurate and up-to-date understanding of risks, understand self-regulatory measures and related internal control measures in place within NPOs, and develop an adequate policy response.

192. Criterion 8.2(d) - Section 48 of the NPO Regulation requires NPOs to have a registered bank account with a local bank for the purpose of funds management. Financial transactions

³³ <https://nctc.gov.mv/html/mandate.html>.

should be conducted through official legal tender of registered financial institutions. However, there was no evidence that the Maldives is actively encouraging or promoting the use of regulated financial channels across the broader NPO sector, particularly, no reference to targeted outreach, awareness, or guidance provided to NPOs encouraging the use of regulated financial channels; no indication of capacity building or support for smaller NPOs that may face barriers to accessing financial system, and no mention of monitoring or promoting compliance with these rules through education or feedback mechanism.

193. *Criterion 8.3* - The Maldives has not taken any steps to promote effective supervision or monitoring to demonstrate that focused, proportionate and risk-based measures apply to NPOs at risk of TF abuse. The Registrar of Association supervises and monitors NPOs, but it appears that a “one-size fits all” approach has been and there are no specific NPOs that have been identified as high-risk for TF. The gaps in c.8.1(a) apply here where the Maldives has not identified the NPOs at risk. Despite having some measures in place to monitor and supervise NPOs (as per the NPO Act), the Maldives has not applied risk-based measure to NPOs at-risk of TF. In addition, the Maldives also does not have risk-based measures on NPOs related to: (i) appropriate controls for stated NPOs activities; (ii) measures to confirm identity, credentials and beneficiaries; (3) confirmation on partners and donors’ reputations; and (3) maintaining records.

194. *Criterion 8.4*

195. *Criterion 8.4(a)* - The Maldives indicates that the Registrar of Association at the Ministry of Youth Empowerment, Information, and Arts is the regulator of NPOs as appointed by the President and responsible for overseeing NPOs to ensure their compliance with the NPO Act (s.13, NPO Act). Under the NPO Act, NPOs are required to be registered and abide by the rules regarding the governance and audit, including maintaining a registry of members, keeping detailed records for a minimum of 5 years, and maintaining annual financial statements (s13, 16, 37, 48, 52, 53, 54 and 55, NPO Act). The PMLFT Act empowers the Ministry of Home Affairs to monitor all NPOs that engage in money transfer and receipt and prescribe regulations to ensure that NPOs are not misused for the purpose of the financing of terrorism (s.23(a), PMLFT Act). However, these regulations have not been prescribed by the Ministry of Home Affairs yet, and there is no formal mechanism in place, requiring a regular risk-based monitoring on NPOs’ activities is needed as part of proactive measures to detect and respond to significant changes in risks. The Maldives also does not have any formal requirements for the Registrar or the Ministry of Home Affairs to ensure that the NPOs’ registration is accurate and up to date, and to review NPOs’ internal controls and governance as part of their monitoring policies.

196. *Criterion 8.4(b)* - Section 62 of the NPO Act allows the Registrar to take action against associations or NPOs that fail to comply with the provisions in the Act. The fines issued by the Registrar of Association are for a maximum of 5,000 Maldivian rufiyaa (around US\$320). Overall, these sanctions are not proportionate or dissuasive. In addition, such sanctions do not cover: (i) persons acting on behalf of the associations, and (ii) other measures, such as freezing of accounts, removal of trustees, fines, and decertification. There are some additional dissuasive measures allowed under the PMLFT Act for legal persons involved in TF, including barring legal persons from carrying out certain activities (s.58(c), PMLFT Act).

197. Criminal offences committed by NPOs are dealt as required the Penal Code. Sanctions applied under the NPO Act are imposed independently under that Act. Sections 59 and 60 of the NPO Act provides NPOs to submit complaints and appeal to the Registrar in accordance with the complaint procedures (s.55-58, NPO Regulation). Any objections to the decision made by

the Complaints Committee under the Registrar, can be submitted within ten days from the date of receipt of the decision (s.59, NPO regulation).

198. *Criterion 8.5*

199. *Criterion 8.5(a)* - The NCTC, established under the Ministry of Defence, is mandated to coordinate the 'whole-of-government' and 'whole-of-society' counter terrorism and counter violent extremism efforts in the Maldives. The Counter Terrorism Steering Committee (CTSC), established by the President of Maldives, assists the NCTC in formulating national strategies on counter terrorism. The FIU shares information and suspicious transaction information concerning the abuse of NPOs of TF with other competent authorities (s.27(d)(2), PMLFT Act), including the MPS and the MIRA. There is no formal information exchange mechanism between the FIU and other members of the FCWG, but such agencies have been using the FCWG meeting as an avenue for coordination in combating financial crimes and asset recovery. Furthermore, the Maldives does not have information sharing frameworks between NPO associations and other relevant authorities demonstrating a cooperative and collaborative inter-agency approach to the detection of abuse and risk of NPOs.

200. *Criterion 8.5(b)* - The MPS, a designated law enforcement agency under Section 18 of the CRPC that is responsible for the investigation of all the crimes including ML and TF, does not have the necessary expertise and capabilities to examine NPOs suspected of supporting terrorist activity or terrorist organisation. Although MPS, in coordination with other agencies, has investigated several entities suspected of providing support to terrorist organisations, there is no evidence of NPO specific investigative policies, procedures or expertise. To date, the Maldives has not investigated an NPO suspected of either being exploited by or actively supporting terrorist activity.

201. *Criterion 8.5(c)* - The NPO Act authorises the Registrar to obtain information related to the management of NPOs as part of the registration process of associations in the Maldives prior to issuing a registration certificate (Chapter 5 of the NPO Act). The Maldives has not demonstrated that there is a specific provision outlining the responsibility of the Registrar for maintaining information on the administration and management of particular NPOs (including financial and programmatic information). In addition, the Maldives does not have any other formal framework to enable investigative authorities to access information on the management and administration of specific NPOs if needed. The informal recordkeeping mechanisms on the information submitted to the Registrar are in place, covering the NPO membership information, bank accounts, annual reports, financial statements, audit reports and information on projects above MVR 500,001 (~US\$ 323,821). It is not clear whether there are any internal procedures and mechanisms developed in the Registrar and the Ministry. Since there has been no NPO-specific investigation related with TF, it is unclear whether the information on the administration and management of NPOs can be readily accessed by other agencies, such as the MPS, during the investigations. However, the informal coordination among competent authorities regarding ML/TF exists in the Maldives.

202. *Criterion 8.5(d)* - The Registrar can submit an application to a judicial court for the suspension of the operation, activities and activities of the NPO where an NPO is operating for an illegal purpose or using the NPO as a cover for illegal purposes or activities (Section 61 of the NPO Act). The Maldives has not established a formal mechanism to identify suspicion of TF related to the activities of NPOs. Competent authorities may use the operational coordination mechanism of the FCWG (of which the Registrar is a member) to share information which may lead to investigations into NPOs.

203. *Criterion 8.6* - The FIU is identified as the central agency for receiving, analysing, and disseminating information concerning TF (s.27, PMLFT Act). Under the Egmont Group of Information Exchange framework, the Maldivian FIU is able to conduct formal information exchanges via MoUs with other international FIUs, including information related to NPOs. However, the Maldives has not demonstrated that it has identified appropriate points of contact and procedures to respond to international requests for information regarding NPOs suspected of TF or involvement in other forms of terrorist support. The existing general mechanism of international cooperation is through the MLA framework, with the PGO as the leading agency, or through police-to-police coordination for information sharing related to operational intelligence and investigations.

Weighting and Conclusion

204. The Maldives has not demonstrated a sustained approach in reviewing the NPO sector to identify a subset of organisations that fall within the FATF definition or conducted any risk assessment to identify the nature of TF risks such NPOs face. Consequently, there are no risk-based measures in place in dealing with identified threats of terrorist financing abuse to NPOs. Similarly, there are limited effective and proportionate measures commensurate to the risk posed to the NPOs, which was identified as “High” in the 2022 NRA. Moderate deficiencies are also identified in regard to the mechanisms for cooperation, coordination and information sharing between competent authorities, public agencies, financial institutions, and NPOs themselves. The process for sharing information and investigating potential instances of TF to potential halt the activity is not formalized or clear, nor has the Maldives demonstrated procedures in responding to international requests and a collaborative approach working with international counterparts for effective transmission and execution of request for information related to NPOs. Taking account of the Maldives TF risk and context, these gaps are weighted heavily.

205. **Recommendation 8 is non-compliant.**

Recommendation 9 – Financial institution secrecy laws

206. Maldives was rated partially compliant with former R.4 (Secrecy laws consistent with the recommendations). The 2011 DAR concluded that strict interpretation of the existing privacy provisions in the law prevented LEAs from accessing information in the course of investigations.

207. *Criterion 9.1* - Section 48 of the PMLFT Act establishes that the bank secrecy or professional privilege shall not be invoked as a ground not to comply with the obligations under PMLFT Act when requested by the FIU, Court of Law, supervisory authorities, law enforcement or investigative agencies in accordance with the PMLFT Act. Due to the use of 'bank secrecy', such obligations seem to only extend to banks and not for all FIs.

208. Confidentiality provisions are overridden when information is sought by designated criminal investigative body or the PGO in case of banks (s41 of MBA) as well as remittance and e-money issuance service providers (s55 of NPSA). However, court orders are necessary for LEAs for production of records available with MCBs, securities, insurance and finance companies (see R.31).

209. FIU has adequate powers and accessibility to information maintained by REs (s.28, PMLFT Act). FIU, supervisory authorities and LEAs can cooperate and exchange information

relating to ML, TF or proceeds of crime pursuant to an agreement or other arrangement between and among them (s.28, PMLFT Act). Exchange of information with counterpart agency is in place for FIU (s.27, PMLFT Act). However, there are some gaps for LEAs in obtaining information and records held with REs swiftly (see c.31.1).

210. It is also unclear, in the absence of specific provisions, whether financial institutions can share information between themselves, where this is required under Recommendations 13 (correspondent banking), 16 (wire transfers) or 17 (reliance on third parties).

Weighting and Conclusion

211. While bank secrecy cannot be invoked as a ground to not share information with FIU, LEAs, court and supervisory authorities, the coverage of other FIs for secrecy overriding provision is unclear. Further, there are currently no legal or regulatory requirements related to the sharing of information between FIs.

212. **Recommendation 9 is rated largely compliant.**

Recommendation 10 – Customer due diligence

213. Maldives was rated non-compliant with former R.5 (Customer Due Diligence). The 2011 report highlighted that only banks and securities sector licensees were required to undertake CDD measures. Other sectors were outside the purview of such requirements. The report also identified deficiencies relating to (i) opening of accounts under fictitious names; (ii) timing of CDD; (iii) application of reliable independent source to identify and verify customers; (iv) requirement to verify that person acting on behalf of a customer is so authorized and identify and verify the identity of that person; (v) requirement to understand ownership and control structure of legal persons; (vi) verification of legal status of legal person or arrangement; (vii) definition and coverage of BO; (viii) measures to proactively determine if customers are acting on behalf of another person; (ix) requirement to obtain information on purpose of business relationship; (x) ongoing and enhanced due diligence; (xi) STR filing requirements; (xii) timing of verification; and (xiii) application of CDD requirements to existing customers on the basis of materiality and risk. The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding CDD.

Detailed CDD requirements

214. The CDD measures applicable to reporting entities are set out in the PMLFT Act, particularly under Chapter Three. Reporting entities are defined in Section 77(e) of the PMLFT Act, and the definition covers all categories of FIs and DNFBPs required under the FATF Methodology. The MMA has authority to issue regulations for proper execution of provisions of the PMLFT Act (s.75, PMLFT Act) and has accordingly issued sectoral regulations for banks, insurance business, securities business, MVTS (includes e-money issuance service providers) and MCBs. There are no sectoral regulations for financial leasing and consumer finance sector or the state-owned pension fund. The obligations under the Act and regulations are legally enforceable. The FIU can issue guidelines to reporting entities in relation to customer identification, record keeping, the reporting obligations and the detection of suspicious transactions (s.27(c)(5), PMLFT Act). These serve as guidance for reporting entities and do not impose legally enforceable obligations.

215. Competent supervisors can apply sanctions under Section 47 of the PMLFT Act for the non-compliance of the provisions of the Act. The FIU, which is also an AML/CFT supervisor, can

apply sanctions under Section 74 of the PMLFT Act for the non-compliance of provisions for the Act including associated regulations, unlike competent supervisors.

216. *Criterion 10.1* - FIs are prohibited from keeping anonymous accounts, or accounts in obviously fictitious names (s.16(m), PMLFT Act).

When CDD is required

217. *Criterion 10.2* - FIs are required to verify the identity of the customer under the circumstances of (a)-(e) of the criterion (s.16(a) of PMLFT Act).

218. *Criterion 10.2(a)* - CDD measures, including verification of identity of customer using reliable identification data, are required when establishing a business relationship. (s.16(a)(1) of PMLFT Act). Minor deficiencies in the c.10.4-10.7 limit the full scope of CDD obligations when establishing business relations.

219. *Criterion 10.2(b)* - The PMLFT Act does not prescribe occasional transactions. However, except for situations where business relationship is established, CDD is required for carrying out transactions in an amount to equal to or above MVR 50,000 (equivalent to USD 3250) (s.16(1)(2) (aa), of PMLFT Act) which is lower than the prescribed threshold required under R.10. Only the Banking and Securities Regulations mandate the requirement for such threshold to include situations where the transaction is carried out in a single operation or several operations that appear to be linked (s.7(b), PMLFT Regulation for Banks and s.7(b), PMLFT Regulation for Securities). Minor deficiencies as detailed in c.10.4-10.7 limit the full scope of CDD obligations for occasional transactions.

220. *Criterion 10.2(c)* - FIs are required to verify identification of their customers while conducting domestic or international transfer of funds (s.16(2) (bb), PMLFT Act). As per Recommendation 16, Maldives has not prescribed any de minimis threshold for wire transfers and applies the same provisions for both domestic and cross-border wire transfers. These include requirements to identify and verify originator information. The minor deficiency in c.10.6 limits the full scope of CDD obligations for occasional wire transfers.

221. *Criterion 10.2(d)* - FIs are required to verify the identity of customer when there is a suspicion of ML/TF (s.16(a)(4), PMLFT Act). There are no exemptions or thresholds imposed by legislation on this requirement. Minor deficiencies as detailed in c.10.4-10.7 limit the full scope of CDD obligations where there is a suspicion of ML/TF.

222. *Criterion 10.2(e)* - FIs are required to verify the identity of the customer when they have doubt about veracity or adequacy of previously obtained customer identification data (s.16(a)(3), PMLFT Act). Minor deficiencies as detailed in c.10.4-10.7 limit the full scope of CDD obligations where there are doubts on previously obtained CDD information.

Required CDD measures for all customers

223. *Criterion 10.3* - FIs are required to verify the identity of their customer using reliable identification data (s.16(a), PMLFT Act). For natural persons, this includes identification numbers as provided by reliable, independent source documents, such as Government issued identity card numbers, passport number or visa number (s.16(c), PMLFT Act; s.8(c)(2),s.9, PMLFT Regulation for Banks; s.8(c)(2),s.9, PMLFT Regulation for Securities; s.8(c)(2),s.9 PMLFT Regulation for Insurance, s.7(c)(2),s.8, PMLFT Regulation for MVTs and MCBs). Specifically, identification and verification of natural person, legal person and legal arrangement is covered under Section 16(c) to (e) of the PMLFT Act, including the same requirements cited above regarding reliable, independent identification data.

224. *Criterion 10.4* - FIs are required to identify and verify the identity of a person on whose behalf a customer is acting (s.16(g), PMLFT Act). This requirement is expanded in a few sectoral regulations which require identification and verification of the person purporting to act on behalf of the customer, which additionally include to verify if the person is so authorized (s.8(b), PMLFT Regulation for banks; s.8(b), PMLFT Regulation for securities; s.8(b), PMLFT Regulation for insurance; and s.7(b), PMLFT Regulation for MVTs and MCBs). There are no sectoral regulations for financial leasing and consumer finance sector or the state-owned pension fund.

225. *Criterion 10.5* - FIs are required to identify and take reasonable measures to identify BO, including a natural person with a controlling interest and natural person who manages the legal person (s.16(f), PMLFT Act). Verification through reliable and independent source is required under Section 16(c) of the PMLFT Act and through the sectoral regulations (s.8(a)(2), PMLFT Regulation for banks; s.8(a)(2), PMLFT Regulation for securities; s.8(a)(2), PMLFT Regulation for insurance; s.7(a)(2), PMLFT Regulation for MVTs and MCBs) but there are no regulations for financial leasing and consumer finance or the state-owned pension fund. Definition of BO is consistent with FATF definition (s.77(a), PMLFT Act).

226. *Criterion 10.6* - FIs are required to collect information on the anticipated purpose and intended nature of the business relationship, (s.16(b), PMLFT Act), but it is not clear that they have an obligation to understand the purpose and intended nature of the business relationship.

227. *Criterion 10.7*

228. *Criterion 10.7(a)* - FIs are required to conduct ongoing due diligence on business relationship by examining transactions carried out to ensure that they are consistent with their knowledge of their customer, commercial activities, risk profile and where required, source of funds (s.16(h), PMLFT Act).

229. *Criterion 10.7(b)* - The sectoral regulations require customer's identification information to be updated and verified and their financial transactions monitored on an ongoing basis to detect extra-ordinary or unusual financial activities (s.8(n), PMLFT Regulation for banks; s.7(m), PMLFT Regulation for MVTs and MCBs; s.8(j), PMLFT Regulation for securities; s.8(j), PMLFT Regulation for insurance). The sectoral regulations also mandate the frequency of the ongoing due diligence to be commensurate with the level of ML/TF risks posed by the customer based on the risk profiles and nature of the transactions (s.14(b), PMLFT Regulation for banks; s.14(b), PMLFT Regulation for securities; s.14(b), PMLFT Regulation for insurance; s.13(b), PMLFT Regulation for MVTs and MCBs). There are no sectoral regulations for financial leasing and consumer finance or the state-owned pension fund.

Specific CDD measures required for legal persons and legal arrangements

230. *Criterion 10.8* - Banks are required to understand the nature of customer's business and its ownership structure when engaged with a customer that is a legal entity or a partnership and for legal arrangements (s.8(h) and (k), PMLFT Regulation for banks). Similar requirements are in place for other sectors (s.8(d) and (g), PMLFT Regulation for securities; s.8(d) and (g), PMLFT Regulation for insurance and s.7(g) and (j), PMLFT Regulation for MVTs & MCBs) but there are no regulations in place for financial leasing and consumer finance or the state-owned pension fund. The requirement to understand the control structure is not mandated under any regulation.

231. *Criterion 10.9* - FIs are required to identify and verify the identity of customers that are legal persons or legal arrangements by obtaining the below information.

232. *Criterion 10.9 (a)* - For legal persons, FIs are required to obtain from legal persons the corporate name, legal form, proof of incorporation or similar evidence of their legal status, (s.16(d), PMLFT Act). There is no requirement to obtain name, legal form and proof of existence for legal arrangements, nor deed of trust.

233. *Criterion 10.9 (b)* - For legal persons, FIs are required to obtain the articles and memorandum of association (s.16(d) of PMLFT Act). There is no such requirement to obtain powers that regulate and bind legal arrangement.

234. For legal persons, directors of company and partners of partnership firms are required to be identified in case of legal entities and partnership firms respectively as per the sectoral regulations (s.8(i)-(j), PMLFT Regulation for banks; s.8(e)-(f), PMLFT Regulation of securities; s.8(e)-(f), PMLFT Regulation of insurance, and s.7(h)-(i), PMLFT Regulation for MVTS and MCBs). While Section 16(f) of the PMLFT Act requires identification of natural person who manages the legal person, identification of senior management position in the legal person is not explicit.

235. Identification and verification of relevant persons having a senior management position is required for legal arrangements through obtaining the names of trustees, settlor, and beneficiary of express trusts or other similar arrangements (s.16(e), PMLFT Act).

236. *Criterion 10.9 (c)* - FIs are required to obtain the head office address of legal persons (s.16(d), PMLFT Act), but this does not extend to principal place of business if this is different. There is no such requirement in case of legal arrangements.

237. *Criterion 10.10*

238. *Criterion 10.10 (a)* - FIs are required to identify and take reasonable measures to verify the BO of a legal person, including natural person with controlling interest (s.16(f), PMLFT Act), but it is not clear what constitutes reasonable measures.

239. *Criterion 10.10 (b)* - There are no requirements to identify and verify a BO exercising control of a legal person or arrangement through other means.

240. *Criterion 10.10 (c)* - FIs are required to identify and verify the natural person who manages a legal person (s.16(f), PMLFT Act)

241. *Criterion 10.11* - FIs are required to identify and verify the identity of trustees, settlor and beneficiaries of express trusts or other similar legal arrangements (s.16(e), PMLFT Act). However, it does not cover class of beneficiaries, nor the protector, and does not specify that the FI has to identify the natural person exercising ultimate effective control over a legal arrangement. The sectoral regulations require identification and verification of identity of BOs in case of trusts and other legal arrangements (s.8(k), PMLFT Regulation for banks; s.7(j), PMLFT Regulation for MVTS and MCBs; s.8(g), PMLFT Regulation for securities and s.8(g), PMLFT Regulation for insurance). There are no sectoral regulations for financial leasing and consumer finance or the state-owned pension fund.

242. Definition of BO (s.77(a), PMLFT Act) covers natural person exercising ultimate effective control over legal arrangements but this does not extend to a requirement for FIs to identify and verify the natural person exercising ultimate effective control of a trust or other legal arrangement.

CDD for Beneficiaries of Life Insurance Policies

243. *Criterion 10.12*

244. *Criterion 10.12 (a)* - Life insurance businesses and brokers are required to identify beneficiary of the policy using reliable and independent source when required to perform CDD under the PMLFT Regulation for insurance (s.8(a)(2)).

245. *Criterion 10.12 (b)* - While there is no explicit provision for a beneficiary that is designated by characteristics or by class or by other means, Section 8(a)(2) of the PMLFT Regulation for insurance requires identification and verification of beneficiary in all cases.

246. *Criterion 10.12 (c)* - Life insurance businesses and brokers are required to verify the identity of the beneficiary (s.8(a)(2), PMLFT Regulation for insurance). However, it is unclear if this should occur at the time of payout,

247. *Criterion 10.13* - There are no explicit provisions requiring beneficiary of the life insurance policy to be considered as a relevant risk factor in determining whether EDD is applicable. Further, there is no requirement to take enhanced measures including identification and verification of BO of the beneficiary when FI determines that beneficiary is a legal person or legal arrangement that poses higher risk.

Timing of verification

248. *Criterion 10.14* - For MVTs and MCBs, verification of identity of customer and BO is required before carrying out a transaction (s.9, PMLFT Regulation for MVTs and MCBs), for securities related businesses before establishing a business relationship and before conducting a single transaction (s.10, PMLFT Regulation for securities) and for insurance businesses before establishing business relationship (s.10, PMLFT Regulation for insurance). There are no explicit provisions for financial leasing and consumer finance or the state-owned pension fund.

249. Banks are required to verify the identity of customer and BO before or during the course of establishing a business relationship and before conducting a single transaction (s.10(a), PMLFT Regulation for banks). Banks are allowed to establish business relationship before completing the verification of the identity of customer and BO if: a) such deferral is essential so as to not interrupt bank's normal code of business, b) ML/TF risks can be effectively managed c) there is no suspicion of ML/TF (s.10(b), PMLFT Regulation for banks). When business relationship is established before verification of identity of customer or BO, the bank shall complete such verification process as soon as reasonably practicable (s.10(c), PMLFT Regulation for banks).

250. *Criterion 10.15* - As mentioned in c.10.14, only banks, and not all FIs, are allowed to establish business relationship prior to verification. However, there is no explicit requirement to adopt risk management procedures concerning the customer's utilisation of the business relationship in such scenarios.

Existing customers

251. *Criterion 10.16* - The sectoral Regulations require CDD measures to be applied for existing customers as per the respective regulations within three months of commencement of the regulation (s.27, PMLFT Regulation for banks; s.26, PMLFT Regulation for securities; s.26, PMLFT Regulation for insurance and s.26, PMLFT Regulation for MVTs & MCBs). However, there is no explicit requirement to apply CDD based on materiality and risk.

252. There is no explicit requirement for the above sectors to conduct due diligence on existing relationships at appropriate times, taking into consideration whether and when such

measures were previously undertaken and the adequacy of the data obtained. Further, there are no sectoral regulations for financial leasing and consumer finance or the state-owned pension fund.

Risk-based approach

253. *Criterion 10.17* - The sectoral regulations require ECDD to be performed where ML/TF risks are higher (s.13(a), PMLFT Regulation for banks; s.13(a), PMLFT Regulation for securities; s.13(a), PMLFT Regulation for insurance and s.12(a), PMLFT Regulation for MVTS and MCBs). There are no sectoral regulations for financial leasing and consumer finance as well as the state-owned pension fund.

254. *Criterion 10.18* - The sectoral regulations allow simplified customer identification and due diligence measures on business relationships or single transactions (as the case may be) where ML/TF risks are considered lower, although it does not require the adequate analysis of risks by the Maldives or the FI to determine lower risk (s.8(m), PMLFT Regulation for banks; s.8(i), PMLFT Regulation for securities; s.8(i), PMLFT Regulation for insurance, and s.12(a), PMLFT Regulation for MVTS and MCBs). This does not extend to a requirement that the simplified due diligence measures are commensurate with the level of lower risk, nor an explicit exclusion that simplified due diligence measures cannot be used where there are suspicions of ML/TF or other higher risk scenarios. There are no sectoral regulations for financial leasing and consumer finance or the state-owned pension fund.

Failure to satisfactorily complete CDD

255. *Criterion 10.19* - FIs that cannot fulfil their obligation of due diligence as per Sections 16(a)-(g) of the PMLFT Act are required to not establish or maintain the business relationship and where appropriate, file an STR to the FIU (s.16(l), PMLFT Act). The sectoral regulations include the provision of not completing a single transaction when the FIs of respective sectors cannot fulfil the obligation of due diligence measures (s.11, PMLFT Regulation for banks; s.11, PMLFT Regulation for securities; s.11, PMLFT Regulation for insurance; and s.10, PMLFT Regulation for MVTS and MCBs). There are no sectoral regulations for financial leasing and consumer finance or the state-owned pension fund.

256. *Criterion 10.20* - There are no explicit provisions for FIs to not pursue the CDD process and instead file an STR when a suspicion of ML/TF has been formed and reasonably believe that performing CDD process will tip-off the customer. However, Section 16(l) of the PMLFT Act requires FIs unable to complete CDD obligations to not continue or establish the business relationship and consider filing an STR, including where there is a suspicion of ML/TF as set out in Section 16(a)(4) of the PMLFT Act.

Weighting and Conclusion

257. There are moderate shortcomings due to lack of adequate identification and verification of customers that are legal persons or arrangement including requirements for taking reasonable measures to verify BO of a legal person. There is moderate shortcoming due to lack of explicit provision to adopt risk management procedures where relationship is established prior to verification in case of banks. Also, application of CDD on the basis of materiality and risk as well as at appropriate times with consideration of previously undertaken CDD is not explicit.

258. FIs are prohibited from keeping anonymous accounts. Most of the FIs are obliged to conduct CDD on their customers, beneficial owners and any person acting on behalf of customer

but contain minor shortcomings due to lack of sectoral regulations for financial leasing and consumer finance sector or the state-owned pension fund on issues not fully covered by PMLFT Act. The lack of inclusion of risk factors of beneficiary and application of enhanced measures where beneficiary presents higher risks for a life insurance policy is also a shortcoming, but this has been given little weight in view of the Maldives' context.

259. **Recommendation 10 is rated partially compliant.**

Recommendation 11 – Record-keeping

260. Maldives was rated non-compliant with former R.10 (Record-keeping) as only banks and securities sector licensees were subject to record keeping requirements. Further, maintaining all necessary records for at least five years following the completion of the transaction or termination of business relationship was not required. There were no explicit requirements to make customer and identification data available to domestic competent authorities on a timely basis or to keep transaction records to allow reconstruction of individual transactions, with a view to provide evidence for prosecution of criminal activity (except for securities sector licensees). The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding record-keeping.

261. *Criterion 11.1* - FIs are required to maintain information obtained in accordance with the provisions in Chapter 3 (Preventive Measures) of the PMLFT Act that includes all business transactions for at least five years from the date of the transaction (s.20(b), PMLFT Act); but not from the date of completion of transaction. The requirement of record keeping for five years of 'completion' of transaction and inclusion of maintenance of suspicious transactions records have only been mandated in respective regulations of different FI sectors (s.16(c)(1)&(3), PMLFT Regulation for Banks; s.15(c)(1)-(2), PMLFT Regulation for MVTS and MCBs; s.16(c)(1)&(3), PMLFT Regulation for Securities and s.16(1)&(3), PMLFT Regulation for Insurance). There are no sectoral regulations available for financial leasing and consumer finance sector or the state-owned pension fund.

262. *Criterion 11.2* - FIs are required to keep copies of documents evidencing the identities of customers, beneficial owners or agents, document regarding business transactions, account files and other business correspondence, for at least five years after the business relationship has ended (s.20(a), PMLFT Act). Record keeping requirements for occasional transactions and records and documentation collected for internal analysis conducted on matters that are considered suspicious are required to be maintained for five years, only as per respective sectoral regulations (s.16, PMLFT Regulation for Banks; s.15, PMLFT Regulation for MVTS and MCBs; s.16, PMLFT Regulation for Securities and s.16, PMLFT Regulation for Insurance). There are no sectoral regulations available for financial leasing and consumer finance sector as well as the state-owned pension fund.

263. *Criterion 11.3* - Section 20 of the PMLFT Act allows records to be maintained in such form as to enable the reconstruction of transactions executed by customers in order to be provided to the FIU, supervisory authorities, investigative and LEAs.

264. *Criterion 11.4* - FIs are required to ensure that the records of documents evidencing the identities of customers, beneficial owners or agents, document regarding business transactions, account files and other business correspondence are maintained in such form that they are readily available to the FIU, supervisory authorities, investigative and LEAs (s.20, PMLFT Act).

Weighting and Conclusion

265. FIs are required to maintain necessary records for at least five years. There are minor deficiencies regarding lack of requirements to maintain transaction records for at least five years following 'completion' of transaction as well as keeping records of occasional transactions and records collected for internal analysis following termination of business relationship or after the date of occasional transaction for financial leasing and consumer finance sector or the state-owned pension fund.

266. **Recommendation 11 is rated largely compliant.**

Recommendation 12 – Politically exposed persons

267. Maldives was rated non-compliant with former R. 6 (Politically exposed persons). The 2011 report concluded that there were no obligations for FIs in place for appropriate risk management systems to determine whether a potential customer, existing customer or the BO is PEP, no requirement to obtain senior management approval for establishing and continuing business relationships with a PEP or where BO is a PEP, no reasonable measures to establish source of wealth and source of funds of customers and BO identified as PEPs and no requirement to conduct enhanced ongoing monitoring on PEPs. The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding PEPs.

268. *Criterion 12.1* - Section 77(n) of the PMLFT Act defines PEPs as any person who is or has been entrusted with prominent public functions in the Maldives or any foreign country as well as members of such person's family or those closely associated with him/her. For consistent understanding across REs, categorical classification and identification of what constitutes a prominent public function for foreign PEPs is not explicit. While the FIU has issued 'AML/CFT Compliance General Guidelines for Reporting Entities on PEPs' and consists of such categorical classification, these are not enforceable means, but guidance to assist FIs to understand PEP related obligations.

269. *Criterion 12.1 (a)* - While REs are required to determine whether a customer or BO is a PEP (s.16(j), PMLFT Act), there is no explicit requirement to put in place a risk management system in order to do so.

270. *Criterion 12.1 (b)* - If the customer or BO is identified as a PEP, FIs are required to obtain senior management approval before establishing such business relationships (s.16. (j)(1), PMLTFA). Such approval is also required for continuing business relationship for existing customers as per sectoral regulations (s.13(c)(3), PMLFT Regulation for Banks, PMLFT Regulation for Securities and PMLFT Regulation for Insurance, respectively). There are no such requirements for MVTs, MCBs, financial leasing and consumer finance sector as well as the state-owned pension fund. Additionally, deficiency in the scope of PEPs impacts the application of this provision.

271. *Criterion 12.1 (c)* - FIs are required to take all reasonable measures to identify the source of wealth and funds of customers or BO identified as PEPs (s.16(j)(2), PMLTFA). The minor deficiency in the scope of PEPs impacts the application of this provision.

272. *Criterion 12.1 (d)* - If the customer or BO is identified as a PEP, FIs are required to strengthen and conduct on-going monitoring of the business relationship (s.16(j)(3), PMLTFA). Additionally, sectoral regulations require PEPs to be classified as high-risk customers and apply enhanced due diligence measures (s.13, PMLFT Regulation for Banks, PMLFT Regulation for

Securities and PMLFT Regulation for Insurance, respectively and s.12, PMLFT Regulation for MVTs and MCBs). There are no such requirements regarding classification and application of enhanced measures for financial leasing and consumer finance sector as well as the state-owned pension fund. The minor deficiency in the scope of PEPs impacts the application of this provision.

273. *Criterion 12.2* - Similar to foreign PEPs, categorical classification and identification of domestic PEPs is not available. The definition of PEPs in Section 77(n) of the PMLTFA does not cover persons who have been entrusted with a prominent function by an international organisation.

274. *Criterion 12.2 (a)* - While REs are required to determine whether a customer or BO is a PEP (s.16(j), PMLFT Act), there is no explicit requirement to take reasonable measures to do so. The moderate deficiencies in the scope of the domestic and international organisation PEPs impact the application of this provision.

275. *Criterion 12.2 (b)* - PEPs are to be categorized as high-risk customers and apply enhanced due diligence measures based on sectoral regulations (s.13, PMLFT Regulation for Banks, PMLFT Regulation for Securities and PMLFT Regulation for Insurance, respectively and s.12, PMLFT Regulation for MVTs and MCBs). There are no such requirements regarding classification and application of enhanced measures for financial leasing and consumer finance sector as well as the state-owned pension fund. As highlighted in c.12.1(b)-(d), for identified PEPs, FIs are required to obtain senior management approval for establishing business relationship, identify source of wealth and funds of customers or BO and strengthen and conduct on-going monitoring of business relationship (s.16(j)(1)-(3), PMLFT Act) in all circumstances. The moderate deficiencies in the scope of the domestic and international organisation PEPs impact the application of this provision.

276. *Criterion 12.3* - Family members and close associates of PEPs are included in the definition of PEPs (s.77(n), PMLTFA) and subject to the same requirements as PEPs as detailed in c.12.1 and c.12.2 above. However, these categories are not defined, and it is unclear how far the scope applies. The moderate deficiencies in the scope of the definition of PEPs impacts the application of requirements to their family members and close associates.

277. *Criterion 12.4* - Life and family takaful insurance businesses and their brokers are required to identify BO and beneficiary of a customer (s.8(a), PMLFT Regulation for Insurance) before the course of establishing business relationship (s.10, PMLFT Regulation for Insurance). It does not cover identification of BO of the beneficiary and more importantly, there is no requirement to take reasonable measures to determine whether beneficiary or where required, BO of a beneficiary are PEPs. While PEP customers are required to be classified as high risk and require senior management approval before or continuing business relationship (s.13, PMLFT Regulation for Insurance), this does not extend to beneficiaries and BO of beneficiaries or with regard to payout.

278. There is also moderate deficiency in informing senior management before the payout of policy proceeds, conduct enhanced scrutiny on the whole business relationship with the policyholder and to consider making a STR.

Weighting and Conclusion

279. There are moderate shortcomings regarding lack of provisions to identify persons who have been entrusted with a prominent function by an international organisation and no follow-up requirements in place. For consistent understanding across REs, categorical

classification and identification of what constitutes a prominent public function for domestic or foreign PEPs is also not explicit. It is also unclear who falls under family members or close associates of PEPs. Further, requirements warranting identification of BO of beneficiary as PEPs, informing senior management before payout of policy proceeds and conducting enhanced scrutiny, where higher risks are identified, is not explicitly required in relation to life insurance policies.

280. **Recommendation 12 is rated partially compliant.**

Recommendation 13 – Correspondent banking

281. Maldives was rated non-compliant with former R.7 (Correspondent banking) as there were no obligations on banks to govern the establishment and operation of correspondent banking relationships. The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding correspondent banking.

282. *Criterion 13.1*

283. *Criterion 13.1 (a)* - In addition to identifying and verifying the identification of foreign financial institutions while maintaining cross-border corresponding banking relationship, FIs are required to gather information on the nature of foreign financial institution's activities (s.16(k)(1), PMLTFA), evaluate its reputation and nature of supervision to which it is subject to (s.16(k)(2), PMLTFA). However, there are no requirements to understand the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action.

284. *Criterion 13.1 (b)* - FIs are required to evaluate the AML/CFT measures implemented by the foreign financial institution (s.16(k)(5), PMLTFA).

285. *Criterion 13.1 (c)* - Approval from senior management is required before establishing a correspondent banking relationship (s.16(k)(3), PMLTFA).

286. *Criterion 13.1 (d)* - The respective AML/CFT responsibilities and obligations of the foreign and domestic financial institution are required to be documented, but it is not clear that this extends to clearly understanding these responsibilities (s.16(k)(4), PMLTFA).

287. *Criterion 13.2* - Definition of 'Payable-through account' (s.77(m), PMLTFA) is consistent with FATF definition. FIs are required to ensure that foreign financial institution has verified its customer's identity, has implemented mechanisms for ongoing monitoring with respect to its customers and is capable of providing relevant identifying information on request (s.16(k)(6), PMLTFA).

288. *Criterion 13.3* - FIs are prohibited from entering into business relations (and requires termination of such relationships after the PMLFT Act came into effect) with banks registered in jurisdictions where they are not physically present or are not being regulated by the competent regulatory authority (s.25(b), PMLTFA). However, the FIs are not required to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks.

Weighting and Conclusion

289. FIs are required to gather comprehensive information while maintaining correspondent banking relationships but there are minor shortcomings with no requirements for FIs to determine if respondent banks have been subject to ML/TF investigation or

regulatory action. Further, there are minor shortcomings as FIs are not required to clearly understand respective AML/CFT responsibilities and be satisfied of respondent FIs' engagement with shell banks.

290. **Recommendation 13 is rated largely compliant.**

Recommendation 14 – Money or value transfer services

291. Maldives was rated non-compliant on former SR VI (AML/CFT requirements for money/value transfer services). The 2011 report concluded that there was no competent authority designated for licensing/ registration and regulation and supervision of MVTS operator and were not subject to AML/CFT obligations. MVTS operators were not required to maintain a list of their agents and make that list available to competent authorities, no sanctions were imposed for non-compliance of AML/CFT obligations and there was insufficient action to make informal MVTS operators subject to AML/CFT requirements. The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding MVTS

292. *Criterion 14.1* - Banks, remittance companies and payment service providers are able to provide MVTS in the Maldives and are required to be licensed by the MMA. Banks operating as MVTS providers (s.25, MBA) are required to be licensed by MMA (s.6, MBA). Non-Bank Financial Business (defined as per s2 of MMAA to include remittance business) are required to obtain a license or permit to provide MVTS as per Section 29(b) of the MMAA. Remittance services are also defined as payment services as per Section 10 of the NPSA and required to be licensed by the MMA to provide payment services (s.17, NPSA).

293. Only legal persons are required to be licensed as MVTS providers as licences and permits are only granted to legal persons registered under the Maldives Companies Act (s.4(b), MBA; s.17(b)(1), NPSA).

294. *Criterion 14.2* - Engaging in Non-Bank Financial Business (that includes remittance business) without a 'license' is considered an offence and shall be liable to pay a fine between 100,000 and 1,000,000 Maldivian Rufiyaa and imprisonment between two and five years (s2.9(e)-(f), MMAA).

295. It is prohibited to provide a payment service (that includes remittance service) in the Maldives unless the person has a license or permit issued by the MMA under NPSA (s.50, NPSA). Further, it is prohibited to purport to carry out or advertise to carry out such services or activities without a license or permit. MMA may impose a fine of an amount between 100,000 and 10,000,000 Maldivian Rufiyaa on such person that carry out remittance services without a license.

296. Further, additional criminal penalties can be levied for carrying out activities without being licensed from a relevant authority with consideration as Class 2 misdemeanour and attracts minimum 2 months imprisonment (s.613 Penal Code). It is unclear to whom the imprisonment is levied, where applicable. Additionally, coordinated action against unlicensed operators by identifying and sanctioning them has not been demonstrated.

297. *Criterion 14.3* - MVTS are reporting entities under PMLFT Act and are subject to AML/CFT requirements. MMA has power to formulate and issue regulations, principles and directions applicable to MVTS with respect to AML/CFT (s.49(a), NPSA and s.75, PMLFT Act). MVTS are subject to AML/CFT compliance monitoring by the MMA (s.46(1), PMLFT Act) and the FIU (s.27(c)(3), PMLFT Act), yet minimal monitoring has occurred during the period under review. MMA has issued regulation on prevention of ML/TF for Money Transfer Businesses and

Money Changing Businesses prescribing AML/CFT compliance requirements applicable to MVTs.

298. *Criterion 14.4* - MVTs seeking to provide remittance services through agents are required to submit an application for approval, in a prescribed manner, to the MMA in writing (s.27(a), NPSA).

299. *Criterion 14.5* - Board of Directors of MVTs providers are required to ensure that agents comply with the regulation (s.5(a), PMLFT regulation for MVTs and MCBs). However, MVTs providers that use agents are not explicitly required to include them in their AML/CFT programmes and monitor them for compliance with these programmes.

Weighting and Conclusion

300. There are licensing requirements for MVTs providers. While there are certain requirements that they be subject to monitoring for AML/CFT compliance, this was not fully institutionalized among the supervisors. Application of proportionate and dissuasive sanctions was not demonstrated against the MVTs operating without a license, which has been heavily weighted, given the risk and context of the Maldives. Additionally, there is moderate deficiency in the inclusion of agents in AML/CFT programs and monitor them by MVTs providers.

301. **Recommendation 14 is rated partially compliant**

Recommendation 15 – New technologies

302. Maldives was rated non-compliant with former R.8 (New technologies & non-face-to-face business). The 2011 report concluded that there was no obligation for FIs to have policies in place or take such measures as may be needed to prevent the misuse of technological developments in ML TF activities or to address any specific risks associated with non-face-to-face business relationships or transactions. Deficiencies also involved lack of risk management procedures including specific and effective CDD procedures that apply to non-face-to-face customers.

303. *Criterion 15.1* - The NRA 2022 does not have the coverage of ML/TF risks with respect to new technologies. Further, there is no obligation for FIs to identify and assess such risks.

304. *Criterion 15.2* - There is no requirement for FIs to undertake risk assessments prior to the launch or use of such products, practices and technologies.

305. *Criterion 15.3*

306. *Criterion 15.3 (a)* - The Maldives has not yet assessed ML/TF risks emerging from VA and VASPs.

307. *Criterion 15.3 (b)* - The Maldives has not applied a risk-based approach to mitigate ML/TF risks associated with VA and VASPs. There is currently no regulatory framework in place nor have VAs been prohibited.

308. *Criterion 15.3 (c)* - There are no requirements on VASPs to identify, assess, manage and mitigate their ML/TF risks.

309. *Criterion 15.4* - There are no licensing or registering requirements for VASPs. There is no regulatory/ supervisory framework pertaining to VAs and VASPs.

310. *Criterion 15.5* - There are no completed actions taken to identify natural or legal persons that carry out VASP activities.

311. *Criterion 15.6* - There is no legal provision identifying a supervisory authority for VASPs and requiring VASPs to be subject to adequate regulation and risk-based supervision or monitoring.

312. *Criterion 15.7* - There are no guidelines nor the provision of feedback for VASPs in line with R.34, as there are no specified supervisors for the sector.

313. *Criterion 15.8* - There are no proportionate and dissuasive sanctions available for failure to comply with AML/CFT requirements, nor to the directors and senior managers of VASPs in line with R.35.

314. *Criterion 15.9* -. There are no provisions requiring VASPs to comply with the required preventive measures set out in R.10 to R.21, including with the travel rule requirements.

315. *Criterion 15.10* - There are no established communication mechanisms, reporting obligations and monitoring with respect to TFS with respect to VASPs.

316. *Criterion 15.11* - It is unclear if Maldives can provide international cooperation in relation to ML, TF and predicate offences relating to VAs. In the absence of supervisory framework for VASPs, there is no legal basis for exchanging information with foreign counterparts.

Weighting and Conclusion

317. There are no requirements for Maldives and FIs to identify and assess ML/TF risks on new technologies as well as VA and VASPs. There are no requirements in place with respect to licensing, supervising, sanctioning, applying preventive measures, applying TFS, and international cooperation with respect to VASPs.

318. **Recommendation 15 is rated non-compliant.**

Recommendation 16 – Wire transfers

319. Maldives was rated non-compliant with former SR.VII (Wire transfer rules) as there was no obligation for FIs to implement provisions relating to wire transfers. The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding wire transfers.

Ordering financial institutions

320. *Criteria 16.1* - Maldives has not prescribed any *de minimis* threshold for wire transfers and has same provisions applicable for both domestic and cross-border wire transfers. Wire transfers are conducted by banks or non-bank MVTs providers. Wire transfer is defined in the PMLFT regulation for banks (s.28) and MVTs & MCBs (s.27) and is consistent with the definition of FATF recommendations.

321. *Criteria 16.1 (a)* - MVTs providers shall obtain and verify full name, address, national identity number or passport number or work permit number and account number of their customers (unique reference number, if not available) and where applicable, name of FI of the originator of such transfers and include this originator information as an accompaniment to the transfer (s.18(a); PMLFT Act; s.8(d), PMLFT regulation for banks; s.7(d), PMLFT regulation for MVTs and MCBs.).

322. *Criteria 16.1 (b)* - While acting as an ordering FI, it is required to collect detail of beneficiary (s.8(d), PMLFT regulation for banks and s.7(d), PMLFT regulation for MVTS and MCBs) but it is not specified what details would it include.

323. *Criterion 16.2* - There is no requirement for batch files to contain information required under c.16.2.

324. *Criterion 16.3* - There is no threshold for the requirements of c.16.1.

325. *Criterion 16.4* - FIs are required to verify their customer using reliable identification data whenever there is suspicion of ML/TF (s.16(a)(4), PMLFT Act). Such requirement is in place irrespective of the amount (s.7(d), PMLFT regulation for banks and s.6(c), PMLFT regulation for MVTS and MCBs).

326. *Criterion 16.5* - The obligations relating to information to accompany a wire transfer apply to all wire transfers (cross-border or domestic). As highlighted in c.16.1, originator information is required during a wire transfer.

327. *Criterion 16.6* - Information cannot be made available by other means.

328. *Criterion 16.7* - Section 20(b) of the PMLFT Act contains general requirements on record keeping requiring REs to maintain information obtained. Deficiencies of R.11 and c.16.1 apply.

329. *Criterion 16.8* - Ordering FIs are not explicitly prohibited to execute wire transfers where the requirements specified from c.16.1 through c.16.7 are not complied with.

Intermediary financial institutions

330. *Criterion 16.9* - FIs involved in wire transfers, when they act as intermediaries that involve three or more FIs, are required to obtain and verify the full name, address, national identity number or passport number or work permit number, account number (in its absence, unique reference number) information of their customers (s.18(a) and (b), PMLFT Act).

331. Further, banks and non-bank MVTS providers, when involved as an intermediary in a transfer payment chain when passing onward the message or payment instruction, are only required to maintain all the required originator information with the transfer (s.8(g), PMLFT Regulation for banks and s.7(f), PMLFT Regulation for MVTS and MCBs), but not all beneficiary information.

332. *Criterion 16.10* - There is no explicit provision covering record keeping requirements by the intermediary FI, irrespective of technical limitations specified under the criterion. While general recordkeeping provisions of R.11 apply, there is significant gap in the availability of adequate information for record keeping for intermediary FI as highlighted in c.16.9.

333. *Criterion 16.11* - There are no provisions requiring intermediary FIs to identify cross-border wire transfers, which are consistent with straight-through processing, that lack required originator or beneficiary information.

334. *Criterion 16.12* - There are no provisions requiring intermediary FIs to have risk-based policies and procedures for determining: (a) when to execute, reject or suspend a wire transfer lacking required originator or required beneficiary information and (b) the appropriate follow up action. However, in case of missing originator information, FIs conducting MVTS are required to take measures to obtain missing information from the ordering FI or the beneficiary and if unable to obtain such information, such MVTS can refuse acceptance of the transfer and report them to the FIU (s.18(e), PMLFT Act).

Beneficiary financial institutions

335. *Criterion 16.13* - FIs involved in wire transfers are required to obtain missing information from the ordering FI or the beneficiary if there are incomplete originator information (s.18(e), PMLFT Act) and there are no requirements pertaining to lack of required beneficiary information. The provision does not require taking reasonable measures regarding monitoring in case of wire transfers in order to identify inadequate originator or beneficiary information.

336. *Criterion 16.14* - As per Section 7(a) of the PMLFT regulation for MVTs and MCBs, licensee, a beneficiary FI, is required to identify and verify the identity of the customer and maintain record as per Section 15 of the same regulation. Deficiencies similar to R. 11 regarding the length of time transaction records are required to be kept apply.

337. *Criterion 16.15* - There are no provisions requiring beneficiary FIs to have risk-based policies and procedures for determining: (a) when to execute, reject or suspend a wire transfer lacking required originator or required beneficiary information and (b) the appropriate follow up action. However, in case of missing originator information, FIs conducting MVTs are required to take measures to obtain missing information from the ordering FI or the beneficiary and if unable to obtain such information, such MVTs can refuse acceptance of the transfer and report them to the FIU (s.18(e), PMLFT Act).

Money or value transfer service operators

338. *Criterion 16.16* - Relevant provisions of PMLFT Act and regulations issued to MVTs providers contain only some requirements of R.16 to be complied by MVTs providers, as discussed under this recommendation.

339. *Criterion 16.17* - There are no requirements for MVTs provider that controls both the ordering and beneficiary side to consider all the information from both ordering and beneficiary sides in order to determine whether an STR has to be filed and file an STR in any country affected by the suspicious wire transfer & make relevant transaction information available to the FIU.

Implementation of Targeted Financial Sanctions

340. *Criterion 16.18* - FIs only holding the funds of designated persons and entities, pursuant to Chapter VII of UN Charter and foreign country notification, are required to freeze the funds on receipt of such instruction by the FIU (s.52(c)-(d), PMLFT Act). The FIU has issued a circular to all REs regarding implementation of TFS measures including taking freezing action and prohibiting the conduct of transactions with designated persons and entities, however a sustained communication strategy regarding designations is unclear in light of lack of explicit legal requirements (also see criterion 6.5(d))

Weighting and Conclusion

341. There are significant gaps pertaining to maintenance of required beneficiary information by ordering FIs and no requirements for batch file transmission. Further, there are moderate shortcomings in fulfilment of obligations by intermediary FI, beneficiary FI and MVTs operators.

342. **Recommendation 16 is rated partially compliant.**

Recommendation 17 – Reliance on third parties

343. Maldives was rated non-compliant with former R.9 (third parties and introducers) as there were no provisions to deal with reliance on third parties to perform elements of the CDD process or introduction of business.

344. *Criterion 17.1* - There are no provisions and obligations relating to fulfilment of this criterion by FIs of reliance on third parties in the PMLFT Act and sectoral regulations. While some sectoral guidelines (for banks, Money Remitters, MCBs, Securities, Consumer Finance Institutions, Mobile Payment Service Providers) cover many of the elements of this criterion, these are not enforceable.

345. *Criterion 17.2* - Similar to c.17.1, except for sectoral guidelines (for banks, Money Remitters, MCBs, Securities, Consumer Finance Institutions), there is no obligation for FIs to have regard to the information available on the level of country risk of relevant third parties.

346. *Criterion 17.3* - There are no specific requirements in place concerning when a third party is part of the same financial group. The same legal provisions that govern third party reliance would be applicable and there are no financial groups currently in operation in the Maldives.

Weighting and Conclusion

347. While there are guidelines in place for various REs regarding reliance on third parties, there are no enforceable provisions in place to comply with any requirements under this Recommendation.

348. **Recommendation 17 is rated non-compliant.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

349. Maldives was rated non-compliant on former R.15 (Internal controls, compliance & audit). The 2011 report highlighted that there were no obligations on FIs other than banks and securities sector licensee for internal controls, no legally binding requirements for FIs to be adequately resourced and independent audits to test compliance with AML/CFT procedures, no explicit provisions relating to the overall role of compliance officer in FIs, no effective provisions requiring FIs to establish employee screening procedures when hiring new employees and no provisions for allowing the compliance officer to access relevant data and records. Maldives was rated N/A on former R. 22 (Foreign branches & subsidiaries) as there were Maldivian FIs did not have overseas branches or subsidiaries. The enactment of the PMLFT Act in 2014 introduced a number of these provisions regarding internal controls, foreign branches and subsidiaries.

350. *Criterion 18.1* - FIs are required to develop and implement internal programs against ML/TF (s.21, PMLFT Act). However, there is no explicit requirement under s21 for REs to implement these programs having regard to the ML/TF risks and the size of the business,

351. FIs are required to have internal policies, procedures and controls requiring the appointment of a management-level compliance officer, high standards when hiring employees, adequate screening procedures in place, ongoing training for officials and employees and internal audit arrangements to ensure compliance with AML/CFT obligations (s.21, PMLFT Act). However, there is no explicit requirement for such audits to be independent. Requirements to strengthen internal controls are also set out in sectoral regulations which

extend the obligations for these sectors in other enforceable means (s.25, PMLFT regulation for banks; s.24, PMLFT regulation for MVTS and MCBs; s.24, PMLFT regulation for securities companies and s.24, PMLFT regulation for insurance).

352. *Criterion 18.2* - There are no specific provisions in law or other enforceable means that require financial groups to implement group wide programs against ML/TF risks including the measures with respect to (a) policies and procedures for sharing required information for purposes of CDD and ML/TF risk management (b) provision of customer, account and transaction information from branches and subsidiaries when necessary for AML/CFT purposes and, (c) adequate safeguards on confidentiality and use of information exchanged as well as requirements set out in c.18.1.

353. *Criterion 18.3* - FIs are required to ensure that foreign branches and subsidiaries implement requirements related to preventive measures as set out in Sections 16 through 21 of the PMLFT Act (s.22, PMLFT Act). However, suspicious transaction reporting and confidentiality & tipping off related provisions are not covered as they are covered in Sections 39 through 43 of the PMLFT Act. While Section 22 of the PMLFT Act requires that if the laws of the host country where the subsidiary or branch is situated hinders the compliance of the stipulated obligations, FIs are required to advise it to their supervisory authority. However, there is no requirement to assess the gaps of home/ host country measures and apply additional measures, in case of need.

Weighting and Conclusion

354. Implementation of programs against ML/TF are not required to be commensurate with ML/TF risks and size of the business. Additionally, moderate shortcomings are that there is no requirement for financial groups to implement group wide programs against ML/TF. Since majority of the banks are foreign branches or majority owned subsidiaries, no requirement to assess home/ host country measures' gaps to apply additional measures is a moderate deficiency. There is also a minor deficiency in establishing internal control as there is no requirement for audit function to be independent.

355. **Recommendation 18 is rated partially compliant.**

Recommendation 19 – Higher-risk countries

356. Maldives was rated non-compliant on former R.21 (Special attention for higher risk countries). The 2011 DAR concluded that there were (i) no enforceable obligations for FIs to give special attention to business relationships and transactions with persons from or in countries that do not or insufficiently apply the FATF recommendations, (ii) no obligations for FIs that in case of transactions with no apparent economic or visible lawful purpose, the background and purpose of such transactions be examined and written findings kept, (iii) no effective measures in place to ensure that FIs are advised of concerns about weaknesses in the AML/CFT system of other countries and (iv) no clear legal authority to apply range of appropriate countermeasures across all financial sectors where a country continues not to apply or insufficiently applies FATF recommendations. The enactment of the PMLFT Act in 2014 introduced a number of these provisions related to higher-risk countries.

357. *Criterion 19.1* - FIs are required to pay special attention to business relations and transaction with persons (including legal persons) residing in countries that do not apply the relevant international standards to combat ML/TF (s.19(c), PMLTFA). The information on such countries is generally provided by the FIU to FIs. While the PMLFT Act only requires FIs to pay

'special attention', EDD is required to be conducted as per the sectoral regulations for some sectors, in case of customers and transactions that are classified as high risk and one of the criteria for classification of customers as high risk are persons from countries that have inadequate measures for prevention of ML/TF (s.13(b)(2), PMLFT Regulations for banks, MVTs, MCBs, Securities and Insurance companies). There are no sectoral regulations for financial leasing and consumer finance nor the state-owned pension fund.

358. *Criterion 19.2* - Maldives cannot apply countermeasures proportionate to the risks: (a) when called upon to do so by the FATF and (b) independently of any call by the FATF to do so.

359. *Criterion 19.3* - FIU provides information on FATF designated countries to the FIs through their website³⁴ linking FATF website that has 'High-Risk Jurisdictions subject to a Call for Action' and 'Jurisdictions under Increased Monitoring' (s.19(c), PMLFT Act). Only FIs were advised via email until June 2022 and through engagement with AML/CFT compliance officers of changes to the FATF designated countries. There are however no measures in place to advise FIs about concerns in weaknesses in the AML/CFT systems of other countries, outside of the FATF designations.

Weighting and Conclusion

360. There is a moderate shortcoming in that Maldives cannot apply countermeasures proportionate to the risks. FIs are not fully advised of concerns of weaknesses in the AML/CFT systems and the specific requirements for EDD to be conducted is not in place financial leasing and consumer finance or the state-owned pension fund, but it is a minor shortcoming.

361. **Recommendation 19 is rated partially compliant.**

Recommendation 20 – Reporting of suspicious transaction

362. Maldives was rated non-compliant with former R. 13 (Suspicious transaction reporting) as there were no suspicious transaction reporting requirements applicable to non-bank FIs, and contained limited scope of predicate offences and attempted transactions were not covered. Maldives was rated non-compliant with former SR IV (Suspicious transaction reporting) as there were no suspicious reporting requirements for FIs other than banks. The enactment of the PMLFT Act in 2014 introduced a number of these provisions related to the reporting of suspicious transactions.

363. *Criterion 20.1* - FIs are required to submit suspicious transaction report to the FIU, as soon as practicable and no later than three working days after forming suspicion or having grounds for suspicion that funds or property are proceeds of crime or are related to ML/TF (s.39(a), PMLTFA). The grounds for suspicion are not explicitly required to be 'reasonable'. STR Guidelines, which are not enforceable means but only serve as guidance, issued by the FIU under Section 27(c)(5) of the PMLFT Act elaborates "reasonable grounds to suspect" as reasonable in specific circumstances including normal business practices and systems within the industry. Proceeds of crime extends to funds or other property associated with all offences under the law of Maldives (s.8, PMLFT Act) but inadequate coverage of all designated categories of predicate offences impacts the reporting of proceeds of all criminal activity (see R. 3). Funds or property as also otherwise defined is largely in keeping with the FATF definition (s.11, PMLFT Act), see analysis in R.4.

³⁴ <https://www.mma.gov.mv/#/fiu/highriskjurisdictions>

364. *Criterion 20.2* - FIs are required to submit suspicious transactions including attempted transactions (s.39(a), PMLFT Act). There are no threshold requirements regarding the amount of a transaction, attempted or otherwise, for reporting purposes.

Weighting and Conclusion

365. FIs are required to report suspicious transactions including attempted transactions to the FIU. However, minor shortcomings include the grounds for suspicion are not explicitly required to be reasonable and inadequate coverage of all predicate offences which would constitute 'criminal activity' subject to reporting obligations.

366. **Recommendation 20 is rated largely compliant.**

Recommendation 21 – Tipping-off and confidentiality

367. Maldives was rated partially compliant with former R. 14 (Protection & no tipping-off). The 2011 report concluded that relevant protection for STR and prohibition against tipping-off only applied to banks and not to other FIs. The enactment of the PMLFT Act in 2014 introduced a number of these provisions related to tipping-off and confidentiality.

368. *Criterion 21.1* - FIs and their directors, officers or employees, who act in good faith, are protected by the law from criminal, civil, disciplinary or administrative proceedings for breach of banking or professional secrecy or contract, if they submit reports (including STRs) or provide information in accordance with the PMLFT Act (s.44, PMLFT Act). This protection is provided regardless of their knowledge of the criminal activity or whether the illegal activity occurred.

369. *Criterion 21.2* - FIs and their directors, officers and employees are required not to disclose to their customers or a third party that information or report concerning ML/TF is being, was or will be provided to the FIU or that ML/TF investigation is being or will be carried out (s.43, PMLFT Act). Failure to meet these obligations is subject to sanctions as detailed in R.35.

Weighting and Conclusion

370. **Recommendation 21 is rated compliant.**

Recommendation 22 – DNFBPs: Customer due diligence

371. Maldives was rated non-compliant with former R.12 (DNFBPs) in the 2011 MER as there was neither regulating bodies nor AML/CFT requirements for DNFBPs.

372. *Criterion 22.1* - Definition of DNFBPs (s.77(c), PMLFT Act) is consistent with the FATF definition, under prevailing laws. With respect to CDD, DNFBPs are subject to the same requirements as FIs and therefore have the same deficiencies (see R.10), as applicable. No sectoral regulations have been issued for DNFBPs.

373. *Criterion 22.1 (a)* - Casinos are prohibited as per Islamic Shari'ah law (Article 19 of Constitution).

374. *Criterion 22.1 (b)* - Dealers in real estate are required to identify the parties involved in transactions of buying or selling of real estate, in accordance with Section 16 of the PMFLTA, that elaborates CDD requirements (s.17(b), PMLFT Act). Deficiencies of R.10 apply.

375. *Criterion 22.1 (c)* - DPMS are required to identify their customers in accordance with Section 16 of the PMLFT Act, that elaborates CDD requirements, whenever receiving a cash payment in an amount equal to or above the amount prescribed in a regulation issued by the MMA (s.17(c), PMLFT Act). MMA has neither issued relevant regulation nor prescribed the applicable threshold. Deficiencies of R.10 apply.

376. *Criterion 22.1 (d)* - Lawyers, notaries, accountants and other independent legal professionals are required to identify parties in accordance with Section 16 of the PMLFT Act, that elaborates CDD requirements, when they prepare for or carry out transactions for, on behalf of the parties in case of activities specified as per this criterion (s.17(d), PMLFT Act). Deficiencies of R.10 apply.

377. *Criterion 22.1 (e)* - TCSPs providing stipulated activities as per this criterion to third parties on a commercial basis are required to identify the parties in accordance with Section 16 of PMLFT Act, that elaborates CDD requirements (s.17(f), PMLFT Act). Deficiencies of R.10 apply.

378. *Criterion 22.2* - DNFBPs are subject to the same recordkeeping requirements as FIs, as set out in Section 20 of the PMLFT Act. The deficiencies identified in R.11 and in the situations set out in c.22.1 apply.

379. *Criterion 22.3* - DNFBPs are subject to the same PEP requirements as FIs, as set out in Section 16(j) of the PMLFT Act. The deficiencies identified in R.12 and in the situations set out in c.22.1 apply.

380. *Criterion 22.4* - No enforceable means are in place for DNFBPs to comply with the new technologies' requirements set out in R.15.

381. *Criterion 22.5* - No enforceable means are in place for DNFBPs to comply with the reliance on third-parties requirements set out in R.17.

Weighting and Conclusion

382. DNFBPs are subject to same requirements as FIs as per PMLFT Act. The deficiencies of R.10, R.11, R.12, R. 15 and R.17 apply with respect to DNFBPs.

383. **Recommendation 22 is rated partially compliant.**

Recommendation 23 – DNFBPs: Other measures

384. Maldives was rated non-compliant with former R.16 (DNFBPs) as STR requirements did not extend to DNFBPs and there existed no provision with respect to former R.14 (protection & no tipping-off), former R.15 (internal controls, compliance & audit) and R.21 (special attention for higher-risk countries).

385. *Criterion 23.1* - DNFBPs are subject to the same suspicious transaction requirements as FIs, as set out in Section 39(a) of the PMLFT Act. There is minor deficiency with regard to reasonableness of suspicious transaction as highlighted in R.20. With regard to qualifications and scope requiring to report STR for specific DNFBP sectors, Sections 39(c) and (d) of the PMLFT Act require all DPMS and dealers in real estate to submit STR to the FIU when engaged in cash transaction above a limit (not set by the MMA yet, allowed as per s.17.(c), PMLFT Act) and while buying or selling real estate, respectively. There is no qualification for TCSP sector. No sectoral regulations have been issued to the DNFBP sector.

386. There is no obligation for lawyers, notaries, other independent legal professionals, accountants, auditors and tax advisers to report information they receive from or obtain on a client, in the course of a judicial proceeding or representing that client in judicial proceedings, including legal advice on instituting proceedings, whether such information is received or obtained before, during or after such proceedings (s.39(b), PMLFT Act) in line with the footnote of FATF Methodology.

387. *Criterion 23.2* - DNFBPs are subject to the same internal control requirements of c.18.1 as FIs, as set out in Section 21 of the PMLFT Act. The moderate deficiencies identified in c.18.1 apply and in the situations set out in c.23.1 apply. Further, there are no requirements for DNFBPs with respect to financial groups and ensuring foreign branches and majority-owned subsidiaries apply AML/CFT measures consistent with home country requirements, although there are no financial groups currently operating in the Maldives.

388. *Criterion 23.3* - DNFBPs are subject to the same higher-risk countries' requirements as FIs, as set out in Section 19(c) of the PMLFT Act. The deficiencies identified in R.19 and in the situations set out in c.23.1 apply.

389. *Criterion 23.4* - DNFBPs are subject to the same tipping-off requirements as FIs, as set out in Sections 43 and 44 of the PMLFT Act. The deficiencies in the situations set out in c.23.1 apply.

Weighting and Conclusion

390. The cash threshold for DPMS sector has not been set by the MMA. The deficiencies of R.20, R.18, R.19 and R. 21 in situations set out in c.23.1 apply with respect to DNFBPs.

391. **Recommendation 23 is rated partially compliant.**

Recommendation 24 – Transparency and beneficial ownership of legal persons

392. The Maldives was rated non-compliant with previous R.33. The 2011 report noted the measures in place did not ensure adequate transparency regarding the beneficial ownership and control of legal persons. an online database containing basic and some BO information was established in 2010, which was directly accessible to competent authorities Amendments to the Companies Act, which came into force on 1 January 2024 have introduced more comprehensive measures for the maintenance and transparency of legal persons.

393. *Criterion 24.1* - Business may be carried out in the Maldives in the following forms: (i) companies registered under the Companies Act; (ii) partnerships registered under the Partnerships Act; (iii) cooperative societies registered under the Co-operative Societies Act; and (iv) sole proprietorships. These forms and processes for registration are set out in the Business Registration Act 2014 and publicly available online at <http://one.gov.mv/services>.

Companies

394. Chapter 2 of the Companies Act specifies the different types, forms and basic features of companies that can be registered in the Maldives. The types of companies include private, public, government and local authority companies. Chapter 3 sets out the requirements and processes of incorporation and registration of companies.

395. The Companies Act regulates both local (public and private) and foreign companies. Sections 177, 178 and 179 of the Companies Act impose obligations on companies to maintain information on the company's beneficial owners (including change of beneficial ownership)

and to notify the Registrar of such information. This is to be reported regularly on a yearly basis and non-compliance constitutes an offence.

396. The requirements for obtaining and recording information of parties with significant control over a company are set out in Section 176 of the Companies Act, which defines “Significant Beneficial Owner (SBO)” as at least 25% of shares or voting rights or entitlement to dividends. It also references the broader term of “Significant Influence”, namely having the right to participate in the decision-making processes of the company. In contrast, Section 77 of the PMLFT Act defines “Beneficial Owner” as a natural person who exercises ultimate control over a legal person or arrangement. Section 26 of the PMLFT Act requires legal persons established in the Maldives to maintain adequate, accurate and current information on their beneficial ownership and control structure while requiring TCSPs to verify and retain such information. Similar requirements are also imposed on REs for keeping records on beneficial ownership. The requirements of control or ownership under the Companies Act are more prescriptive than those under the PMLFT Act. The different definitions of beneficial ownerships under the Companies Act and the PMLFT Act, which do not fully align with the FATF definition lead to different applications of the record keeping and reporting requirements, in turn it is unclear what ultimate beneficial ownership information is required to be recorded/reported.

397. For foreign companies seeking to be registered in the Maldives, a permit for foreign investment must first be sought from the Ministry of Economic Development & Trade. Policy, laws and procedures on seeking foreign investment permit, including the information required and the considerations given for granting the permit, are publicly available online. Section 18 of the Foreign Direct Investment Policy states that all foreign investors must, as required under Section 5 of the Business Registration Act (Law No. 18/2014), as amended in September 2024, register their business in the Maldives either as a company or partnership and obtain permission to invest under the Foreign Investment Act. As noted above, Sections 177, 178 and 179 of the Companies Act impose obligations on foreign companies to maintain information on the company’s beneficial owners (including change of beneficial ownership) and to notify the Registrar of such information. This is to be reported regularly on a yearly basis and non-compliance constitutes an offence.

398. Section 6 of the Regulation for Registration of Foreign Companies sets out the information required to be submitted to the Registrar of Companies for registration, which includes foreign investment permit and information on significant beneficial owners. With the permit, the foreign companies may submit an application for registration as a foreign company in accordance with the procedures set out in the Companies Act. However, if the SBO is a foreign entity, there is no requirement of disclosure of BO information of the foreign entity under this Regulation.

Partnerships

399. Sections 1 to 4 of the Partnerships Act specifies the different types, forms and basic features of partnerships that can be registered in the Maldives. The types of partnerships include General Partnership and Limited Liability Partnership (LLP). Chapter 2 of the Partnerships Act provides for the requirements of creation and operation of partnerships while Chapter 3 provides for the procedures and requirements for registration, including the information required to be recorded in the partnership agreement.

400. LLPs are separate legal persons under Maldivian law and both natural and legal persons may be a partner in an LLP (s.4, Partnerships Act)

Cooperative societies

401. The establishment, registration and operation of Co-operative Societies in the Maldives are governed by the Co-operative Societies Act. The Registrar of Co-operatives is responsible for regulating all societies registered under the Act.

402. Sections 5 to 18 set out the procedures and requirements of registration with the Registrar of Co-operative Societies, including Section 18 providing for the qualification requirements of members, inter alia, members shall be individuals. Sections 19 to 58 of the Co-operative Societies Act prescribe the legal status and management of the society, including the composition of the management committee. Although not explicitly defined in the Co-operative Societies Act, foreign nationals are not considered as individuals living in, or part of, a Maldivian community in terms of the application of Section 18 and would not be able to establish a cooperative society in the Maldives... Members of the management committee shall be a Maldivian citizen.

403. *Criterion 24.2* -The Maldives has not assessed the ML risks associated with different types of legal persons as part of its 2022 NRA. The NRA looked at the sector as a whole and concluded the overall ML risk level is medium. This rating is attributable to the deficiencies in BO information maintained by the Registrar of Business. The NRA 2022 does not specifically assess the specific TF risks associated with all types of legal persons.

404. The Maldives has not undertaken risk assessment on legal persons which could operate in the Special Economic Zone (SEZ) during the NRA in 2022, as there was no business activity. The situation remains the same as no permits have been granted under the SEZ Act for legal persons to operate in the designated SEZ, although there is currently an application under consideration.

405. *Criterion 24.3*

Companies

406. Section 231 of the Companies Act requires the maintenance of a register for all companies, including foreign companies, by the Registrar of Companies, which includes company name, type of company, company constitution, registered address and a list of directors and managing directors. Section 232 requires the information above to be made publicly available without charge, which is provided through the online Business Registry.

Partnerships – LLP

407. The Registrar of Companies shall maintain a register of partnerships, but the details of what information is included has not been specified (s.45, Partnerships Act). Section 12(b) of the Partnerships Act requires the partnership agreement to be submitted during the registration process. In practice, the information currently publicly available on the Maldives public registry for partnerships is the managing partner, partners, name of business and unique identification number, registered address of the business and any permits or licences held.

Co-operative societies

408. Section 5 of the Co-operative Societies Act provides that the Registrar of Co-operatives shall be appointed to regulate all societies. It is not clear what information is to be maintained by the Registrar and made publicly available, and no Regulations have been issued pursuant to this act on basic and BO information requirements. In practice, the information currently publicly available on the Maldives public registry for co-operative societies is the chairperson, steering committee members, name of business and unique identification number, business activities and any permits or licences held.

409. The Maldives has a centralised data for the public's free accessing information on specific legal persons (<https://business.egov.mv/BusinessRegistry/>). For local companies, information on managing director, board of directors, shareholders, permits and licences can be checked. For foreign companies, it shows information of the companies' representative, permits and licences.

410. *Criterion 24.4*

Companies

411. Companies are required to maintain a share register of all its members at the company office, as provided to the registrar, including name and address of shareholder, number of shares, class of shares (s.81, Companies Act) and voting rights (s.85, Companies Act). Non-compliance constitutes an offence.

412. Any person who agrees to acquire shares of the company, and whose name is listed in the company's register of members, shall be deemed a member (s. 80, Companies Act).

Partnerships – LLP

413. The records of each partnership shall be kept safely by the partnership. The partners of a partnership shall have the opportunity to inspect the documents required to be kept at the office of the partnership (Section 8 of the Partnerships Act) but there is no legal requirement of notifying the Registrar of the location where the records are kept or the location, if it is not at the partnership address.

Co-operative societies

414. The Management Committee of the Co-operative Society is authorised to appoint members and maintain detailed records of its actions (s.31 of the Co-Operative Societies Act). Co-operative Societies are required to maintain a registry of members and have this freely displayed at the registered office of the co-operative society during all business hours (s.41 of the Co-operative Societies Act). Non-compliance with the requirements of the Co-Operative Societies Act constitutes an offence (ss65 – 67 the Co-operative Societies Act).

415. *Criterion 24.5*

Companies

416. Section 168 of the Companies Act imposes a notification requirement on companies to record any changes to the company's ownership in their registry and to inform the changes to the Registrar within 15 days of the change. Non-compliance is an offence (Section 168(e)).

417. Section 82 of the Companies Act impose on the Board of Directors the responsibility to maintain an up-to-date register of the members of the company and failure to do so will be considered an offence (Section 82(b)). Further, under Section 83 of the Companies Act, the register of members shall be available for inspection at the company office, or at another designated location determined by the Board of Directors. Alternatively, arrangements for inspection shall be made by the company. Section 81 of the Companies Act requires every company (except public listed companies) to keep a register of members at its office containing information, including names of the shareholdings, date of becoming a member, number and class of shares.

418. Apart from imposing penalty for non-compliance, there are no regulations or rules under the Companies Act to directly impose an obligation on the company to ensure that the information is accurate and up to date.

419. Section 84 of the Companies Act provides an avenue for rectification of the information in the Register of Members by way of application to the court by members who should have been included in the Register or any other aggrieved parties.

420. Under the Private Companies Regulation [2024/R-99], which came into effect on 10 October 2024, changes to basic information of the company are required to be notified to the Registrar within seven days (s.11(a)).

Partnerships – LLP

421. Chapter 7 of the Partnerships Act governs the notification requirements of inclusion and removal from partnerships. For appointment of new partner, notification must be given to the Registrar within 7 days while for removal of partners, there is no notification requirement. There are no specific obligations to maintain up-to-date partnership records.

Co-operative societies

422. There is no mechanism requiring the society to regularly update the Registrar of the change of any membership or management committee.

423. For all legal persons, Section 26 of PMLFT Act requires legal persons established in the Maldives to maintain adequate, accurate and current information on their beneficial ownership and control structure (see c.24.1 above). It is not clear what information is required under the term “control structure”. There is no regulation to assist legal persons to give effect to this requirement. Yet, FIU published FAQs in 2017 to assist legal persons in understanding the meaning of “beneficial ownership” for the purposes of AML/CFT and what/who would be considered BO in various legal persons. General information on reporting requirements has also been set out in the FAQs.

424. *Criterion 24.6* - The Maldives uses a variety of mechanisms to ensure BO information is obtained and available in a timely manner.

425. Section 177 of the Companies Act requires shareholding members to register as a beneficial owner (applying the PMLFT Act definition on beneficial owner) with the company (s.177(b)). Where these members are not individuals, they are required to provide information on the beneficial owner of that share to the company (s.177(a)). Changes to beneficial owners are also required to be notified of the company (s.177(c)) but the format and timeframes for obtaining and maintaining this information are not specified within the Act nor subsequent Regulations. The Private Companies Regulation [2024/R-99], requires notification of changes to share ownership to the Registrar within 15 days of the change (s.109(a)).

426. For LLPs, there are no requirements established in the Partnerships Act requiring the collection of BO information where one or more partners is a legal person.

427. Only natural persons can become members of co-operative societies (s. 18(a) of Co-Operative Societies Act) and there are no BO requirements.

428. The provisions in the above Acts are supplemented by s.26(a) of the PMLFT Act which requires legal persons to maintain accurate and current information of their beneficial ownership and control structure. The definition of beneficial owner as provided in s.77 (a) of PMLFT Act is largely consistent with the FATF definition,

429. Sections 178 and 179 of the Companies Act requires companies to register significant beneficial owners with the Registrar within a maximum of 30 days, maintain a register of the significant beneficial owners and verify the accuracy of this information on significant beneficial ownership. Significant beneficial owner is defined as a person who holds at least 25%

of the voting rights and/or is entitled to receive at least 25% of the company's dividend in any financial year (s179(b)(1) of the Companies Act). Non-compliance is an offence (Sections 178(d) and 179(c)).

430. The timeframe provided for notifying the Registrar is reasonable to ensure the information is as up-to-date and current as possible.

431. Sections 16 and 17 of the PMLFT Act prescribe Reporting Entities (including financial institutions and DNFBPs) to identify and verify beneficial ownership information in relation to all types of legal persons as part of their customer due diligence obligations. Further, Section 26(b) – (e) of the PMLFT Act prescribes the responsibilities of trust and company service providers on obtaining and maintaining beneficial ownership information and allows the providing information by legal persons and trust and company service providers at the request of a Maldivian court of law, or supervisory authority or investigative authority or law enforcement authority or the FIU.

432. *Criterion 24.7* - Measures as provided under criterion 24.6, in particular, the requirements under s.26(a) of PMLFT Act, are in place providing that legal persons in the Maldives shall maintain adequate, accurate and current information on their beneficial ownership and control structure.

433. *Criterion 24.8*

434. *Criterion 24.8(a)* - Section 115(a) & (c) of the Companies Act require that directors of a company shall be natural persons and only a Maldivian citizen may be a director of any other company except foreign investment companies, government companies and public companies in which the government holds a share. For the types of companies under exception, Sections 116 and 142 of the Companies Act requires at least one of the directors of the company and its company secretary, if this position is held by an individual, to be an ordinary resident of the Maldives. Section 74 of the Private Companies Regulation also required at least one director of a company to be ordinarily resident in the Maldives at all times. Where the company secretary is a firm, this is required to be a legal person established in the Maldives (s.142(b) of the Companies Act). The company secretary is required to provide all documents and records as required under the Companies Act to the Registrar (s.143(f)-(h) of the Companies Act). However, there is no specific requirement that this natural person resident in the Maldives is authorised to be accountable for providing basic and BO information.

435. Further, Section 35 of the Companies Act sets out the requirements for a foreign company re-registering in the Maldives to appoint a local agent. The agent must be a resident adult, meet certain qualifications, and provide consent. They are responsible for receiving official documents, ensuring the company meets its obligations, and potentially facing personal liability for company violations. It also defines residency requirements for company directors and the qualifications for company secretaries, both individual and firm based, but this does not extend to authorisation to provide basic and BO information. Section 36 of the Companies Act provides that the Registrar shall be informed of any change of information set out in Section 34(a), which includes information of the agent, within 30 days of the change. LLPs are required to have a managing partner who is responsible for compliance with the Partnerships Act and must be a person ordinarily resident in the Maldives (s.10 of the Partnerships Act). The managing partner may be either a natural or legal person.

436. Co-operative societies are required to appoint a management committee, with status as a Maldivian citizen as one of the eligibility criteria (s.29(ii) of the Co-operative Societies Act).

The management committee is responsible for carrying out all work as required by the Registrar or Auditor (s.31 (vii) of the Co-operative Societies Act).

437. *Criterion 24.8(b)* - TCSPs are also required to provide information on BO and the control structure of the company at the request of competent authorities (Section 26(e) of the PMLFT Act).

438. *Criterion 24.9* - There are no specific requirements on a company under the Companies Act to maintain information or records for at least five years after the date on which a company is dissolved or ceases to exist. The obligation is said to be implied under Section 133 of the Companies Act, which requires directors to fulfil any outstanding duties until those responsibilities are fully discharged. It is unclear “outstanding duties” (as opposed to “continuing duties”) would cover “record keeping” as required under this criterion.

439. There are provisions under the Private Companies Regulation to retain information on the company’s constitution, members, directors and managing directors for a period of five years from the date of dissolution (s.155(j)).

440. Section 20 of the PMLFT Act requires Reporting Entities (including TCSPs) to maintain records of customers, beneficial owners or agents, business transactions for at least five years after the business relationship has ended and information which can reconstruct transaction records for at least 5 five years from the date of the transaction. It further requires accounting records be maintained for a period of 5 years and be made available to directors and members upon request, but it is not clear that this extends to the records of beneficial owners. There are no explicit requirements for LLPs, co-operative societies, liquidators or the Registrar to maintain records for five years following the dissolution of an LLP or society.

441. *Criterion 24.10* - Basic information is available to competent authorities via the publicly available register. Information regarding beneficial ownership of legal persons, as required under PMLFT Act, must be provided at the request of a Maldivian court or supervisory authority or investigative authority or law enforcement authority of FIU (Section 26(e) of PMLFT Act). LEAs also have specific powers under their empowering legislation to compel the production of records on basic and beneficial ownership (see R.31). Failure to provide this information is an offence under s.57(a) of the PMLFT Act but there are no explicit requirements on the timeliness of this information to be provided.

442. Competent authorities may also access basic information through the publicly available database of the Registrar of Companies which maintains company information including some limited beneficial information.

443. When access to the more comprehensive beneficial ownership is required by competent authorities to fulfil their mandate, direct access is given to the business registration database via any browser over the internet for relevant staff with login credentials. Registrations and login arrangements are managed by the Ministry of Economic Development and the Registrar upon request by the relevant competent authority. That said, in practice authorities in the Maldives have almost immediate access to such information, as they have already been granted access on previous occasions and due to the tight cooperation among authorities. The access is not granted on a case-by-case basis.

444. *Criterion 24.11* - There is no legislation in the Maldives explicitly prohibiting legal persons from issuing bearer shares or bearer share warrants. In practice, it is not functionally possible due to the operation of the notification requirements of share transfer to the Registrar under Section 168 of the Companies Act. This requires notification to the Registrar within 15 days of changes to share ownership, and the particulars of the person to which the share has

been transferred. This is complemented by the requirement to disclose information of the beneficial owners of legal persons and arrangements under Section 26 of the PMLFT Act.

445. *Criterion 24.12* - The Companies Act allows nominee shareholders and nominee directors. Section 129 of the Companies Act allows the power and duties of directors to be delegated to a committee of directors or to a particular director (nominee director) and there are no explicit requirements to disclose the identity of the nominee director to the company or any relevant registry. However, Section 177 of the Companies Act requires members/shareholders (both natural and legal persons) to disclose information to the company on the natural person who is the beneficial owner of shares in a company. Further, Section 123 of the Companies Act requires companies to maintain a register of its directors with minimum specific information, including whether the director holds any shares in the company. Section 129(b) of the Companies Act provides that even with delegation of power, delegators have responsibility for acts they have delegated. Sections 62, 63 and 66 of the Private Companies Regulation provide for the requirements for appointment of proxy and the rights of proxy. There is no requirement of keeping record of this information in the company's register or any other relevant register.

446. *Criterion 24.13* - The Companies Act includes penalty provisions for non-compliance with obligations regarding transparency of beneficial ownership of legal persons. Section 235(a) of the Companies Act includes a number of offences, including neglecting to maintain the register of directors of the company (sub-Section (4)), failure to submit changes to directors of company to the Registrar (sub-Section (5)), failure to submit changes of the register of members (sub-Section (12)), failure to submit the information of the Significant Beneficial Owners to the Registrar (sub-Section (15)), failure to fulfil the duty of obtaining information on Significant Beneficial Owners, and maintaining and ensuring the authenticity of that information (sub-Section (16)). The penalty for each offence is a fine of MVR 1,000 (USD65) (Section 235(b)), which is not proportionate nor dissuasive

447. Directors of companies who fail to meet requirements related to BO information may be subject to fines from MVR1000 to MVR 5000, (USD65-325) under the Companies Act (ss.236-240) and Private Companies Regulation (s.160 and s.161) depending on the number of offences committed. Similarly, members and beneficial owners who breach requirements in the act to disclose BO information may also be subject to a maximum fine of MVR5,000 (USD 325) (Section 238(b) of the Companies Act). Failure to submit SBO information and failure to fulfil the duty of obtaining and maintaining information of SBO is punishable with a fine of MVR 1000 to MVR 3000 (USD65-195) (s.236, Companies Act). Failing to comply with a notice issued by the Registrar is an offence punishable with a fine of MVR 1000 to MVR 100,000 (USD65-6,500) (s.240, Companies Act). These sanctions are not proportionate nor dissuasive.

448. Failure to submit documents and providing false information are also considered offences under the Maldives Penal Code (s. 239 of the Companies Act). Liability for these offences extends to legal persons, as well as the natural persons who hold senior management position (Sections 70-72 of the Penal Code). These offences are punishable by a maximum of 4 years imprisonment (S.1002 of the Penal Code).

449. The Registrar also has the power to issue a fine between MVR 100,000 (USD6,500) and an unspecified maximum amount, for failure to comply with a direction or a requirement as set out in the Companies Act (s.240 of the Companies Act).

450. *Criterion 24.14* - Maldivian authorities are able to provide international cooperation, including the provision of basic and beneficial ownership information on legal persons (see

R.37 and R.40). Foreign authorities may also access the publicly available Registry of Businesses for basic information on legal persons. The FIU and law enforcement agencies have access to the beneficial ownership information held in the Registry of Businesses and can share this information with foreign counterparts through their existing relationships, with the consent of the Ministry of Economic Development and the relevant Registrar.

451. Under Section 28 of the PMLFT Act, FIU has a wide discretion and authority to gather information and to share information. Section 38 further allows FIU to, on its own initiative or upon request, share information with any foreign counterpart agency that performs similar functions and is subject to similar secrecy obligations.

452. There are different mechanisms for foreign authorities to obtain BO information from Maldivian authorities, and there is no evidence of the rapid exchange of BO information or cooperation.

453. *Criterion 24.15*

454. Not all competent authorities have specific guidelines to monitor the quality of assistance they receive from foreign counterparts in relation to basic and beneficial ownership information.

455. For MIRA, both jurisdictions involved in the exchange will send feedback to each other after the information has been exchanged as recommended in the OECD Standard for Automatic Exchange of Financial Account Information in Tax Matters Handbook. Although giving feedback is not a mandatory requirement, MIRA has included this step in its internal EOI guide.

456. For the FIU, the Information Collection, Analysis and Dissemination Policy, which empowers the FIU to “prescribe applicable procedures and mechanisms to receive feedback from information recipient agencies to assess the usefulness of the information provided”.

Weighting and Conclusion

457. The Maldives has a reasonable legal framework for the collection and recording of basic information. There are also measures to improve transparency of legal persons and information of beneficial ownership but there are some shortcomings, including different definitions of BO under various acts which do not fully align with the FATF definition, the lack of a comprehensive risk assessment and mechanism for verifying the information provided for foreign companies. Some deficiencies also remain in the information obtained and recorded on LLPs. There is relatively less transparency for co-operative societies, but this is not given much weighting in view of the number and nature of the societies registered in the Maldives. There are also deficiencies in the sanctions available for non-compliance with basic and BO information requirements, and minor deficiencies in international cooperation related to BO.

458. **Recommendation 24 is rated partially compliant**

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

459. Maldives was rated non-compliant with former R.35 in its 2011 report. There were no measures in place to ensure adequate transparency of, or mitigating the risks associated with trusts.

460. The Maldives does not have specific legislation³⁵ providing for the creation and regulation of trusts and has no visibility of the nature and extent of trusts operating in the Maldives. Following consultation with all banks and the largest law firms as part of the NRA process in 2022 and the most recent consultation in 2024, the Maldives has not identified any trusts, either domestic or foreign, in operation in the Maldives.

461. Waqf are practiced in the Maldives and are a form of charitable trust based on and governed by Islamic Shari'ah principles. There are no measures in place to prevent the misuse of waqfs for criminal purposes, such as the requirement to register a waqf and the number and scale of these legal arrangements operating in the Maldives is not known.

462. Under waqf, assets, properties and funds are given to island communities and ownership is passed on to those communities. The Ministry of Islamic Affairs is operating the public Waqf Fund but there is no legal framework for creation and regulation of private waqfs. Private waqfs are generally seen as private arrangements as opposed to trust arrangement or alike.

463. *Criterion 25.1* - TCSPs are required to collect the information on the identity, the name of trustees, the settlor, and the beneficiary as set out in Section 16(e) of the PMLFT Act when acting as or arranging for another person to act as a trustee of an express trust (s.17(f)(3) of PMLFT Act), but this does not extend to waqfs. However, this does not cover the class of beneficiaries or any other natural person exercising ultimate effective control over the trust. Beyond these, there are no requirements for trustees, including non-professional trustees, to obtain and hold this information.

464. *Criterion 25.2* - Depending on the coverage of "trusts", Section 26 of the PMLFT Act requires trust and company service providers to obtain and retain current information on the beneficial ownership and control of legal arrangements established in the Maldives, in particular the settlor, the trustee and the beneficiary of express trusts established in the Maldives (S.26(b) of the PMLFT Act). This does not extend to any other natural person exercising ultimate effective control over the trust. This requirement also applies to foreign trusts (S.26(d) of the PMLFT Act). However, there is no timeframe in the PMLFT Act for obtaining this information to enforce a requirement that it be updated on a timely basis.

465. *Criterion 25.3* - There are no explicit legal obligations on trustees to disclose their status to FIs and DNFBPs.

466. However, there are obligations on reporting entities to collect this information. Under Section 16(e) of the PMLFT Act, FIs are required to obtain, for the purpose of identification of a legal arrangement and verification of the identity, the name of trustees, the settlor, and the beneficiary of express trusts or other similar arrangements. PMLFT Act does not create an offence for omission or provision of false information to REs. Such conduct would be considered under the offence for recklessly providing materially false or misleading information or knowledge deceiving another in connection with any proposed or completed transaction in goods or services (S.313 Penal Code).

467. There is no provision demonstrating the existence of measures to ensure disclosure when carrying out an occasional transaction that exceed the threshold set by the trustees.

³⁵ A Trust Act is being drafted and is scheduled to be completed by 2025, as part of the Maldives' strategic action plan 2024-2026, aiming to provide clarity and legal coverage to the registration and management of investment fund and its operation. However, it would not cover *Waqf*.

468. Section 17(f)(3) of the PMLFT Act provides that TCSPs, including DNFBPs (Section 77(c)(5)), who are not FIs are required to obtain information concerning trusts if they acting as or arranging for another person to act as, a trustee of an express trust.

469. Waqfs are not captured under these provisions.

470. *Criterion 25.4* - Competent authorities are conferred with the power under Section 26(e) of the PMLFT Act to require TCSPs (including DNFBPs (Section 77(c)(5))) to provide information on the trust upon request. However, this information does not extend to the assets held or managed under the terms of the business relationship, nor is there a requirement to keep this information up to date (see c.25.2).

471. Under Section 48 of the PMLFT Act, bank secrecy or professional privilege is not a ground for not to comply with the requests. FIU provides general guidelines for banks, consumer finance institutions and securities institutions for reference to the identification of trusts and legal arrangements. The extent to which these are applicable to non-professional trustees is not clear.

472. *Criterion 25.5* - As per c.25.4, competent authorities are empowered to access information held by TCSPs and reporting entities on legal arrangements (s26(e) of the PMLFT Act). The deficiencies note in c.25.4 also apply. There are no specific provisions on obtaining information directly from trustees, including non-professional trustees.

473. *Criterion 25.6* - The Maldives does not centrally record information on trusts or other legal arrangements in the Maldives to facilitate the sharing of beneficial ownership information on trusts and legal arrangements. The authorities in the Maldives have been given the wide authority and discretion in cooperating with foreign authorities through both formal and informal cooperation (see R.37 and R.4). However, it appears that there is no mechanism nor guidelines in place to ensure the information can be exchanged rapidly.

474. *Criterion 25.7* -. There is no legal framework to ensure trustees are (a) legally liable for any failure to perform the duties relevant to meeting their obligations; or (b) that there are proportionate and dissuasive sanctions, whether criminal, civil or administrative, for failing to comply.

475. *Criterion 25.8* - Under Section 74 of the PMLFT Act, failure to provide information by reporting entities would attract warning in writing or fine of amount between MVR 10,000 (~USD 650) and MVR 100,000 (~USD 6,500) on daily basis until compliance is obtained. These are proportionate and dissuasive sanctions. However, the deficiencies noted in c.25.1 apply.

Weighting and Conclusion

476. Legal arrangements are permitted to operate in the Maldives, including waqfs, but competent authorities are unable to identify the prevalence of such arrangements. There have been no measures put in place to mitigate the risk of ML/TF associated with trust structures and other legal arrangements, including Waqf. There is no specific and direct legal framework imposing measures to provide for the transparency of legal arrangements. Instead, the authorities rely on the wide power conferred upon them by the PMLFT Act to require FIs/TCSPs/DNFBPs to obtain beneficial ownership information and for the authorities to seek disclosure of relevant information, with no clear provisions extended to non-professional trustees.

477. **Recommendation 25 is rated partially compliant.**

Recommendation 26 – Regulation and supervision of financial institutions

478. Maldives was rated non-compliant with former R.23 (Regulation, supervision and monitoring). The 2011 report concluded, among others, that (i) with the exception of banks, none of the FIs were subject to AML/CFT supervision and monitoring due to lack of enforceable AML/CFT requirements, (ii) there were no AML/CFT supervision conducted for banks due to recent introduction of AML/CFT requirements, (iii) there were no legal framework for licensing/registration and regulation/supervision of insurance intermediaries and money changers, (iv) there were insufficient fit and proper requirements for BO of FIs, (v) there were no requirement for MVTs to be licensed or registered, (vi) no legal framework for the supervision of MVTs. The enactment of the PMLFT Act in 2014 introduced a number of these provisions related to the regulation and supervision of FIs.

479. *Criterion 26.1* - MMA is designated as AML/CFT supervisor in case of banks, insurance companies, insurance brokers, insurance agents, remittance companies, MCBs, financing companies and e money issuance service providers. CMDA is AML/CFT supervisor of dealers, dealer's representative, investment advisers, agents of investment advisers, Shari'ah advisers, fund managers, underwriters and pension funds. These competent authorities responsible for supervising or regulating the FIs shall supervise compliance of FIs with the AML/CFT requirements set out in Part Two (Preventive measures) of the PMLFT Act (s.46(a), PMLFT Act), and reporting obligations in the Act (s.46(b)(2), PMLFT Act).

480. MMA is responsible for regulating and supervising the financial sector other than those securities businesses and dealers regulated by CMDA under the Securities Act (s.22(f), MMAA; s. 4(c), Securities Act). Financial institutions include entities carrying out a Banking Business or Non-Bank Financial Business (s.2, MMAA), with all activities detailed in the FATF definition of financial institution covered in Section 116 of the MBA and Section 2 of the MMAA.

481. Offshore financial services (defined in Section 16 of Special Economic Zones Act) are permitted and authorized for operation by MMA and CMDA, depending upon relevance. MMA has issued Regulation for Offshore Banks Operating in the Special Economic Zone.

482. Additionally, the FIU is mandated to carry out examinations of FIs as part of its role as AML/CFT supervisor (s.27(c)(3), PMLFT Act).

483. *Criterion 26.2* - Core principles FIs are required to be licensed in the Maldives. MMA grants license to conduct banking business that includes operating a Maldivian-registered company offering banking services abroad, opening branches or representative offices (domestic or foreign) within the Maldives or establishing a foreign bank's representative office (s.6, MBA). Off-shore banking institutions are required to get a license from the MMA (s.4-5, Regulation for Offshore Banks Operating in the SEZ). However, there are currently no offshore banks licensed or operating in the Maldives. In addition, MMA has issued licensing guidelines for banks in order to facilitate the licensing process.

484. Banks are required to have physical presence in the Maldives and to be licensed by MMA; the operation of shell banks is prohibited (s.25(a), PMLFT Act).

485. NBFIs, that includes insurance business, are required to be licensed by the MMA (s.29(b), MMAA). MMA grants authorisation (licensing) to conduct insurance business and is applicable for insurance brokers as well as insurance agents (s.12-14, Insurance Industry Regulations).

486. MMA grants license to financing businesses (s.8, Regulation on Financing Business) and it is prohibited to provide or advertise financing business without obtaining license (s.3, Regulation on Financing Business). Off-shore insurance/financing businesses are required to obtain a license from the MMA (s.4-5, Regulation for Non-Bank Financial Businesses Operating in the SEZ) to provide offshore insurance/ financing services.

487. CMDA is the licensing authority for securities market institutions. License is issued to act as dealer, dealer's representative, investment adviser, management of funds or similar arrangements and underwriter as per Chapter 4 of MSA. In addition, CMDA has issued regulation on dealers, conduct of securities business, custodial services, investment advisers, Shari'ah advisers, investment funds and underwriters.

488. For MVTs, see c.14.1.

489. MCBs are required to be licensed by the MMA (s.29(b), MMAA) as they fall within the definition of Non-bank Financial Business (s2 of MMAA). Conducting MCBs requires license from the MMA (s.1, Regulations Outlining Arrangements for Money Changers until 1 October 2024 and thereafter s.6 and s.21, Regulation on Money Changing Business).

490. Payment services are licensed by the MMA (s.17(a), NPSA) and it is prohibited under Section 50 of the NPSA to operate payment services without a license.

491. The state-owned pension scheme or funds are regulated through Maldives Pension Act (s.5, MPA). with CMDA as a designated supervisor.

492. *Criterion 26.3* - Supervisors are required to adopt necessary legal or regulatory measures to prevent any person who is unsuitable based on the use of relevant criteria as part of a fit and proper test relating to integrity of the individual, professional qualifications, experience and skills and mental condition, adherence to licensing and professional standards and criminal record, from controlling or participating, directly or indirectly, as a director, management or operation of FIs (s.46(b)(1), PMLFT Act).

493. The Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (2020/R-59) requires such FIs to adhere to fit and proper requirements for CEO, members of board and senior management. Board of directors are required to ensure that members of the board and senior management be fit and proper at all times. Specific requirements for these sectors are also provided below.

494. For banks, Section 5(b)(5) of the MBA requires major shareholder (Section 116 of the MBA defines such person to hold a minimum of 10 percent of capital or voting rights of a legal entity or through other means) and includes controller of the legal entity) and administrator (s.116, MBA defines such person to be a director, executive officer, member of the audit committee or in case of a foreign bank, designated branch manager) to sign an affidavit stating any conviction for crimes or no conviction and any involvement in managerial function of an insolvent company or a company subject to insolvency proceedings. Bank shall provide prior notice of at least 30 days to inform MMA of the appointment of the administrator (s17(a) of MBA). The banks are prohibited from engaging in criminal activities, including criminal breach of trust, fraud, money laundering and the financing of terrorism (s.8(a)(6), MBA).

495. The chairman and all members of the board of directors (s.15(c), MBA), managing director, executive officer, designated branch manager, and such other bank officials as may be designated by the MMA (s.16(c), MBA) must be fit and proper persons, defined under Section 116 of the MBA to include honest and trustworthy person who meets relevant qualification,

background and experience, and has not been subject to convictions, declarations of bankruptcy or been unfit, nor disqualified or suspended.

496. The MMA Regulation on fit and proper requirements (Regulation no. 2015-178), for banks, prescribes prudent and objective criteria for fit and proper requirements for administrators or major shareholders of banks. While MMA is required to assess the standards and criteria if relevant persons are to be considered fit and proper, it is unclear how verification of each criterion is done.

497. For MCBs, fit and proper requirements came into force with the issuance of the Regulation on Money Changing Business in 1 October 2024 including fit and proper requirements for major shareholders (holding minimum 25% stake), ultimate beneficial owners, members of the board of directors, and the compliance officer (s.8 and 22 of the regulation). These criteria are elaborated in s.33 of the regulation to include senior management. Change in major shareholder, board of directors and compliance officer requires pre-approval of the MMA (s.19 of the regulation). How these requirements are verified is unclear as the relicensing process was underway at the time of the evaluation.

498. For insurance companies, board of directors are required to ensure that key person of an insurance undertaking is fit and proper as per 'Guidelines on Fit and Proper Criteria for Insurance Undertakings' (Section 7(b)). Key person is defined to include major shareholder (similar to banks), director, chief executive officer, actuary, or any person who participates in policy making functions or is responsible for any material portion of the business activities of the insurance undertaking. Insurance undertaking must seek and obtain the approval of the MMA prior to making any changes to the directors and senior management of the undertaking (s.16(2) of Insurance Industry Regulations). However, the insurance undertaking verifies the fit and proper related requirements and verification procedures for each of the criterion for each of the key person by MMA is unclear. Circular to insurance companies have been issued to ensure fit and propriety conditions are well monitored and maintained.

499. For financing businesses, 'Regulation on financing business' requires financing business to ensure that all major shareholders (similar to banks), members of the board of directors and senior management members of the licensee are at all times fit and proper in accordance with the standards determined by the MMA (Section 10). Concerned person needs to obtain MMA approval before being the major shareholder or BO and provide police clearance record (s.23 of Regulation on Financing Businesses). It is unclear how such fit and proper verifications are done. Circular to financing businesses have been issued to ensure fit and propriety conditions are well monitored and maintained.

500. For payment services, including MVTS, Section 20(a)(2) and 20(d)(2) of the NPSA require major shareholders (defined under Section 66(i) of the NPSA, similar to that of banks), members of board of directors and members of senior management of operator and payment service providers to be fit and proper at all times. MMA has power to revoke or suspend the license or permit granted in the event where any of its major shareholders is not fit and proper person (s.23(a)(11), NPSA). External auditor is obliged to report to MMA immediately in the course of performing the auditor's duties if it believes that a matter has occurred relating to an allegation that fraud or dishonesty or other criminal offence has been committed by a member of board of directors, member of senior management or employee of the entity (s.40(e)(2), NPSA). Section 9(f) of Regulation on Payment Services prohibits payment service provider to engage in or facilitate in any way, in criminal activities including criminal breach of trust, fraud, money laundering and financing of terrorism. The regulated institution certifies on the fit and proper related questionnaires of shareholders, directors and senior management as per Form

3 of Notification Form for Fit and Proper of Key Persons and Legal Entities of Payment Service Providers. Concerned person needs to obtain MMA approval before being major shareholder or BO and provide police clearance record (s.28 of Regulation on Payment Services). There are no known procedures for verification to be made by MMA.

501. For securities businesses, Dealers and Dealer's Representatives (Brokers) Licensing Regulation requires only self-declared criminal background questionnaires to be filled by the applicant and director of the applicant, where relevant (Section 3-4 and Annex 1 and 3). There are no known procedures on verification of the information received and does not include shareholders or senior management. Regulations on investment advisors requires similar requirement as for dealers for investment advisors and their representatives only covering self-declared information from directors (Sections 4-5 and Schedule 2). There are educational and fit and proper requirements for applicants of Shariah advisors as per Regulation on registration of Shariah Advisors (Section 4), but fit and proper tests are not clear. Fit and proper requirements for persons holding management function and significant or controlling in pension funds/ office is unclear.

502. CMDA has issued Guidelines on integrity, fitness and professional competence requirements and includes what fit and proper would mean but is not enforceable means and serves as guideline for understanding obligations for securities intermediaries.

503. There are no fit and proper requirements for officials at the investment funds (currently none operating) in the Regulation on Registration and Management of Investment Fund issued by the CMDA. For the national pension fund, only board members of the pension office are required to not have been declared bankrupt, or been convicted of theft, fraud, larceny, criminal breach of trust or corruption (s.8(d)(2) of MPA). These provisions do not extend to senior management.

504. A minor deficiency is that the requirements of fit and proper do not extend to persons that are beneficial owner of a significant or controlling interest in securities business or pension funds. For a number of FIs, the actual requirements and how verification of fit and proper requirements is conducted is unclear.

505. *Criterion 26.4* - Supervisors have wide range of powers to conduct monitoring of AML/CFT compliance pursuant to Section 46(b) of the PMLFT Act.

506. *Criterion 26.4 (a)* First full assessment of BCP of Maldives was concluded in 2023. There are significant shortcomings identified in the supervisory system and approach, including supervisory techniques and tools, and consolidated group supervision for AML CFT purposes and there have not been significant changes in the supervision modality since the assessment. For securities sector, there has been no assessment with respect to IOSCO principles and there is no risk-sensitive supervisory approach. There are no external assessments with respect to observation of IAIS principles with self-assessment conducted in 2022.

507. *Criterion 26.4 (b)* For all other FIs, they are subject to monitoring of AML/CFT compliance. While risk-based supervision and regard to ML/TF risks are catered in a generic way across all sectors by the FIU through FIU supervision policy and risk matrix computation tool, other supervisors do not implement such with regard to ML/TF risks in relevant sectors.

508. *Criterion 26.5* - There are no requirements for MMA and CMDA to ensure the frequency and intensity of on-site and off-site AML/CFT supervision of FIs or groups are determined based on ML/TF risk, policies, internal controls and procedures associated with FI or group, ML/TF risks present in the country and characteristics of FIs or groups.

509. While FIU Supervision Policy 2020 has been formulated, it is generic and contains only principles of conducting supervision, without specific requirement of the conduct of risk-based supervision. Procedures to support supervisor in conducting AML/CFT supervision is done through a manual prepared by the FIU. ML/TF risk profiling of FIs is done through a generic one-size-fits-all tool, irrespective of size and nature of different sectors.

510. *Criterion 26.6* - There are no requirements for MMA and CMDA to review the assessment of the ML/TF risk profile of a FI or group periodically, and when there are major events or developments in the management and operations of FI or group.

511. While FIU Supervision Policy requires FIU to conduct risk assessment of FIs and risk rate them annually, this is not fully commensurate with the requirements under the criterion.

Weighting and Conclusion

512. There are designated AML/CFT supervisors and licensing requirements in place for FIs. These requirements have moderate deficiencies with respect to preventing criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest or holding a management function due to lack of BO related requirements as well as lack of known procedures for supervisors to verify the fit and proper related requirements set for regulated institutions. Risk based supervision is not fully in line with respective core principles for core principles institutions. While FIU has a generic ML/TF risk profiling tool for all FIs, periodical and major developments induced review are unclear. For other supervisors, AML/CFT supervision is not risk sensitive.

513. **Recommendation 26 is rated partially compliant.**

Recommendation 27 – Powers of supervisors

514. Maldives was rated partially compliant with former R.29 (Supervisors) as the effectiveness of the MMA's powers under the Banking Act was not established and for other sectors, competent authorities had no supervisory power to ensure compliance with AML/CFT requirements due to the absence of such requirements and/or competent authorities designated to supervise/ regulate such sectors. The enactment of the PMLFT Act in 2014 introduced a number of these provisions related to the powers of supervisors.

515. *Criterion 27.1* - As mentioned in c.26.1, MMA and CMDA are designated AML/CFT supervisors with responsibility of regulating and supervising (or monitoring) FIs' compliance with AML/CFT requirements, in respective sectors. Supervisory powers are set out in Section 46(b) of the PMLFT Act. In addition, MMA has been entrusted with powers to issue necessary regulations for effective implementation of the provisions of the PMLFT Act (s.75, PMLFT Act).

516. It is the objective of CMDA to regulate and supervise the securities market (s.4(c), MSA), and the CMDA is empowered with all such powers necessary to achieve its objective (s.5, MSA).

517. Additionally, FIU is mandated to carry out examinations of reporting entities in its role as AML/CFT supervisor (s.27(c)(3), PMLFT Act), that includes all FIs.

518. *Criterion 27.2* - Section 46 of the PMLFT Act allows relevant supervisors to examine and supervise REs which broadly covers conducting inspections. Additionally, as per prevailing laws, MMA can conduct onsite examination regarding conditions and performance of the FIs including any matter considered relevant by the MMA (s.52, MBA; s.30, MMAA and s.45, NPSA).

Similarly, the CMDA can supervise the securities market (s.4(c) of MSA) and examine the accounts and other records of the state-owned pension fund as part of its role as supervisor (s.4(c), MPA).

519. FIU has responsibility to carry out examination of FIs (s.27(c)(3), PMLFT Act).

520. *Criterion 27.3* - MMA require FIs to submit necessary information, document or report in such form and by specified time (s.46(b), MBA; s.30(a), MMAA and s.46, NPSA). CMDA requires any person conducting business authorized under the MSA and licensee to provide such information as may be required by CMDA in the manner and form prescribed (s.51, MSA and s.5 of Securities (General) Regulations). Also, Section 4 of the MPA empowers CMDA to conduct inspections and require submission of information and documents necessary for oversight functions.

521. FIU has authority to access, review and analyse information that belongs to or is in custody of FIs, which is necessary for the fulfilment of its functions (s.28(b), PMLFT Act).

522. *Criterion 27.4* - Supervisors have a wide range of enforcement measures in case of violation of AML/CFT requirements, ranging from warning to fines to suspension or revocation of license (s.47, PMLFT Act). However, application of sanctions by the supervisors in violation or non-compliance of PMLFT Regulations is not mandated in the Act or regulations. FIU is empowered with administrative sanctions against 'persons' for non-compliance of the PMLFT Act or relevant regulations, by providing warnings as well as financial penalty (s.74, PMLFT Act). It is unclear what is included as 'persons'. FIU also has a Sanction Enforcement Policy to ensure there is a robust and consistent approach to implementing sanctions on FIs for AML/CFT non-compliance. Deficiencies with respect to R.35 apply.

Weighting and Conclusion

523. Supervisors have powers to supervise and conduct inspection of FIs in a broad sense. There are deficiencies in the limitations regarding sanctions for non-compliance with the regulations and application of sanctions against directors and senior management.

524. **Recommendation 27 is rated largely compliant.**

Recommendation 28 – Regulation and supervision of DNFBPs

525. Maldives was rated non-compliant with former R.24 (DNFBP- regulation, supervision and monitoring) as there was no regime for AML/CFT regulation and supervision of DNFBPs considering that they were not subject to AML/CFT requirements. The enactment of the PMLFT Act in 2014 introduced a number of these provisions related to the regulation and supervision of DNFBPs.

526. *Criterion 28.1* -Gambling is expressly prohibited in the Maldives under the Constitution on the basis that it is prohibited under Shari'ah law (Article 19 of Constitution).

527. *Criterion 28.2* - The competent authorities responsible for supervising or regulating the DNFBPs are responsible for ensuring compliance of DNFBPs with the AML/CFT requirements set out in Part Two (Preventive measures) of the PMLFT Act (s.46(a), PMLFT Act), and reporting obligations in the Act (s.46(b)(2), PMLFT Act).

528. Accordingly, MBC regulates lawyers and notaries (s.7 and s.72, Maldives Legal Profession Act) and is designated AML/CFT supervisor for lawyers and notaries (s.46(a), PMLFT Act).

529. ICAM regulates auditors and accountants (s.7-11, Chartered Accountants of Maldives Act) and is consequently their AML/CFT supervisor (s.46(a), PMLFT Act).

530. Tax agents can serve as tax advisers (s.3, Tax Agent Regulation) and tax advisers fall under the definition of DNFBPs (s.77(c)(4), PMLFT Act). Tax agents are licensed and regulated by MIRA (s.10, Tax Agent Regulation); thus, MIRA is designated AML/CFT supervisor for tax advisers.

531. There is no designated regulator in for real estate agents, DPMS and TCSPs.

532. Overall, FIU can carry out examinations of reporting entities (s.27(c)(3), PMLFT Act) that includes all categories of DNFBPs.

533. *Criterion 28.3* - As highlighted in c.28.2, competent authorities responsible for supervising or regulating the DNFBPs are responsible for ensuring compliance of DNFBPs with the AML/CFT requirements through the PMLFT Act. However, real estate agents, DPMS and TCSPs are not subject to systems for monitoring AML/CFT compliance. Also, FIU is mandated to carry out examinations (s.27(c)(3), PMLFT Act) of DNFBPs but none carried out till date. However, there is no explicit requirement if other competent supervisory bodies or FIU can issue regulations with AML/CFT requirements and none of them have issued any such regulations. MMA has the power to issue regulation (other than those assigned to MoHA or MCS) to DNFBPs as per Section 75 of the PMLFT Act and none have been issued.

534. *Criterion 28.4*

535. *Criterion 28.4 (a)* - Supervisory bodies have powers to perform their functions that includes adopting fit and proper test measures, examining and supervising DNFBPs, overseeing compliance of recordkeeping and reporting obligations, monitoring development and implementation of internal programs, sharing information with competent domestic and foreign authorities, cooperating with relevant agencies and maintaining statistics concerning measures adopted and sanctions, noting real estate agents, DPMS and TCSPs are not subject to systems for monitoring AML/CFT compliance (s.46(b), PMLFT Act). FIU has authority to access, review and analyse information that belongs to or is in the custody of DNFBPs, which is necessary for the fulfilment of its functions (s.28(b), PMLFT Act).

536. *Criterion 28.4 (b)* - Supervisors are authorized to adopt necessary legal or regulatory measures to prevent any person who is unsuitable as part of fit and proper test (s.46(b)(1), PMLFT Act). Moreover, in the absence licensing authorities for dealers in real estate, DPMS and TCSPs, there are no such measures in place.

537. For lawyers and notaries, a citizen that has not been proven for a criminally serious offence within the past five years is one of the licensing conditions (s.30, Maldives Legal Profession Act).

538. Accountants and auditors are required to be at least 18 years of age, be of sound mind, not be an undischarged bankrupt, be making payments in accordance with the court judgment if there is court-ordered debt, and if convicted of a criminal offence, at least two years must have elapsed since its completion (s.13, Chartered Accountants of Maldives Act). The Admissions and Licensing Committee of the ICAM checks the license applications through an internal SOP.

539. Tax agents are required to be at least 18 years of age, if convicted on indictment for an offence of theft, extortion, robbery, deception, criminal breach of trust, bribery, or any offence under any finance or business-related law, five years must have elapsed from enforcement of

judgement or the date on which clemency was granted for that offence. Further, tax agents shall not be a person who is a suspect on trial for an offence of theft, extortion, robbery, deception, criminal breach of trust, bribery, or any offence under any finance or business-related law (s.13, Tax Agents Regulation). There are no guidance documents on how these requirements are verified.

540. Overall, the market entry controls for lawyers, notaries, accountants, auditors and tax advisers are not sufficient to prevent criminal ownership, control or management of these DNFBPs. Further, there are no requirements to prohibit criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest or holding a management function in a DNFBP.

541. *Criterion 28.4 (c)* - DNFBP supervisors are authorized to impose administrative sanctions in case of failure to comply with provisions of Part Two and Three of the PMLFT Act, that covers AML/CFT requirements (s.47(a), PMLFT Act). Such measures include written warnings, order to comply with specific instructions, ordering regular reports on measures being taken to comply with obligations, fine between 10,000 and 500,000 Maldivian Rufiyaa, barring employment within the sector, restricting powers of or replacing managers, directors or controlling shareholders, including the appointment of an ad hoc administrator or suspending or revoking the license. However, such supervisors cannot impose sanctions on non-compliance of PMLFT Regulations, if issued (not issued for DNFBPs yet).

542. In the absence of designated AML/CFT supervisors for real estate agents, DPMS and TCSPs, no such measures can be imposed.

543. However, FIU is empowered with administrative sanctions against persons for non-compliance of the PMLFT Act or relevant regulations, by providing warnings as well as financial penalties (s.74, PMLFT Act). However, there are no regulations issued for DNFBPs. There is a moderate deficiency with respect to application of sanction against directors and senior management apply. FIU also has a Sanction Enforcement Policy to ensure there is a robust and consistent approach to implementing sanctions on DNFBPs for AML/CFT non-compliance.

544. *Criterion 28.5* - None of the designated DNFBP supervisors have issued any supervisory framework to conduct AML/CFT supervision.

545. While the FIU has approved a generic FIU Supervision Policy, it is not comprehensive to effectively conduct risk-based supervision as required under this criterion.

Weighting and Conclusion

546. For DNFBPs, other than the prohibited casinos, while the FIU is the designated AML/CFT supervisor, the scope of its power is unclear. For fit and proper checks, there are inadequate measures to prevent criminals or their associates from being professionally accredited or holding (or being the beneficial owner of) a significant or controlling interest or holding a management function in a DNFBP. Additionally, there is moderate deficiency on application of sanctions for directors and senior management against non-compliance. More importantly, there is no risk-based supervision framework for DNFBPs in place.

547. **Recommendation 28 is rated partially compliant.**

Recommendation 29 - Financial intelligence units

548. In its 2011 MER, the Maldives was rated non-compliant with the former R.26. The 2011 report noted significant deficiencies underlying the overall rating: (i) no clear legal authority to

receive STRs related to money laundering or terrorist financing from non-bank financial institutions and DNFBPs; (ii) no specific authority to analyse and disseminate money laundering or terrorist financing related STRs within the FIU; (iii) insufficient and non-timely direct or indirect access to financial, administrative and law enforcement information; (iii) no guidance to financial institutions and DNFBPs on the specifications of reporting forms or the procedures that should be followed when reporting; (iv) insufficient operational independence and autonomy to ensure that it was free from undue influence or interference; (v) the information held by the FIU was not securely protected; and (v) no periodic reports publicly released.

549. *Criterion 29.1* - Section 27 of the PMLFT Act establishes the Maldivian FIU functions as the national central agency for receiving, analysing and disseminating information concerning ML, TF activities, and proceeds of crime within the MMA. According to Section 27(c)(1) of the PMLFT Act, the FIU receives information from multiple sources, including reports filed under the PMLFT Act, data from foreign agencies, and information provided by law enforcement authorities, government institutions, or individuals regarding the suspicions of ML, TF or proceeds of crime. The FIU is empowered to disseminate this information to the relevant authorities within the Maldives and to other entities, as well as to make recommendations based on the information it receives (Section 27(d)(2), PMLFT Act).

550. *Criterion 29.2*

551. *Criterion 29.2(a)* - Under Section 39(a) of the PMLFT Act, REs that suspect or have reasonable grounds to suspect that funds or property are linked to ML, TF or are proceeds of crime must promptly submit a report detailing their suspicions to the FIU. This report must be filed as soon as practicable and no later than three working days after the suspicion arises. The FIU serves as the national central agency responsible for receiving suspicious transaction reports (STRs), cash transaction reports (CTRs) that exceed prescribed thresholds and wire transfer reports. DNFBPs are classified as reporting entities under the PMLFT Act (Section 77(e)), which includes dealers in precious metals and stones (DPMS). As specified in Section 77(c), DPMS must submit STRs to the FIU upon suspicion of illicit funds or property related to ML or TF. Additionally, they are also required to report in the form of STRs, any cash transactions equal to or exceeding the threshold prescribed by the MMA (Section 39(c), PMLFT Act). However, as of December 2024, the MMA has not issued regulations pertaining to STR obligations specifically for DNFBPs, including those related to cash transaction reporting thresholds.

552. *Criterion 29.2(b)* - Section 40(a) of the PMLFT Act mandates that reporting entities to report cash or currency transactions - domestic and international - that equal or exceed the threshold prescribed by MMA regulations. This threshold is set at 200,000 (two hundred thousand) Rufiyaa (≈US\$12,958) for banks, money changers, life insurance and family takaful institutions, and securities institutions. Licensed money remittance institutions are required to report all domestic and international fund transfers conducted via electronic means and wire transfers, regardless of the transaction amount. However, there are no equivalent regulatory provisions requiring imposing similar reporting obligations on DNFBPs.

553. In addition, Section 41(a) of the PMLFT Act requires reporting entities to report all international funds transfers, whether conducted as a single transaction or as multiple linked transactions. However, a specific threshold for reporting such transfers is prescribed only for banks as outlined in the Regulation for Banks on Prevention of Money Laundering and Financing of Terrorism. Licensed money remittance institutions are required to report all domestic and international funds transfers conducted via electronic means and wire transfers, irrespective of the transaction amount. No minimum threshold applies to these institutions.

554. Importantly, no entity can perform fund transfers without a valid license. All entities, regardless of classification, must obtain a license from the MMA to provide fund transfer services. Additionally, they must comply with the provisions outlined in the 'Regulation on Prevention of Money Laundering and Financing of Terrorism for Money Transfer Business and Money Changing Business,' including associated reporting requirements.

555. *Criterion 29.3*

556. *Criterion 29.3(a)* - In addition to the customer identification information collected by reporting entities as stipulated in Section 28(a) of the PMLFT Act, to the FIU is authorised to access, review and analyse relevant information on-site that is held by reporting entities. This authority is outlined in Section 28(b) of the PMLFT Act).

557. *Criterion 29.3(b)* - Under Section 28(c) of the PMLFT Act, the FIU has the authority to collect a comprehensive range of information pertinent to ML, TF and proceeds of crime. This includes both publicly available data and information stored in various databases, whether governmental or commercially available. Section 28(d) further empowers the FIU to obtain information from any government agency, investigative body, law enforcement agency, or and supervisory authority, encompassing data stored in their respective databases. The FIU can also request additional information from reporting entities regarding individuals or entities not previously reported. Transaction reports of transportation of cash or bearer negotiable instruments provided by the MCS are accessible via an online portal, with access restricted to authorized personnel only.

558. To fulfil its mandated functions under the PMLFT Act, the FIU has direct online access to several government- maintained databases, including: (i) National identification database; (ii)Expatriates database; (iii)Travel records; and (iv) Trade registration records for businesses registered with the Registrar of Businesses. Additionally, the FIU can also access Interpol database and subscription-based commercial database, such as Accuity, which furnish details on international PEPs, sanctions and beneficial ownership information. All online databases are managed by their respective database owner and relevant FIU staff are registered users at no cost.

559. Upon request, the FIU has access to information held by various government agencies, including: (i) criminal records; (ii) tax records; (iii)import and export records; (iv) land registry; (v) vehicle registry; and (vi) other pertinent governmental or commercial databases. Requests for such information are made directly by the FIU to the respective agencies. However, there are no established SOPs outlining the process for requesting information, nor are there defined timelines for responses from LEAs or other competent authorities. The absence of clear procedural frameworks and response timeframes may affect the FIU's ability to obtain information in a timely and efficient manner, thereby limiting its capacity to properly carry out its functions. In addition, while beneficial ownership information is accessible to LEAs and the FIU through the central beneficial ownership registry, there is no verification mechanism in place by the competent authority to ensure that this information is current and accurate.

560. *Criterion 29.4*

561. *Criterion 29.4(a)* - The FIU analyses and assesses all reports and information received from both domestic and international agencies regarding suspicions of ML, TF or proceeds of crime, as outlined in Section 27(c)(1) and (2) of the PMLFT Act. This role is further emphasized in the Information Collection, Analysis and Dissemination Policy, which mandates the FIU to conduct operational analysis using tactical information to devise hypotheses on the activities of relevant parties, thereby generating operational intelligence.

562. In compliance with Sections 14 and 15 of its SOP, revised in July 2022, the FIU conducts operational analysis of STRs and CTRs. This process identifies specific targets, traces their activities or transactions, and establishes connections between these targets and potential proceeds of crime, ML, predicate offences and TF prior to disseminating findings to LEAs. FIU

uses BCR data to run searches in all types of day-to-day analysis work, similar to STR, TTR and MVT data. FIU also analyses BCR and identifies questionable movements of cash transportation and create TAR to conduct analysis on such declarations and persons.

563. *Criterion 29.4(b)* - The mandate for conducting strategic analysis is established under Section 27 (d)(4) of the PMLFT Act which requires the FIU to research trends and developments related to ML and TF, as well as to enhance methods for detection, prevention, and deterrence of these activities. This strategic analysis function is further defined in the Information Collection, Analysis and Dissemination Policy as a process aimed at developing knowledge, identifying current and emerging issues, and informing the FIU's strategic plans and cooperative efforts.

564. The FIU has access to a broad range of information necessary to conduct strategic analysis; however, it does not use specialised analytical tools to support this function. While strategic analysis is referenced in the SOP, the procedures lack clear methodological guidance and do not outline a formal mechanism for documenting or disseminating strategic findings to competent authorities. The FIU reported conducting strategic analysis activities, with some findings shared with members of the FCWG during the meeting on 29 August 2023, and occasionally with the Ministry of Home Affairs, DIS, and MPS during 2024, including via email. However, there is no established process for the systematic dissemination or documentation of strategic analysis outputs.

565. Only one strategic analysis product in the form of a report was produced during the evaluation period. This report was not formally distributed to all relevant competent authorities or reporting entities; instead, selected findings were presented to banks during a Compliance Officers meeting in May 2024. The absence of a clearly designated structure, resources, or formal processes for strategic analysis limits the FIU's capacity to produce regular, relevant outputs that support the identification of ML/TF risks, trends, and typologies, as required under criterion 29.4(b). As a result, the FIU's strategic analysis function remains limited in practice.

566. *Criterion 29.5* - In carrying out its functions, the FIU can spontaneously disseminate information to relevant authorities within the Maldives or elsewhere (sub-paragraph (2) of Section 27(d) of the PMLFT Act), and collaborate with supervisory and law enforcement authorities, exchanging information relating to ML, TF, or proceeds of crime, as permitted by agreements or other arrangements (s.28(f), PMLFT Act). The FIU's Information Collection, Analysis, and Dissemination Policy also enables the information exchange between the FIU and competent authorities which can occur through MoUs or other agreements. While there are no dedicated, secured and protected channels used for disseminating financial intelligence or as an information sharing platform between the FIU and domestic authorities, the FIU retains full discretion over the method of information sharing. However, as required under the FIU's SOP, the FIU must ensure that the recipient agency is capable of protecting the confidentiality of the information, and the agency should obtain written consent from the FIU before disclosing the information to third parties.

567. The FIU disseminates financial intelligence and information to relevant domestic agencies through in-person meetings. The FIU requests information from other domestic agencies and reporting entities via email or formal correspondence. In regard to international information exchange, the FIU utilises the Egmont Secure Web for exchanging financial intelligence and information with foreign FIUs that are members of the Egmont Group.

568. *Criterion 29.6*

569. *Criterion 29.6(a)* - Under Section 34(a) of the PMLFT Act, the FIU is mandated to maintain databases in compliance with laws and regulations governing privacy, confidentiality and computerized databases. However, there is a lack of specific legislation addressing these areas.

570. FIU staff, including experts and consultants, are obligated to maintain confidentiality both during and after their tenure (as per Section 37 of the PMLFT Act). Furthermore, Section 11 of the MMA Act prohibits any current or former member, employee, or consultant of the Authority from disclosing information related to the Authority's affairs or those of any financial institution, unless necessary for performing their official duties as required by law. The requirement to protect confidentiality is reinforced by the FIU's Code of Ethics, policies and the SOP, which establish protocols for securing data against unauthorized access and dissemination.

571. Section 57 of the PMLFT Act imposes penalties on current or former employees of the FIU or individuals with related duties who intentionally disclose protected information. Violators face fines ranging from MVR10,000 (≈US\$647.80) to MVR500,000 (≈US\$32,390.13), imprisonment of one to ten years, or both. Additionally, the MMA Act and the Penal Code stipulate provisions on confidentiality requirements. Offenders may be subject to imprisonment or house arrest for a period not exceeding two years, or a fine not exceeding MVR20,000 (≈US\$1,295.27), or both (Section 11(2), MMA Act). Criminal prosecution for these breaches is also outlined under Sections 512, 513, 233, 232 and 514 of the Penal Code.

572. Criterion 29.6(b) - Section 37 of the PMLFT Act requires all FIU personnel, including experts, consultants, and any individuals with access to FIU information, to maintain confidentiality during and after cessation of their duties. The FIU staff must be aware of their responsibilities and comply with the FIU's SOP, which outlines general protocols for accessing, handling, storing, disseminating and protecting FIU information. However, it does not include specific provisions relating to staff vetting, probation or training on confidentiality.

573. In practice, all FIU staff undergo standard security vetting at the recruitment stage, including law enforcement background checks. Induction training covers the handling and dissemination of confidential information, and staff complete a three-month-probation period with on-the-job training. However, the absence of formal documentation of these procedures in the FIU's SOP or internal policies limits institutionalisation and may impact the consistency and sustainability of these practices.

574. Criterion 29.6(c) - The FIU has established comprehensive procedures for securing data by storing files and information on dedicated servers and databases located within the MMA premises. Access to these servers and databases is restricted exclusively to FIU staff. The servers are housed in the secure server room that also contains all other MMA IT systems. Entry to this room is controlled through biometric access, limited to authorized personnel from the Technology Services Division. CCTV surveillance cameras operate continuously (24/7) within the server room, and firefighting equipment is readily available. FIU data and IT resources are governed by the broader security and IT policies of MMA supplemented by specific FIU policies and procedures aimed at protecting data stored on its systems. Active end point security, including up-to-date antivirus software and the latest OS patches, is implemented on all FIU data servers.

575. The FIU has instituted separate information security policies and SOPs to further ensure the security of data and information. Within the MMA premises, strict security protocols are in place, covering access controls, surveillance and fire and emergency measures. External access to the FIU data submission portal is restricted to registered users from authorized entities authorized by the FIU. All personal computers, laptops and other IT equipment used by the FIU are inventoried. USB access on staff workstations and laptops is generally disabled, with one exception for a designated workstation used solely for secure transfers of data to and from the FIU data server. All end-user-computers are equipped with up-to-date antivirus protection and OS patches. FIU operates within an electronic access control system, ensuring that only FIU staff can enter secure areas. Confidential physical documents are securely stored in locked shelves and cabinets.

576. Regarding staffing access control of the FIU staff, the Human Resources Division of MMA is responsible for conducting necessary security clearances for FIU personnel, in accordance with MMA's relevant regulations and procedures. This process includes verification of criminal and intelligence information through relevant LEAs. FIU staff members are required to strictly adhere to the "Code of Ethics and Professional Conduct" and other applicable policies.

577. *Criterion 29.7*

578. *Criterion 29.7(a)* - The FIU operates with independent decision-making authority regarding its responsibilities and has full autonomy over its budget allocations (Section 30, PMLFT Act). As an organisation established within the MMA, the FIU serves as the national central agency for collection, analysis and dissemination of information related to ML, TF and money laundering, terrorism financing and predicate offences (Section 27(a), PMLFT Act). The FIU is authorized to disseminate information with relevant authorities both within the Maldives and externally, as well as to make recommendations based on the information it receives (Section 27(d)(2), PMLFT Act). Additionally, Section 28 of the PMLFT Act empowers the FIU to collect, access, review and analyse information from various resources, including (i) functional responsibilities related to received reports (Section 28(a)); (ii) reporting entities (s.28(b)); (iii) public and commercial databases (s.28(c)); and (iv) any government, investigative, law enforcement, or supervisory agency (s.28(d)).

579. *Criterion 29.7(b)* - The PMLFT Act, under Section 28(f), permits the FIU, along with supervisory and law enforcement authorities, to engage in cooperative information exchanges concerning ML, TF and the proceeds of crime. Such exchanges are conducted based on arrangements among these entities. Additionally, the FIU is authorized to share information exchange with foreign FIUs, including responding to requests (Section 28(g)), and disseminating information as specified in Section 27(d)(2). The FIU has an independent decision-making authority over its responsibilities (Section 30, PMLFT Act), enabling it to establish MOUs and similar arrangements with both domestic and foreign agencies. Sections 30 and 38 further empower the FIU to facilitate, administer and negotiate MOUs with foreign FIUs, enhancing cooperation in combating financial crimes.

580. *Criterion 29.7(c)* - The FIU is established under Section 27(a) of the PMLFT Act and operates within the MMA. It lacks independent legal status as its administrative and support functions (such as IT, HR, finance etc.) are integrated with the MMA. The officer in charge of FIU (the Head of FIU) is appointed by the Governor of MMA as stipulated in Section 27(b) of the PMLFT Act. While the MMA HR policies outline that the Governor is responsible for the appointment and dismissal of the Head of FIU, these procedures do not specify details regarding the process or established a fixed tenure for this role. The Head of FIU is required to report monthly to the Governor on their activities, duties and functions, and its engagement with relevant agencies. However, these reports focus solely on administrative matters rather than operational activities. This reporting structure does not compromise the operational independence of the FIU.

581. *Criterion 29.7(d)* - The administrative and support functions of the FIU, including its human resources policies, are governed by the MMA in accordance with Section 8(3) of the MMA Act. Similar to MMA staff, the recruitment, appointment and dismissal of FIU personnel fall under the authority of the Governor of the MMA, based on the recommendations of the Head of FIU (Section 31, PMLFT Act). This process is guided by policies set by the Board and relevant employment legislation (Clause 24 of the MMA HR policy).

582. While the FIU possesses independent decision-making authority related to its functions (Section 30, PMLFT Act) and establishes its own policies and procedures, it is important to note that the head of FIU does not decide on the selection, recruitment, appointment and dismissal of FIU staff. That authority is vested with the Governor of MMA and head of FIU can at best give recommendations which are not binding on the Governor.

583. The budget and resource requirements for the FIU are also determined by the Governor of MMA. In doing so, FIU prepares its annual budget, including staffing and resources, based on its needs, priorities and operational plans. This budget is submitted to the Governor, who assesses its consistency with MMA policies (Section 36, PMLFT Act). The FIU's budget operates independently from the overall budget of MMA; once prepared, it is submitted to the Board of Directors of MMA. The Head of FIU is accountable for justifying the budget and resource needs to the Board. Upon approval, the FIU is empowered to manage its budget according to its annual work plans (Section 30, PMLFT Act).

584. *Criterion 29.8* - The FIU has been a member of the Egmont Group since June 2024.

Weighting and Conclusion

585. Maldives FIU serves as the central national agency responsible for the collection, analysis and dissemination of financial intelligence pertaining to ML, TF and predicate offences. The agency operates under well-established SOPs that guide its core functions. The FIU has broad access to financial and law enforcement information; however, minor deficiencies remain in relation to the timeliness of access to certain information such as tax and criminal records, due to the absence of defined procedural timeframes. The FIU maintains operational autonomy in the performance of its functions, engages freely with domestic competent authorities and foreign counterparts, and has an Information Collection, Analysis and Dissemination Policy that incorporates confidentiality safeguards and references to both operational and strategic analysis. Informal coordination among law enforcement agencies in the Maldives is generally strong and enables timely responses to requests for information from the FIU. However, some limitations exist regarding the authority of the Head of FIU over administrative matters, including staffing and budget decisions.

586. **Recommendation 29 is largely compliant.**

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

587. In its 2011 DAR, the Maldives was rated non-compliant with former R.27 due to no money laundering or terrorist financing investigations, prosecutions and convictions; and no clear legal basis for the MPS on which to postpone or waive arrest of persons or seizure of money.

588. *Criterion 30.1* - Section 5(b) of the CRPC designates law enforcement authorities with the power to investigate crimes. Law enforcement authority is defined in Section 18 of the CRPC as 'investigative authority entrusted with investigative and enforcement powers over criminal acts, including the police'. Section 244(3) of the Maldives Constitution includes a main objective of the Maldives Police Service (MPS) to investigate crime, conservation of evidence and prepare cases for disposition by the courts.

589. MPS is the designated competent authority with primary investigative responsibilities under Section 127 of the MPS Act to conduct criminal investigations of all crimes including ML, TF and associated predicate offences unless specified in another law of the Maldives.

590. Under the Central Investigations Command, MPS has established several special criminal investigation divisions covering associated predicate offences including:

- Drug Enforcement division investigates drug trafficking and other drug offences.

- Economic Crime Investigations division is divided into units to investigate scams, complex financial investigations such as money laundering, asset recovery, corporate corruption investigations, fraud, deception, counterfeit, embezzlement and forgery.
- Major Crime Investigations division is divided into units to investigate human trafficking cases, death and homicide investigations, robbery and theft offences and serious and organised crime investigations.
- Terrorism And Violent Extremism Investigations division conducts terrorism and terrorism financing investigations.
- MPS also has a separate Digital, Data and Technology command responsible for investigating cybercrime and to deal with cyber security issues.

591. Section 66 of the PMLFT Act gives investigative powers to MPS to specifically investigate TF and states: 'Where competent authorities are informed that the perpetrator or alleged perpetrator of a financing of terrorism offence may be present within the jurisdiction of Maldives, the competent authorities shall take the necessary steps to investigate the case.' MPS is the designated LEA to investigate terrorism and TF as part of their institutional mandate under the Anti-Terrorism Act.

For associated predicate offences:

592. ACC can investigate corruption offences under Article 199 of the Constitution which is further outlined in Sections 21-22 of the ACC Act. The Anti-Corruption Commission (ACC) is designated under Section 22 of the ACC Act to investigate offences related to corruption and bribery which are of public interest. Bribery and official misconduct offences related to public corruption and bribery are defined in Sections 510 to 518 of the Penal Code.

593. MIRA is designated under Chapter 3 of the Tax Administration Act Law 3/2010 to investigate offences related to tax crimes listed in Section 64 to 67 of the same law (Law 3/2010). MIRA has the power to audit, access documents and records, entry into premises and taking witness statements.

594. ACC – Sections 280 and 281 of the ACC Regulation on Investigation. Section 3 of Law No. 3/2010 (Tax Administration Act) gives MIRA responsibility to enforce the tax laws and implement tax policies.

595. MCS has the authority to initiate investigations in accordance with its law under Section 88 of MCS Act. Section 88(a) gives MCS the option to either initiate investigations on its own or it is also empowered to request the Prosecutor General to initiate prosecution on cases it deems so required. Under Section 88(b) of the MCS Act, MCS is authorised to investigate persons caught exporting or importing prohibited goods to or from the Maldives and refer such person to the Prosecutor General for prosecution.

CMDA is the LEA responsible for countering insider trading and market manipulation under the MSA. Section 63(c) of the MSA gives CMDA the powers to conduct investigations.

596. *Criterion 30.2* - As established in c.30,1, under Section 244 of the Maldives Constitution the main law enforcement agency responsible for criminal investigation is MPS. MPS is therefore responsible for conducting ML and TF investigations while each LEA/competent authority is responsible for conducting investigations regarding their respective predicate crime jurisdiction within their relevant laws.

597. Under Section 76 of the CRPC, when an ML or TF case investigated by MPS falls within the jurisdiction of another LEA in terms of a predicate offense, MPS can either (1) Submit the case to the designated Law Enforcement Authority to carry out investigation of the designated part of the case; or (2) Carry out a joint investigation according to the Regulation enacted under this Act (s.76(b), CRPC).

598. The following LEAs have issued regulations to implement the applicable provisions of the CRPC, and the below provisions relate to joint investigations and referrals by those LEAs:

599. MPS – Section 159 of MPS Regulation on Investigations

600. MIRA – Section 29 (a) of the MIRA Regulation on Criminal Procedures. In a case under investigation by MIRA, if there is need to conduct a joint investigation with another agency or agencies under Section 76 (b) of the CRPC, an agreement must be drawn up between MIRA and the agency or agencies.

601. ACC is authorised to initiate joint investigations under Section 280 of the Regulation on Investigation Procedure of the Anti-Corruption Commission. Under this provision, in cases where a corruption investigation falls under the jurisdiction of another agency empowered by law to conduct criminal investigations, the ACC will either (1) Refer the case to the appropriate agency for investigation of their specific portion of the offense or (2) if an agreement exists, notify the agency or request a joint investigation conducted in accordance with the CRPC and these Rules. Section 281 of Regulation on Investigation Procedure of the Anti-Corruption Commission outlines the agreement required for joint investigations and Section 301 empowers ACC to seek evidence, information, or assistance with discovery or other investigative matters related to a case under investigation, they can seek help from another investigative agency. The Capital Market Development Authority (CMDA) under Section 63(c) of Law No: 16/2016 (1st Amendment to Maldives Securities Act (MSA)) the Ministry of Finance and Treasury has powers to issue regulations prescribing the investigative powers of the CMDA “the Ministry of Finance and Treasury shall make the necessary regulations pertaining to the powers of the Authority to conduct investigations, summon persons to give evidence and require the production of books, the searching of the premises and carrying out of the inspections and the power to prohibit trading or any other powers that may be required. Section 12 of the Securities General Regulation 2007 relates to investigations by the authority. Chapter 9 of the of the MSA provides several offences deemed to be prohibited dealings including insider dealings (s.57, MSA), investment fraud (s.58, MSA) and stock market manipulation (s.61, MSA).

602. MCS Section 88 of the Customs Act states; The Customs is empowered to initiate investigations on its own and following complaints submitted and take actions in accordance with the law and regulations. Customs is also empowered to request the Prosecutor General to initiate prosecution on cases it deems so required.

603. *Criterion 30.3* - As identified in R.4, the Maldives lacks a comprehensive framework for asset recovery. The CRPC establishes some provisions for law enforcement authorities to freeze and seize property that may be subject to confiscation or is suspected of being proceeds of crime. Section 34(a)(3) of the CRPC gives additional powers to LEAs executing a search warrant issued by the Court to search a private property shall have the power to seize from within those premises, any articles that could be used as evidence of a crime or any proceeds of crime.

604. Section 38 (7) of the CRPC enables MPS in certain circumstances to confiscate any article that could be used as evidence in a suspected offense; freeze bank accounts and prohibit transactions (s.73, CRPC); and the power to search and seize (s.27, CRPC).

605. Section 49(a) of the PMLFT Act provides investigative agencies with a wide range of investigative tools to identify and obtain evidence of money laundering and terrorist financing and tracing proceeds of crime. Provisional measures such as seizing and freezing are also available to law enforcement agencies under Section 51(a) and (b) of the PMLFT Act. This is limited to offences involving terrorism and money-laundering and not associated predicate offences noting there may be some coverage for tracing the proceeds of crime as the legislation states “for the purpose of locating property obtained by crime”. However, it is not clear that these powers extend to the expeditious identification, tracing, freezing and seizure of suspected proceeds of crime.

606. *Criterion 30.4* - Financial investigations are predominantly conducted by LEAs.

607. CMDA, a non-LEA designated competent supervisory authority is responsible for conducting investigations related to predicate offences including insider dealings (Section 57), investment fraud (Section 58) and stock market manipulation (Section 61) of the MSA.

608. *Criterion 30.5* -ACC is not designated to investigate corruption-related ML/TF investigations. ACC can only investigate the predicate offence of corruption of public interest.

609. ACC is required to refer the ML/TF aspect of an investigation to MPS to conduct a joint investigation in accordance with Section 76 of the CRPC. ACC has the power to identify the proceeds of public corruption related offences. Under Section 22 of the ACC Act, the ACC has powers including production of documents records, summon witnesses and taking witness statements, enter into premises and production of bank records. In addition, Section 49(a) of PMLFT Act provides investigative agencies with a wide range of investigative tools for the purpose of obtaining evidence of money laundering and terrorist financing and tracing proceeds of crime. Provisional measures such as seizing and freezing are also available to law enforcement agencies under Section 51(a) and (b) of the PMLFT Act. All LEAs can use Sections 72-76 of the CRPC to trace, identify and evaluate proceeds of crime.

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610. The Criminal Procedure Act establishes some provisions for LEAs to freeze and seize property that may be subject to confiscation or is suspected of being proceeds of crime. Provisional measures such as seizing and freezing are also available to LEAs under Section 51(a) and (b) of the PMLFT Act however this is limited to offences involving terrorism and money-laundering while CRPC gives LEAs seizing and freezing powers relating to associated predicate offences. The Maldives lacks a comprehensive framework for asset recovery.

611. **Recommendation 30 is rated largely compliant.**

Recommendation 31 - Powers of law enforcement and investigative authorities

612. In its 2011 DAR, the Maldives was rated partially compliant with former R.28 as the MPS were not always able to effectively compel documents.

613. *Criterion 31.1* - MPS is the designated law enforcement agency under Section 18 of the Criminal Procedure Code that is responsible for the investigation of all the crimes, including ML and TF, unless specified in another law of Maldives. The definition of “Law Enforcement Authority” under this provision states that MPS and other agencies entrusted with investigative and enforcement powers over specific criminal acts prescribed in specific laws such as tax offences and corruption offences.

614. ACC, MCS, MIRA and CMDA are competent authorities with the power to conduct investigations into associated predicate offences.

615. *Criterion 31.1(a)* - Under Section 49(a) of the PMLFT Act, LEAs have authority to apply to the court to monitor bank accounts as part of ML, TF or predicate offences investigations. There are no specific provisions available to LEAs in the PMLFT Act to compel production of records held by FIs, DNFBPs and other natural and legal persons for use in its investigations without a court order. However, under Section 28 of PMLFT Act, the FIU has authority to compel production of records held by FIs, DNFBPs and other natural and legal persons for use in investigations.

616. Under Section 41 of the MBA, designated criminal investigative authorities including MPS, ACC and MPS have the power to apply for court orders to gain access to the production of records held by FIs at the account level. However, this provision does not cover DNFBPs.

617. LEAs including MPS, MCS and ACC also have the power to request a court warrant to monitor bank accounts and transactions of an account under Sections 72 – 73 of the CRPC. However, there is a gap because these provisions only apply to FIs while DNFBPs are not captured.

618. MIRA has access to bank accounts for natural persons and their associates under Action 48 of the Tax Administration Act. Broader powers relating to the production of records held by a taxpayer (i.e. natural or legal persons) are provided under Section 32 of the Tax Administration Act.

619. As the competent authority empowered to investigate insider dealing (trading), market manipulation, investment fraud in the securities market, the Maldives Securities (General) Regulation applies powers to conduct investigations and ‘produce books.’

620. Under Section 22(c) of the ACC Act, the ACC has powers to procure documents however it is not explicit that includes records from financial institutions, DNFBPs and other natural and legal persons.

621. *Criterion 31.1(b)* - Powers for investigative authorities to search persons and premises are outlined in Sections 27 – 35 and 38 of the CRPC. Further search powers are available in the Drug Act including power to search vehicles (s.149(a), s.150 and s.151, Drugs Act). For terrorism related offences, search powers are available under Section 22-1 and 22-2 of the Anti-Terrorism Act. Section 22(j) of MPS Act enables premises to be searched in accordance with law.

622. Legal provisions enabling the search of persons is also in Sections 53-54 of Criminal Procedure Code (applicable to persons under the custody of MPS) and Section 56 of the Juvenile Justice Act S.56.

623. Section 86 of Customs Act gives MCS the power to search and inspect a person embarking or disembarking the Maldives or, for any other reason is at a Customs controlled craft or Customs controlled area.

624. For CMDA, The Maldives Securities (General) Regulation issued by the Minister of Finance pursuant to Section 63(c) of Maldives Securities Act applies powers to search premises however it does not extend to persons.

625. *Criterion 31.1(c)* - Section 71 of the CRPC gives all LEAs the power to summons. This is further outlined in detail under Section 21 of the CRPC Regulation for Police and Section 14 of the Prevention of Domestic Violence Act.

626. Section 22(a) and (b) of Anti-Corruption Commission Act gives ACC the powers to summons witnesses and procure statements procure and examine relevant documents, (h) and (k) of the ACC Act.

627. Section 82(a) of Customs Act gives MCS the powers to question concerned persons or order to disclose concerned documents. Section 33 of Tax Administration Act gives MIRA the powers to summons for oral examination. Section 63(c) of the MSA gives CMDA the powers to summon persons to give evidence.

628. *Criterion 31.1(d)* - There are broad provisions for investigative authorities in the Maldives to seize and obtain evidence. LEAs are able to use Chapter 8 of CRPC in their investigations (monitoring and freezing powers). Sections 36, 38 and 53 – 56 of the CRPC also provide powers for LEAs to seize and obtain evidence from persons in custody.

629. LEAs can also use the tools prescribed in Section 49(a) of the PMLFT Act to obtain evidence of ML, TF and tracing proceeds of crime as well as provisional measures such as seizing and freezing under Section 51(a) and (b) of PMLFT Act in their investigations.

630. MPS have further powers to obtain evidence under Sections 154 -156, and Sections 165 – 171 of the Drugs Act.

631. For MIRA, Chapter 3 of Tax Administration Act provides the following powers, Section 30 (power to audit), Section 31 (access to records), Section 36(a) (power to enter into premises – only with the authorization of the President of Tax Appeal Tribunal or in the absence of the President whomever performing the duties as the President of Tax Appeal Tribunal), Section 33 (power to take witness statement), Section 31 (seize and obtain documentary evidence)

632. *Criterion 31.2*

633. *Criterion 31.2(a)* - MPS can conduct undercover operations via techniques including directed surveillance, covert human intelligence, intrusive surveillance, interception, sting operation and persona under Section 4(a) of the MPS Regulation on Special Techniques.

634. MPS also have special technique powers under Section 101 of the MPS Act.

635. Section 89(a) and (b) of Customs Act allows MCS to conduct special operations including covert operations regarding the smuggling of goods into the Maldives.

636. There are no express provisions for MIRA, CMDA or ACC to conduct undercover operations.

637. *Criterion 31.2(b)* - Under Section 49(a)(3) of the PMLFT Act, LEAs investigating money laundering, terrorism financing and tracing proceeds of crime can apply to the court to conduct surveillance or tapping of telephone lines, facsimile machines or electronic transmission or communication facilities and the interception or seizure of correspondence (s.49(a)(5), PMLFT Act) .Investigative authorities have the power to conduct surveillance on private communications under Section 74 of the CRPC Act.

638. Section 101(c) and (d) of the MPS Act gives the MPS a range of interception powers.

639. *Criterion 31.2(c)* - Under Section 49(a) and (b) of the PMLFT Act, LEAs investigating money laundering, terrorism financing and tracing proceeds of crime, can apply to the court to access computer systems networks and servers. Under Sections 22(j) of the MPS Act, MPS can obtain relevant evidence.

640. LEAs also have powers to retrieve electronic evidence under a search order under Section 36(b) of CRPC. Further, Section 115(a) of the CRPC Regulation states: “If the object

sought for use as evidence is information stored in any type of electronic device; the information shall be obtained under a court order.”

641. Section 64 of the Evidence Act - data stored in electronic devices are admissible in court enables MPS to collect any and all permissible evidence relevant in a criminal case. Under Section 22 of the ACC Act gives ACC power to access computer systems. However, full translations of all relevant legislation have not been shared with the assessment team for verification.

642. Section 36(h) of the Tax Administration Act provides MIRA the power to access information in electronic form.

643. *Criterion 31.2(d)* - Despite multiple competent authorities conducting investigations, only MPS has the powers to perform controlled deliveries involving ML and TF as set out under Section 50 of the PMLFT Act.

644. For other predicate offences, MPS and MCS have special operation powers for controlled deliveries of drugs under Section 152 of the Drugs Act. Under Chapter VI of Customs Act, Section 89(a) and (b) allows MCS to conduct special operations including controlled delivery.

645. ACC and MIRA cannot perform controlled deliveries.

646. *Criterion 31.3*

647. *Criterion 31.3(a)* - Competent authorities in the Maldives have direct and indirect access to the government databases such as National Identification information, corporate registry maintained by the Registrar of Businesses, vehicle registry, land registry and other relevant property registries to identify whether natural or legal persons hold or control accounts. Authorities exchange information in line with MOUs they have between relevant agencies.

648. Under Section 20 of the PMLFT Act, Reporting Entities are required to maintain records to be readily available to the FIU, supervisory authorities, investigative and law enforcement agencies. This includes copies of documents evidencing the identities of customers, beneficial owners or agents for at least 5 (five) years after the business relationship has ended, (s.20(a), PMLFT Act) and information obtained to enable the reconstruction of transactions executed by customers, for at least 5 (five) years from the date of the transaction (s.20(b), PMLFT Act).

649. However, minor deficiencies noted r.24 impact the ability to ensure this is done in timely manner.

650. *Criterion 31.3(b)* - While not explicit in law, there is no legal provision that prohibits LEAs and FIU to obtain relevant information to identify assets without prior notification to the owner. Authorities coordinate with each other to seek and provide information e.g. through the use of databases to request and gather information.

651. *Criterion 31.4* - Section 28(f) of the PMLFT Act allows competent authorities conducting investigations of money laundering, terrorism financing and associated predicate offences to request information from the FIU. This provision states ‘Notwithstanding any provision of another law, the Financial Intelligence Unit, supervisory authorities and law enforcement authorities may cooperate with and exchange information relating to money laundering, terrorist financing or proceeds of crime pursuant to an agreement or other arrangement between and among them.’

Weighting and Conclusion

652. There are moderate shortcomings related to the ability of competent authorities to compel the production of records held by FIs without a court order, and no provisions applicable for DNFBPs. Not all investigative authorities can conduct controlled deliveries and there are shortcomings in relation to limitations in powers to search premises, identifying in a timely manner whether natural or legal persons hold accounts, and having a process to access such details without alerting the owner. Competent authorities do not have a mechanism or process to identify assets without prior notification to the owner.

653. **Recommendation 31 is rated partially compliant.**

Recommendation 32 – Cash Couriers

654. The Maldives were rated NC with former Recommendation (SR.IX) in its Detailed Assessment Report in 2011. The main deficiencies included: (i) there were no measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments; (ii) the Maldives did not have a disclosure or declaration system in place; (iii) there was no legal provision for the MCS to restrain currency; (iv) there was no legal authority to retain information regarding currency and identification and no system in place to retain such information; (v) no sanctions for cross-border physical transportation of currency for the purposes of money laundering or terrorist financing; no system for cross-border reporting and keeping the information. Since the DAR, the Maldives has issued the PMLFT Act in 2014.

655. *Criterion 32.1* - A declaration system has been implemented in the Maldives under Section 24(a) of the PMLFT Act which enacts both an incoming and outgoing declaration system covering obligations for all natural persons who enter or leave the territory of the Maldives transporting cash or bearer negotiable instruments, through both individual travellers, mail or cargo.

656. Under Section 24(f) of the PMLFT Act, MCS is required to prescribe a Regulation pursuant to this Act, outlining the procedures to impose administrative penalties for non-compliance with the reporting requirement and the procedure to deal with the cash and negotiable instruments seized if they are suspected to be related to an activity of money laundering or financing of terrorism, or if a false declaration is made.

657. MCS issued the Regulation for Reporting Cash Imported into and Exported from Maldives which became effective on 19 March 2024. Under this Regulation a declaration is required for: when any individual imports or exports cash by air, sea, courier service, post, or any other means (s.2a); if a financial institution imports or exports an amount of cash that is required to be declared (s.2b); if an individual imports or exports money on behalf of a financial institution (s.2c). Cash is defined in the Regulation as covering both physical cash (currency) and BNIs (s.9a, Regulation for Reporting Cash Imported into and Exported from Maldives). BNIs are defined under s.77(h) of the PMLTFA.

658. *Criterion 32.2* - Section 24(a) of the PMLFT Act sets out obligations to report the transportation of cash or bearer negotiable instruments in and out of the Maldives, and the Regulation on Cross Border Cash Declaration Amount, No. 2015/R-111 requires any natural person who enters or leaves the territory of the Maldives transporting cash amounting to US\$10,000 or more, or its equivalent in Rufiyaa or foreign currency, shall be required to report the said amount to the Maldives Customs Service (s.24(a), PMLFT Act)

659. The Maldives implements a written declaration system for all travellers carrying an amount above the specified threshold. For individuals, this is predominantly an online declaration system for reporting the physical transportation of cash and bearer negotiable instruments in line with Section 2a of the 'Regulation for Reporting Cash Imported into and exported from Maldives'. This provision requires individuals importing or exporting cash by air, sea, courier service, post, or any other means, the amount equivalent to or exceeding the limit prescribed by the MMA must be declared to Customs through a prescribed form or an online application in the format prescribed by Customs. Under Section 2b of the same Regulation, FIs importing or exporting an amount of cash that is required to be declared to Customs must do so in writing.

660. *Criterion 32.3* - The Maldives has implemented a declaration system and not a disclosure system.

661. *Criterion 32.4* - Under Section 4 of Regulation for Reporting Cash issued by MCS, issued pursuant to Section 24(f) and paragraph (2) of Section 75(a) of the PMLFT Act, reporting persons are required to provide truthful information. 4(a) under the Regulation for Reporting Cash requires the person to provide true information substantiating the source of cash however there is no requirement regarding the intended use of cash.

662. *Criterion 32.5* - Under Section 5(b) of the Regulation for Reporting Cash Imported into and Exported from Maldives, first-time offenders are subjected to an administrative penalty of a fine of 25% of the discovered cash or bearer negotiable instruments. Second-time offenders are subjected to an administrative penalty of a fine of 50% and third-time offenders are subjected to confiscation of the whole of the discovered cash or bearer negotiable instruments. These administrative penalties are considered proportionate; however, they are not dissuasive for first and second offences as it is only on the third offence when undeclared funds can be fully seized.

663. Sections 520-523 of the Penal Code cover perjury, unsworn falsification to authorities, false reports to law enforcement and false alarms to agencies of public safety respectively. Sanctions for these offences are classed as Class 1 misdemeanours with a baseline sentence time of 4 months and 24 days to a maximum sentence time of 1 year which is somewhat proportionate and dissuasive depending on the type of offense. Authorities may also pursue other relevant criminal offences prescribed in the Criminal Code for making false disclosures. it is unknown whether they would be proportionate and/or dissuasive as no further information has been provided.

664. *Criterion 32.6* - In the Maldives, information obtained through the declaration process required under Section 24(a) of the PMLFT Act is available to the FIU via an online portal whereby the MCS can transmit information directly to the FIU. Through this portal, MCS provides the declaration forms as well as any other supporting documents (for example copies of passport and any other identification and other supporting documents) submitted by the passengers.

665. Section 24(b) of the PMLFT Act requires information (including declared cash or bearer negotiable instruments) from the declaration system to be immediately shared directly with the FIU, and within 3 days after receiving the declaration information as indicated under Section 8 of the Regulation for Reporting Cash Imported into and Exported from Maldives.

666. *Criterion 32.7* - Under Section 85 of the Customs Act, MCS is empowered to exchange information with authorities in the Maldives and outside the Maldives for the purpose of discovering persons involved in activities in contravention to law and regulations. MCS has

established information exchange and cooperation MOUs with Maldives Police Service, Maldives Immigration (formerly Department of Immigration and Emigration), Maldives Inland Revenue Authority, Ministry of Defence and National Security. Through these MOUs, Maldives Customs Service exchanges information and cooperates with domestic authorities to implement R.32.

667. *Criterion 32.8*

668. *Criterion 32.8(a)* - Under Section 4(a)(1) of the Regulation for Reporting Cash Imported into and Exported from Maldives, MCS can seize currency or bearer negotiable instruments where there is suspicion of ML/TF. Section 5(d) of Regulation for Reporting Cash Imported into and Exported from Maldives provides an individual with 48 hours from the time of seizure to submit documents or evidence validating the lawful acquisition of the cash. The same provision also allows MCS to grant an extension of an additional 48 hours where there is a valid reason to do so.

669. *Criterion 32.8(b)* - Section 4(a) of the Regulation for Reporting Cash Imported into and Exported from Maldives enables MCS to restrain cash where there is a false declaration or disclosure. Section 4(a)(2) covers the discovery of non-disclosed cash during the inspection of customs, or any other authority and Section 4(a)(3) covers inaccurate information being provided when declaring cash required to be declared under this regulation.

670. *Criterion 32.9* - MCS is able to engage in international cooperation under Section 85 of the Customs Act which allows MCS to exchange information with authorities outside the Maldives for the purpose of discovering persons involved in activities in contravention of laws and regulations. As an LEA, MCS is also able to exchange information with foreign counterparts for intelligence and investigative purposes relating to ML and TF under Section 65 of the PMLFT Act.

671. These provisions are broad and while not explicitly addressing coverage of MCS' declaration system, there are no legal provisions to restrict the facilitation of international cooperation through retaining:(a) a declaration or disclosure which exceeds the prescribed threshold is made; or(b) there is a false declaration or false disclosure; or(c) there is a suspicion of ML/TF. Please see R.40 for further information.

672. *Criterion 32.10* - All information collected by MCS under any law (including cross border currency declaration information) is subject to appropriate safeguards under MCS Act e.g. s23 confidentiality obligations of Customs Officers. Unauthorized disclosure of such information is a criminal offence as per provisions of the Penal Code.

673. The cross-border currency declaration framework established in the Maldives does not prohibit persons from carrying cash or bearer negotiable instruments equal to or above USD 10,000 but requires a declaration it in accordance with Section 2(a) of the Regulation for Reporting Cash Imported into and Exported from Maldives. Any person can carry cash or BNIs for personal as well as for trade purposes provided, they comply with the prescribed declaration requirements.

674. *Criterion 32.11*

675. *Criterion 32.11(a)* - Making a false or misleading declaration is only subject to administrative penalties which are considered proportionate; however, they are not dissuasive. Criminal or civil sanctions are available under the Penal Code however these have not been tested and therefore it is unknown whether they are proportionate or dissuasive in line with the offence.

676. *Criterion 32.11(b)* - Section 5(e) of the Regulation for Reporting Cash Imported into and Exported from Maldives allows MCS to confiscate the seized cash and BNIs under a court order if the documents or evidence required to establish the lawful origin of the funds are not submitted within the period specified under Section 5(d) or within any extended period granted. Further and in line with R.4, the Maldives has measures under Section 62(a)(1) of the PMLFT Act to confiscate currency or BNIs involved in physical cross-border transportation that are related to ML/TF or predicate offences however this can only be under court order.

Weighting and Conclusion

677. The Maldives has implemented a written declaration system under Section 24(a) of the PMLFT Act for all incoming and outgoing cross border transportation of currency and BNIs. The declaration system applies to all natural persons who import or export cash by air, sea, courier service, post or any other means. On discovery of a false declaration or non-disclosure of currency or BNIs, MCS has the authority to seize the cash or BNIs. Making a false or misleading declaration is only subject to administrative penalties which are considered proportionate; however, they are not dissuasive.

678. **Recommendation 32 is rated largely compliant.**

Recommendation 33 – Statistics

679. Former R.32 was rated non-compliant in the Maldives' 2011 MER. The Maldives had no statistics maintained on matters relevant to the effectiveness and efficiency of its AML/CFT systems. In its 4th Follow Up Report 2015, the Maldives reported that all its agencies maintained relevant statistics but no detail or supporting documentation was provided to the review team including no information on the nature and scope of any statistics recorded or kept.

680. *Criterion 33.1*

681. *Criterion 33.1(a)* - Under Section 39(a) of the PMLFT Act, reporting entities are mandated to submit STRs to the FIU, both electronically via an online platform and manually in sealed envelopes. The FIU has established procedures to adequately maintain statistics on STRs received and disseminated in all forms. It records STR data in its database and publishes these statistics annually on FIU-Maldives' website. Since 2023, the FIU's Annual Report has included totals for STRs received and disseminated, as well as a breakdown of STRs sent to domestic authorities and foreign FIUs, alongside information regarding the reasons for suspicion.

682. *Criterion 33.1(b)* - The MPS and PGO are not formally required to maintain statistics on ML/TF cases. While general crime statistics are published on their website and in annual reports, the information provided lacks specific details regarding ML/TF investigations, prosecutions and convictions. There is insufficient data on the number of ongoing investigations and prosecutions, the connection to predicate crimes, the origin of illicit proceeds (domestic or foreign), and whether the cases involve third-party or self-laundering. Furthermore, statistics are not shared in real time across agencies, hindering inter-agency collaboration on these issues.

683. *Criterion 33.1(c)* - The MPS, MCS, MIRA and ACC are responsible for maintaining records of frozen and seized property. The PGO contends that it compiles statistics on confiscated property and statistics on frozen and seized property can be shared among agencies upon request, but it lacks the mechanism for maintaining confiscation statistics at the national level.

684. *Criterion 33.1(d)* - Statistics on incoming and outgoing requests for international cooperation, including Mutual Legal Assistance (MLA), are maintained by PGO, FIU, MPS, MCS, MIRA and ACC, along with supervisory authorities such as the MMA and CMDA. The FIU also publishes its statistics regarding international cooperation - both incoming and outgoing, formal and informal - on its annual reports. In relation to MLA information, as required under Section 28 of MLA Regulation, PGO is responsible to establish and maintain the information about details of international requests.

Weighting and Conclusion

685. The Maldives maintains statistics related to the effectiveness and efficiency of its AML/CFT systems, and the MLA regulation designates PGO to collect and maintain statistics on MLA or other international requests for cooperation made or received. However, it is not clear whether other competent authorities have similar formal requirements or established processes for the maintenance statistics on matters relevant to their AML/CFT system.

686. **Recommendation 33 is rated largely compliant.**

Recommendation 34 – Guidance and feedback

687. Maldives was rated partially compliant with former R.25 (Guidance and feedback). The 2011 report concluded that there were no guidelines provided to FIs other than banks and MVT service operators and those issued were insufficient on ML/TF trends and techniques, no guidelines for DNFBPs, no STR guidelines for FIs or DNFBPs, limited guidelines on reporting suspected ML and no guidance with respect to TF and no policy relating to feedback.

688. *Criterion 34.1* - Supervisors can issue instructions, policies and procedures to assist the reporting entities in detecting suspicious patterns of behaviour among their customers (s.46(b)(4), PMLFT Act).

689. *Supervisors' guidance to FIs and DNFBPs*: FIU is empowered to issue guidelines in relation to customer identification, record keeping, reporting obligations and detection of suspicious transactions (s.27(c)(5), PMLFT Act).

690. FIU has issued STR Guidelines to Financial Institutions in 2016 including scenario-based suspicious patterns and transactions with respect to various sectors. However, it has not been revised with emerging trends and changes in typologies since that time. No STR Guideline has been issued for the DNFBP sector.

691. The FIU has separately issued prescriptive general sectoral guidelines that consist of examples of red flags for banks, money payment service providers, consumer finance institutions and MVTs in 2016, and securities related businesses in 2017. These have not been revised or updated since issuance. The FIU has also issued thematic guidance on proliferation and PF as well as general guidelines for reporting entities on PEPs. However, no sectoral guidelines have been issued for the DNFBP sector, particularly for the high-risk real estate sector. No guidance has been issued by other AML/CFT supervisors or SRBs.

692. The FIU has issued FAQs on its website regarding beneficial ownership, ML/TF, risk assessment and risk-based approach, but some of the contents are not updated on a regular basis (e.g. cross border cash declaration amount).

693. *FIU's feedback*: The FIU has the responsibility to periodically provide feedback to reporting entities and other relevant agencies regarding the outcomes of analysis relating to

the reports or information (s.27(c)(6), PMLFT Act). The FIU also regularly meets with designated compliance officers of reporting entities to provide guidance and feedback on various AML/CFT issues and to share typologies and trends. Since August 2024, the FIU has been providing feedback to individual REs on STRs submitted during previous year, but its efficacy is yet to be seen.

Weighting and Conclusion

694. Noting the higher level of ML risks as identified by the NRA 2022, particularly in real estate, legal professionals and DPMS sector, the lack of guidance issued by the FIU and other competent supervisors is a moderate deficiency. There is no STR guideline for DNFBPs and the STR guideline for FIs has not been revised since 2016.

695. **Recommendation 34 is rated partially compliant.**

Recommendation 35 – Sanctions

696. Maldives was rated non-compliant with former R.17 (Sanctions). The report concluded that for banks, the effectiveness of sanctions applicable to AML/CFT non-compliance had not been established, for securities sector, there were no sanction available for non-compliance with CMDA AML regulations until April 2011, criminal and administrative sanctions were not effective, proportionate and dissuasive and there were no sanction for directors or senior management of the securities dealing companies, and for other sectors, there were no sanction requirements in place.

697. *Criterion 35.1* - There is a range of administrative sanctions available in the failure to comply with AML/CFT requirements, with some criminal sanctions also applicable.

698. *Sanctions relating to R.6*: Failure to comply with FIU's instruction to reporting entities to freeze funds or property of persons that are subject to foreign domestic list pursuant to UNSCR 1373 and failure to report, without delay, the existence of funds or property in their care, linked to terrorists, terrorist organisations or individuals or entities associated with individuals or organisations in accordance with the list to the FIU is considered an offence. Both failures to comply are punishable by a fine between 10,000 and 150,000 Maldivian Rufiyaa (s.52(e), PMLFT Act). However, deficiencies identified in c.6.4 and c.6.5 apply.

699. *Sanctions relating to R.8*: There are no AML/CFT requirements in place for NPOs in PMLFT Act, as a result no sanctions are available and applicable. There are sanctions available as per prevailing laws in the NPO Act, however, it is unclear if they extend to AML/CFT requirements.

700. *Sanctions relating to R.9 to 23 (to all reporting entities)*: Designated AML/CFT supervisors can impose administrative sanctions in case of violations of Part 2 (Preventive Measures) and Part 3 (Detection of ML/TF, that includes STR obligations) of the PMLFT Act. This includes written warnings, order to comply with specific instructions, order regular reporting, fine of amount between 10,000 and 500,000 Maldivian Rufiyaa, barring employment within the sector, restriction of powers of or replacing managers, directors or controlling shareholders, including appointment of ad hoc administrator or suspending or revoking license issued to reporting entity (s.47(a), PMLFT Act). A major deficiency is that there are no provisions in place for designated supervisors to impose sanctions for non-compliance of regulations for the administrative sanctions described above. Such supervisors are required to inform FIU of the measures or penalties taken against a reporting entity and shall publish them

(s.47(b), PMLFT Act). The sanctions are proportionate but not dissuasive. It is unclear if such sanctions are available to natural persons that fail to comply with the AML/CFT requirements.

701. There are no competent authorities designated as supervisors, other than the FIU, in case of dealers in real estate, DPMS and TCSPs as per prevailing laws.

702. The FIU may impose administrative sanctions against any person who fails to comply with the provisions of the PMLFT Act or any regulations under the Act by issuing a warning or imposing fine between 10,000 and 500,000 Maldivian Rufiyaa or if such person fails to comply within specified period, imposing a fine between 10,000 and 100,000 Maldivian Rufiyaa on a daily basis until compliance is obtained (s.74, PMLFT Act). The application of sanctions imposed by the FIU is not required to be publicised, unlike the requirement for other competent supervisors who are required to do so. The FIU has a comprehensive Sanction Enforcement Policy in place covering principles of enforcement, sanction evaluation process, sanction enforcement process and its publication. The sanctions are proportionate but not dissuasive.

703. There are general offences applicable as per Section 57 of the PMLFT Act with monetary fines, which are imposed by LEAs.

704. The AML/CFT requirements for reporting entities lack adequate coverage (as highlighted in the analysis of R.9-R.23), the sanction provisions are also limited to the scope of AML/CFT requirements in place. While the requirements of various guidelines issued on preventive measures to various sectors are comprehensive in nature, sanctions cannot be imposed on non-compliance of guidelines.

705. Additionally, violation of the PMLFT regulations attract application of administrative sanctions pursuant to business laws for respective sectors (i.e. s.39(a), MMA, s.55, MBA, s.49(a) and s.52(a)(1) of NPSA)

706. *Criterion 35.2* - There are no provisions in place for directors and senior management of relevant entities to be held accountable for non-compliance of AML/CFT requirements regarding R.6 and R.8. The sanctions available are to restrict the powers or replace managers, directors or controlling shareholder (s.47(a)(6), PMLFT Act). The FIU can apply sanctions to persons on non-compliance of AML/CFT obligations (s.74, PMLFT Act), but it is unclear if they extend to directors and senior management.

Weighting and Conclusion

707. There are moderate shortcomings related to application of sanctions against non-compliance of R.6 and R.8 as there are no adequate TFS and NPO related obligations so that sanctions can be imposed and lacks sanctions against directors and senior management of relevant institutions. There are no provisions for the application of sanctions by designated AML/CFT supervisors other than FIU for non-compliance of regulations issued under the PMLFT Act. While there are some administrative and criminal sanctions for non-compliance of preventive measures, they are not dissuasive.

708. **Recommendation 35 is rated partially compliant.**

Recommendation 36 – International instruments

709. In its 2011 DAR, the Maldives was rated non-compliant under both the former R.35 and SR. I, respectively. The main technical deficiencies were that the Maldives had not fully implemented the Vienna Convention and ICSFT. The Maldives was not party to the Palermo

Convention, nor had it implemented its provisions. Terrorist financing was not criminalised in a way that was fully consistent with the ICSFT. The Maldives had no comprehensive mechanism in place to ensure full implementation of its obligations under UNSCR 1267, 1373 and their successor resolutions.

710. *Criterion 36.1* - The Maldives has ratified or acceded to the following the Palermo Convention (4 February 2013), Vienna Convention (7 September 2000), Media Convention/UNCAC (22 March 2007) and the ICSFT (20 April 2004).

711. *Criterion 36.2* - The Palermo Convention, the Vienna Convention, the UNCAC and ICSFT have been implemented to some extent (see analysis in R.3 to R.5).

712. The Maldives has implemented the relevant articles of the Vienna Convention primarily through the Penal Code and the Drugs Act. However, there are gaps in the implementation of Article 8 (transfer of proceedings) of the Vienna Convention.

713. The Maldives has largely implemented the relevant articles of the Palermo Convention through the Gang Crimes Prohibition Act (Law No. 18/2010), the Penal Code, the PMLFT Act and the CRPC. However, the Maldives' minor shortcomings in its implementation of the Palermo Convention are based on gaps in the ML offence relating to categories of predicate offences not being captured as discussed in R.3.

714. The Maldives has implemented most of the relevant articles of the Merida Convention through the Penal Code, PMLFT Act, Anti-Corruption Act, Elections Commission Act, Judicial Service Commission Act as well as MLA Act concerning international cooperation. However, there are some gaps in the implementation of Article 52(5) of the Merida convention as identified by the UNODC June 2024 Implementation Review concerning a lack of an 'effective financial disclosure system' as there is no obligation for public officials to disclose any signature or control authority over foreign accounts. A further gap exists around Article 57 (Return and disposal of assets) of the Merida Convention as there is no law or policy on the return or disposal of proceeds of corruption offences.

715. The Maldives has implemented the relevant articles of the ICSFT as terrorism financing is criminalised under Section 54 of the PMLFT Act.

716. Deficiencies as noted in R. 38 and R.39 (in particular R.39) affect the implementation of the international cooperation obligations in the Vienna, Palermo and Merida Conventions. The provisions in relation to obligations on mutual legal assistance have been largely implemented by the MLA Act. For obligations in relation to extradition, the Extradition Act adopts a list approach for applicable jurisdictions. There is no information as to how the Extradition Act may be triggered on the basis of multilateral conventions.

717. The UNCAC report of Maldives (25 September 2015) and the 2nd review cycle (April 2024), concluded that the Maldives has gaps and/or deficiencies in the (i) asset recovery framework (Articles 51, 56 and 59); (ii) BO verification (Articles 52,58); (iii) asset declaration regime (Article 52); (iv) confiscation framework (Articles 53,54 and 55); and (v) There are no supervisory authorities for the real estate sector or dealers in precious metals and stones and other high value goods (Article 14).

Weighting and Conclusion

718. The Maldives is a party to all four international conventions and has largely implemented these conventions however moderate shortcomings remain including implementation of the Palermo Convention and Merida Convention. Further minor deficiencies

identified in R. 38 to 39 also affect the implementation of the international cooperation obligations regarding the Vienna, Palermo and Merida Conventions. There are also gaps identified in the 2024 UNCAC Report including deficiencies in the: (i) asset recovery framework; (ii) BO verification; (iii) asset declaration regime; and (iv) confiscation framework which have been given moderate weight in relation to c.36.2.

719. **Recommendation 36 is rated partially compliant.**

Recommendation 37 - Mutual legal assistance

720. In its 2011 DAR, the Maldives was rated non-compliant, partially compliant and non-compliant under the former R.36, R.37 and SR.V, respectively. The DAR found that there was no legislative framework regulating mutual legal assistance. In the absence of a domestic legal framework for mutual legal assistance, the type of measures that the Maldivian authorities took on behalf of a requesting State were mainly defined in the MoUs concluded with foreign authorities. However, these MoUs were not shared with the assessment team.

721. *Criterion 37.1* - The Mutual Legal Assistance in Criminal Matters Act (MLA Act) came into force in 2015 providing the legal framework for MLA in the Maldives with regulations and procedures set out in the Mutual Legal Assistance in Criminal Matters Regulations (MLA Regulations). The following assistance may be rendered under Section 3 of the MLA Act:

- Taking of evidence or statements from persons;
- Making of arrangements for persons to give evidence or assist in criminal investigations or proceedings;
- Serving documents;
- Executing search and seizure warrants;
- Freezing or seizing assets;
- Providing information and evidentiary items;
- Providing originals or certified copies of documents and records, including bank, financial, cooperate or business records;
- Recovering crime proceeds.

722. Sections 11 (assistance with evidence), 14 (obtaining documents and other articles), 16 (search and seizure), 29 and 37 (proceeds of crime) of the MLA Act are the main empowering provisions for the authorities in Maldives to render various types of assistance pursuant to a request made by a foreign jurisdiction. For invoking such provisions, subject to the grounds of refusal (Section 8) and required formalities of a request (Section 6), there appears to be no restriction as to the types of criminal offences as long as the matter is a criminal matter or involves a criminal offence or criminal proceeding or investigation of a serious offence. "Criminal matter" is defined as "a criminal investigation, criminal proceeding or an ancillary criminal matter in respect of an offence or a foreign offence" (s.30, MLA Regulations). The MLA Act does not prevent the rendering of assistance for criminal investigations or proceedings in relation to ML, TF and all predicate offences.

723. Requirements for requests to the Maldives from foreign counterparts are set out in Section 6 of the MLA Act. Section 6(a) requires a request from a foreign State to the Maldives for assistance in a criminal matter may be made to the Prosecutor General or a person authorised by the Prosecutor General. Upon receipt of a request, the Prosecutor General, as the Central Authority for MLA matters, would enlist assistance from the relevant agencies based on the nature of the criminal offences. The relevant agencies would invoke the power conferred on it by the MLA Act in relation to particular type of requested assistance or the agencies may

rely on its own empowering provisions to execute the request and information exchange at pre-MLA stage is also possible. The Maldives has a legal basis for the provision of a wide range of MLA assistance. However, there are no specific internal guidelines, SOP or processes demonstrating how Maldivian authorities would coordinate and cooperate when handling an MLA request.

724. *Criterion 37.2* - The Central Authority for assistance in criminal matters including for the purpose of MLA is the Prosecutor General under Sections 5 and 6 of the MLA Act. The International Relations Department has existed since 2022 within the PGO and is tasked to handle MLA and extradition requests. From various provisions under the MLA Act, the Commissioner of Police / authorised officer of the police is the law enforcement agency involved in the processing of requests however there is no clarity as to the coordination and cooperation between the Prosecutor General and the MPS. The MLA Act also does not specify the regulations on the appointment of authorised officer of the police and the court or administrative procedures for the authorised officer for rendering assistance provided under the MLA Act. Such arrangement is on a case-by-case basis, taking into account various factors, including the nature and urgency of the request and availability of resources.

725. There is no designated agency to execute all MLA requests set out in law. However, all incoming requests are required to be outlined in Form 2 of the MLA Regulations and sent to the Prosecutor General for consideration. The Prosecutor General will enlist assistance of the relevant authorities depending on the nature and type of assistance requested. Most assistance will be provided by MPS, as pursuant to Section 127 of MPS Act, they have the primary jurisdiction of criminal matters and the resources and powers of MPS is more relevant, however this is at the discretion of the Prosecutor General. Although the Prosecutor General may enlist assistance of other authorities, which may in turn rely on its own empowering provisions to execute MLA requests, the provisions set out in the MLA Act and MLA Regulations specify that it would be the MPS performing the functions under the MLA Act and MLA Regulations. However, MPS formal processes and procedures to undertake MLA requests is unclear as they have not been provided.

726. The PGO currently manages and monitors MLA cases manually. The Maldives is planning to include an MLA module in the planned future electronic Case Management System.

727. *Criterion 37.3* - Overall, MLA is not subject to unreasonable or unduly restrictive conditions however the MLA Act does not specify the legal basis on which a request may be made, e.g. bilateral treaty or multilateral treaty. Currently the Maldives has an operative bilateral agreement with the Republic of India. However, Section 12 of the MLA Regulations states that "Where the legal basis for requesting assistance from the Maldives is not an international treaty to which Maldives is a party or a bilateral agreement with a foreign State, the appropriate authority of the foreign State shall undertake that it will comply with a future request by the Maldives for similar assistance in a criminal matter". This provision therefore enables the requesting foreign authority to provide reciprocity undertaking in the absence of an applicable multilateral or bilateral treaty so far as the laws of each jurisdiction allows.

728. Section 7 of the MLA Act further provides that assistance may be provided subject to any conditions as the Prosecutor General determines. Therefore, operationally, the requirements of reciprocity may be dispensed with depending on the nature of the assistance sought the Prosecutor General the flexibility to set conditions depending on the nature, type and scope of the assistance sought.

729. Mandatory and discretionary grounds of refusal are provided in Section 8(a) and (b) of the MLA Act respectively. Separately and in addition, Section 9 provides for the discretionary

ground of refusal in relation to the death penalty. Section 56(n) further provides for political offence exceptions to the mandatory ground of refusal under Section 8(a)(1). Most of the grounds for refusal are not unreasonable or unduly restrictive.

730. Section 8(b)(4) of the MLA Act is unduly restrictive, as it provides a discretionary ground of refusal for the reason of prejudicing a local criminal investigation or proceeding. It is also inconsistent with Section 8(d) which enables the deferral of execution requests. Section 8(a)(8) also provides for broad discretion for the Prosecutor General to refuse a request if they are “of the opinion it is best to refuse the request”.

731. *Criterion 37.4*

732. *Criterion 37.4(a)* - The Maldives does not refuse MLA on matters involving fiscal matters, as the MLA Act does not specify what nature of criminal offences is covered or not covered and it is also not a ground of refusal under Section 8.

733. *Criterion 37.4(b)* - The Maldives does not refuse MLA on grounds of secrecy (s. 8(c), MLA Act) nor confidentiality requirements on financial institutions or DNFBPs.

734. *Criterion 37.5* - Section 52 of the MLA Act relates to the non-disclosure of information and requires the knowledge of the contents of a request, or that an MLA request has been made or granted shall not be disclosed unless necessary for the performance of duties, or the Prosecutor General has given the approval to such disclosure. In addition, such disclosure is an offence punishable by a fine. However, it only covers those persons who have knowledge by virtue of their office or employment, such as persons in public office or employed by the government but also to any person or a body corporate (such as a bank officer or a bank) who may come across information relating to the MLA request. Section 52 provides a wide discretion to the Prosecutor General to impose condition of confidentiality especially when seeking documents and records sought from persons or entities other than government officials or government agencies. Measures on protection of witnesses are provided under Sections 79, 149, 149-1 and 149-2 of the CRPC, including by way of keeping documents confidential and obtaining witness protection order to protect witnesses' identity and to ensure safety, which may in turn protect the integrity of the investigation or inquiry and to ensure fairness.

735. *Criterion 37.6* - Lack of dual criminality is a discretionary ground of refusal under Section 8(b)(1) of the MLA Act. Non-coercive actions are covered under Section 3(a)(3), (7) and (8) of the MLA Act and as long as the request relates to a criminal matter, assistance may be rendered under the MLA Act. Further, agency-to-agency cooperation is readily available as international cooperation outside the MLA framework. The deficiency is therefore considered minor as a lack of dual criminality will not be the sole ground leading to refusal for non-coercive actions or the relevant assistance may be rendered via agency-to-agency cooperation.

736. *Criterion 37.7* - Lack of dual criminality is a discretionary ground of refusal under Section 8(b)(1) of the MLA Act. The dual criminality requirement adopts the conduct test, i.e. it is satisfied when the act or omission described in the request, had it occurred in the Maldives, would constitute an offence in the Maldives.

737. *Criterion 37.8*

738. *Criterion 37.8(a)* - MPS can exercise their powers under the MLA Act in order to respond to MLA requests for production, search and seizure and taking of statements while all LEAs have the power under CRPC to monitor bank accounts, freeze bank accounts, conduct audio/video surveillance, impose travel ban and conduct joint investigations (subject to R.31 analysis) (Section 4 (a) of the MPS Reg. on Special Techniques). MCS can conduct special

operations including controlled delivery and covert operations (Section 89 of the Maldives Customs Act). ACC and CMDA do not have the statutory power to conduct covert, undercover operations or controlled deliveries.

739. *Criterion 37.8(b)* - Domestic competent authorities can exercise their powers under the respective empowering legislation to respond to MLA requests, including for production, search and seizure and taking of statements. Under Section 5 of the CRPC, “Law Enforcement Authority” is conferred with the power to investigate criminal offences, including predicate offences. “Law Enforcement Authority” means, investigative authority entrusted with investigative and enforcement powers over criminal acts, including the police (s.18, CRPC), including MPS, MIRA, ACC, CMDA and MCS. The deficiencies include the lack of power for CMDA to take statements, for LEA except MPS and MCS to search persons.

740. LEAs are able to use the powers provided under Chapters 4 and 5 of the CRPC and where required, warrants and court orders to obtain access to the required documents and information (including those held by financial institutions, DNFBPs and other natural and legal persons) for use in their investigations. LEAs are also able to use Chapter 8 of the CRPC in their investigations. Further, LEAs can use the tools prescribed in Section 49(a) of the PMLFT Act as well as provisional measures such as seizing and freezing in their investigations (s.51(a)-(b), PMLFT Act).

741. Although Section 76 of the CRPC only provides for joint investigations among domestic competent authorities, there is no legal provision prohibiting or limiting the domestic competent authorities from exercising all powers available to them in response to a request on LEA level.

Weighting and Conclusion

742. The Maldives has a legal framework for MLA however there are limitations in its application and operation due to the broad drafting of the MLA Act. With the absence of a designated competent authority responsible to execute all MLA requests set out in law, the application of the MLA law may involve multiple agencies e.g. PGO and MPS however the MLA coordination mechanisms and processes are unclear. While dual criminality is not a mandatory requirement, it may be a discretionary ground for refusal. The Maldives are able to rely on their powers to investigate for international cooperation if such measure or power has not been specifically provided for under the MLA Act or the MLA Regulations, yet there is no clear guideline on it.

743. **Recommendation 37 is rated largely compliant.**

Recommendation 38 – Mutual legal assistance: freezing and confiscation

744. In its 2011 DAR, the Maldives was rated noncompliant, partially compliant and non-compliant under the former R.38, R.37 and SR. V, respectively. The DAR found that there was no legislative framework regulating mutual legal assistance. There was a lack of clarity as to whether MLA can be rendered in the absence of dual criminality in particular for less intrusive and non-compulsory measures. Further, there were no laws and procedures for the provision of effective and timely response to requests for identification, freezing, seizing or confiscation of assets related to the money laundering, terrorist financing or other predicate offenses. Further, there were no arrangements for coordination of seizure and confiscation actions with other jurisdictions.

745. *Criterion 38.1* - Section 37 of the MLA Act relates to requests for assistance regarding proceeds of crime. Section 37(a) provides for the Prosecutor General to make necessary arrangements for the enforcement of foreign forfeiture order for a serious offence while Section 37(b) allows arrangements to be made in relation to an interim order pending conclusion of proceedings for a serious offence. Section 37(c) further covers other orders against such property or procedures which do not fall within sub-Sections (a) and (b). However, the operation of such provisions is unclear as there is no information provided in relation to the “necessary arrangement”, nor how CRPC and Chapter 18 of the PMLFT Act may apply to MLA. Section 73(a) of the PMLFT Act provides that MLA requests shall be made and executed in accordance with the applicable laws on exchanging mutual legal assistance in criminal matters. It is unclear what the legal framework is for rendering assistance under Section 37 of the MLA Act. There is no definition of “proceeds of crime”, “property”, “money” under the MLA Act. It is also unclear whether the “for value” approach is adopted and what kind of property or assets may be restrained/confiscated.

746. Further, neither Sections 3 or 37(b) of the MLA Act provide the ability to locate, identify or trace proceeds of crime. The Maldives instead rely on local investigative power for such purposes.

747. *Criterion 38.2* - The Maldives may render assistance pursuant to Section 37 of the MLA Act to enforce orders from foreign states for the purposes which may include freezing assets and confiscating identified proceeds of crime. The Maldives would expect the requesting state, if unable to identify or locate the proceeds for confiscation, then the Prosecutor General would still coordinate with local agencies for tracing in the Maldives. Although the MLA Act does define “proceeds of crime”, “property”, “money”, other legislation of the Maldives (such as the PMLFT Act, CRPC etc.) will be used to identify, trace and locate funds financial and non-financial asset subject to foreign confiscation request under the MLA Act. Section 37 of MLA Act does not specify that the court order from the foreign jurisdiction must be subsequent to a criminal conviction. It is not prerequisite under this Section for the Maldivian authorities to ensure that there is a criminal conviction in relation to the confiscation warrant.

748. Enforcement action can also involve issuing a search warrant under Section 17 of the MLA Act, which allows the entering into land or premises to locate the article subject to confiscation, and the searching of land or premises for the article and to seize it any other items found therein.

749. There is a lack of administrative measures as rapid preventative measures to preserve assets which may be subject to enforcement of foreign confiscation order.

750. *Criterion 38.3* - The MLA Act does not have specific provisions on co-ordinating seizure and confiscation actions with other jurisdictions. Dependent on the nature of the request, the Maldives can rely on separate or specific arrangements in relation to a seizure or confiscation request for example under Section 19 of the MLA Act, seized properties will be held under the custody of and managed by the Police. Section 19(c) allows the Prosecutor General to give a direction to the Police in writing about how the article is to be dealt with. Alternatively, for confiscation actions under Section 37 of the MLA Act, a foreign state may request the Prosecutor General to make necessary arrangements for the enforcement in the Maldives of such court order.

751. However, there is no specific provision on the management or realisation of the assets or seized properties. There is also no guideline or rule on what kind of directions the Prosecutor General may give to the Police or what arrangements may be made by the Maldivian court.

752. *Criterion 38.4* - According to Section 26 of the MLA Regulations, the property or money to which the foreign forfeiture order relates or any part of it, the ownership of the property or money shall pass to and become vested in the Maldives.

753. The Prosecutor General and the requesting country can include asset sharing provisions in the relevant bilateral agreement or any other similar arrangement. It can also be in the form of a separate arrangement if it is not included in an MLAT. Pursuant to Section 7 of the MLA Act, the PGO may render assistance to a foreign state subject to such conditions as the PGO determines. This allows PGO to enter into arrangements with requesting jurisdictions regarding the handing over confiscated assets.

Weighting and Conclusion

754. There are deficiencies in the legal framework in relation to asset recovery matters in MLA. The MLA Act does not enable the locating, identifying or tracing of proceeds of crime, instead, the Maldives relies on local investigative powers.

755. The MLA Act does not have specific provisions to co-ordinate seizure and confiscation actions with other jurisdictions. There are major shortcomings in relation to the Maldives's ability to provide assistance pursuant to a request for enforcement of foreign orders in relation to restraint and confiscation, including on a non-conviction basis. There are also shortcomings in relation to how the law deals with identification of property, and provisions that allow the Maldives to coordinate confiscation and asset sharing.

756. **Recommendation 38 is rated partially compliant.**

Recommendation 39 – Extradition

757. In its 2011 DAR, the Maldives was rated non-compliant, partially compliant and non-complaint under the former R.39, R.37 and SR.V, respectively. The Maldives had no legal framework for extradition; there was a lack of comprehensive criminalisation of money laundering that undermined the ability to extradite. The absence of a comprehensive framework for extradition led to a lack of clarity as to whether dual criminality was required.

758. *Criterion 39.1* - The Extradition Act provides the legal basis for extradition in the Maldives.

759. *Criterion 39.1(a)* - The Maldives is able to execute extradition requests related to “extraditable offences” with “extradition countries” (s.6 and 7, Extradition Act). Extradition is defined in Section 8 of the same Act.

760. Section 13 of the Extradition Act sets out the “extraditable offences” under this Act, which cover offences with a penalty of imprisonment for a period not less than one year according to the law of the requesting place and had it occurred in the Maldives, the penalty under the laws of the Maldives would also be imprisonment of not less than one year. The penalty provided for the offences of ML and TF is more than 1 year of imprisonment. As such, extradition requests involving ML or TF offences made by “extradition countries” may be executed under the Extradition Act.

761. The application of the Extradition Act is limited to “extradition countries” however currently there is no identified state on the list. The procedures for putting a jurisdiction on the list is dependent on a bilateral extradition treaty which requires the approval of parliament and the Ministry of Foreign Affairs in consultation with the Prosecutor General.

762. The Maldives has bilateral extradition treaties with Sri Lanka and Pakistan and is party to multilateral conventions with extradition provisions, however the relevant jurisdictions have not been listed as “extradition countries”. According to the DAR 2012, these two treaties have already been signed but as at the onsite these two jurisdictions have yet to be listed as “extradition countries”. Copies of the treaties have not been provided. Despite no jurisdiction currently on the “extradition countries” list in the Maldives, Section 36 of the Extradition Act allows extradition requests to be made by foreign states to the Ministry of Foreign Affairs in accordance with the requirements set out in the Section, including general benefits to the Maldives and foreign state and the severity of the offence. In consultation with the requesting jurisdiction by the PGO, MFA would consider the important areas that have to be covered under the ad hoc arrangement and determine whether to accede to such provisional arrangement. There is no guideline on the timeframe for bringing the ad hoc arrangement into effect.

763. Section 20 of the Extradition Act, provisional arrest, upon the PGO’s court application for a provisional warrant, may be made by a competent authority of the requesting jurisdiction or through INTERPOL or by virtue of a binding treaty between the Maldives and the requesting jurisdiction (Section 20(b) & (d)). Person provisionally arrested under Section 20 shall be brought before the Maldivian court as soon as possible within 24 hours (Section 21(a)). The Maldivian court has the discretion to remand the person in custody (Section 21(b)(1)) for a period not exceeding 45 days or for a longer period stipulated in treaties (Section 22(a) & (b)) or release him on bail subject to conditions (Section 21(c)). The detention period may be further extended for 45 days subject to certain requirements (Section 21(d)). These measures allow time for the competent authorities to make arrangements to cause the requesting jurisdiction listed as “Extradition Country” or other actions which would make the formal request for extradition executable under the Extradition Act. From the drafting of Section 20, there is no explicit prohibition for provisionally arresting a fugitive offender under Section 20. It is for the invoking of formal extradition procedures (e.g. authority to proceed, extradition proceedings, decision to extradite) which require the requesting jurisdiction be a “extradition country” (Section 26). There is no guideline on processing provisional arrest requests and the subsequent actions after provisional arrest has been made for requesting jurisdiction which is not “Extradition Country”.

764. *Criterion 39.1(b)* - The extradition process has been set out in the Extradition Act under Chapter 5 on the Arrest and Detention, Chapter 6 on the Extradition Proceedings and Chapter 7 on Decision on Extradition. Section 20(a) provides for provisional arrest of the fugitive who is reasonably believed to be in the Maldives or may arrive in the Maldives in the near future. The requesting foreign state is required to submit an official request for extradition within 14 days or within a period stipulated under a binding agreement between the Maldives and the requesting place (s.20(e)(3), Extradition Act).

765. Apart from the statutory timeframe for provisional arrest, there are no procedures providing for clear timeframes for processing official extradition requests (including those made after the provisional arrest).

766. The Prosecutor General as the Central Authority currently has no case management system. This seems reasonable as there has been no official request for extradition in the past 5 years, however the Maldives has received pre-request communications and other enquiries on extradition matters during this period. To address these enquiries, the Prosecutor General has established the International Relations Dept to deal with extradition matters and associated communications which is an appropriate mechanism in place of a case management system.

767. *Criterion 39.1(c)* - Section 14 of Extradition Act provides grounds for refusing extradition requests including general restrictions on extradition such as if the offence is of a political nature (s.14(a)); or the offence is made on account of race, religion, sex, nationality or political opinions (s.14(b)). Section 54(m) defines “political offence” for the purposes of this Act. The grounds of refusal are not unduly restrictive conditions on the execution of requests.

768. *Criterion 39.2* - Section 12 of the Extradition Act prohibits nationals of the Maldives from being extradited to any requesting place as a mandatory ground of refusal. However, where the suspect is a national of the Maldives and the offence to which the request relates is possible to be prosecuted in the Maldives, the Maldives may prosecute the suspect for the same offence (Section 12) based on the evidence available regarding the Maldivian national’s criminal conduct and according to the applicable laws of Maldives. It is unclear if the case must be submitted without undue delay to competent authorities.

769. *Criterion 39.3* - The grounds of refusal under Section 14 of the Extradition Act does not contain dual criminality requirement but for an offence to be qualified as an “extraditable offence” dual criminality requirement has to be satisfied (Section 13(a)). For the consideration of whether the requirement under Section 13(a) is satisfied, the conduct test is adopted as stipulated in Section 13(c).

770. *Criterion 39.4* - The Maldives does not have a mechanism in place for direct transmission of requests for provisions arrests and extraditing persons based only on warrants of arrests or judgments. Section 17 of the Extradition Act sets out the procedures applicable to persons consenting to being extradited. Section 23(b) provides for the waiving of extradition proceedings under Chapter 6.

Weighting and Conclusion

771. There are minor shortcomings in the extradition framework of the Maldives, in particular the applicability of the Extradition Act to “Extradition Countries”. There has been no clear framework to ensure that other jurisdictions would be set out in the list of “Extradition Countries”, even for jurisdictions with which the Maldives has a bilateral treaty or to which the Maldives has convention relationship. There is also no provision on prosecuting the persons without undue delay in the Maldives when extradition of a Maldivian national is refused. These deficiencies are considered minor in the context of the Maldives as there have been no requests received by the Maldives in the past 5 years. No negative feedback has been received from Maldives’ counterparts to suggest the lack of a clear extradition process has discouraged the seeking of formal extradition. The Maldives has a long-established practice of reliance on administrative measures, particularly with neighbouring jurisdictions, which the competent authorities deemed effective.

772. **Recommendation 39 is rated largely compliant.**

Recommendation 40 – Other forms of international cooperation

773. In its 2011 DAR, the Maldives was rated PC on R.40 and NC SR.V. At that time, there was a lack of authorisation to exchange information other than related to the banking sector with foreign counterparts.

774. *Criterion 40.1* - The Maldives has the legal framework for competent authorities to share a broad range of ML, TF and associated predicate offences information with international counterparts.

775. While the PMFLTA addresses the international exchange of information relating to ML and TF offences, predicate offences are covered in each respective act for example tax (Tax Act), corruption (ACC Act), securities (Securities (General) Regulations), customs (Customs Act), conventional criminal offences (MPS Act). The legal framework in the Maldives covers both spontaneous and on request information exchanges as there are no restrictions on the type of requests set out in law.

776. In relation to predicate offences, the FIU can exchange information pursuant to Section 38(c) of the PMLFT Act with foreign counterparts (regardless of their nature (s 38(a)) for the purposes of combating ML/predicate offences/TF with the consent of the relevant domestic agency. However other authorities (other than FIU) require an MOU/form of arrangement to ensure the confidentiality of information when exchanging information and the need to establish an arrangement would likely impede the how rapidly the widest range of international cooperation can be exchanged.

777. The Maldives is party to international agreements including South Asian Association for Regional Cooperation (SAARC) which promotes international cooperation in criminal matters. Law enforcement agencies, investigative and supervisory authorities also have memberships with other international and regional organisations, such as INTERPOL National Central Bureau, IOSCO, Egmont Group, SEAJust. The Maldives is also a member of the Colombo Security Conclave which seeks to promote regional security by addressing transnational threats and challenges of common concern to the Member States (India, Maldives, Mauritius and Sri Lanka).

778. Further, the authorities of Maldives have signed a number of bilateral and multilateral MOUs with overseas agencies / international organisation / overseas authorities including:

- Maldives Customs: has signed 21 MOUs with international counterparts for a variety of purposes including cooperation, capacity building and administrative assistance. Most MOUs do not cover the exchange of information.
- Maldives Monetary Authority has signed 6 international MOUs
- Maldives FIU: has signed 13 international MOUs in total
- Maldives Inland Revenue Authority: has not signed any international MOUs
- Prosecutor General's Office: has signed four international MOUs.
- CMDA has signed one international MOU with Sri Lanka
- ACC has signed 6 international MOUs and holds membership in 4 global networks

779. *Criterion 40.2*

780. *Criterion 40.2(a)* - As in c,40.1, there is adequate domestic legislation addressing the cooperation between the authorities in the Maldives and their international counterparts. The laws allow the sharing of information by the different agencies in the Maldives without unreasonable restrictions. The restrictions are general, for example, confidentiality requirement and limiting the use of information to analysis only. The relevant LEAs are members of international networks/initiatives, e.g. Egmont Group for FIU exchanges, World Customs Organization and EOIR for Customs matters, IOSCO for securities matters.

781. *Criterion 40.2(b)* - There are no legal impediments to the authorities using the most efficient means possible to extend cooperation.

782. *Criterion 40.2(c)* - Channels used for providing/exchanging information will depend on the requesting agencies and confidentiality requirements must be met. There is no designated platform prescribed by Maldives agencies for transmitting information.

783. With regard to FIU, and since it recently became an Egmont member, the Egmont Secure Web will be utilized for transmitting information unless the requesting agency prefers a separate channel.

784. *Criterion 40.2(d)* - There is no specific procedure or guideline for prioritization and timely execution of requests. In practice, priority would be afforded taking into account the nature, type and the amount of information, whether the information sought is held with another third party in which case more time will be required for the collection of such information.

785. There are no specific restrictions for the LEAs to obtain records which would normally be subject to bank secrecy for the purpose of intelligence exchange.

786. *Criterion 40.2(e)* - There are no clear, explicit processes for safeguarding information received, however confidentiality requirements must be met.

787. *Criterion 40.3* - Most competent authorities in the Maldives have some bilateral and multilateral MOUs already in place. While the number of signed MOUs varies across Maldivian authorities, competent authorities are not restricted to cooperate with international counterparts solely through an MOU.

788. Overall, the applicable legislation allows a wide discretion for the various authorities in the Maldives to conduct international cooperation in the absence of bilateral or multilateral agreements. Meanwhile, the agencies do not require authorisation for signing MOUs and establishing connections with foreign agencies. On average, negotiations for signing MOUs with foreign counterparts take between 1 to 2 months which is timely. There are instances where it took approximately 6 months to finalize MOU negotiations with delays due to a change in leadership in either one or both counterpart agencies and other communication delays.

789. *Criterion 40.4* - There is no legal restriction preventing competent authorities from providing feedback to international counterparts. Feedback is not a mandatory part of the exchange procedure however it may occur at different stages of the request, e.g. analysis, investigation or prosecution phase and dependent on the foreign counterpart's needs.

790. While the Maldives does not have specific guidelines, standard procedure or mechanisms for providing timely feedback upon request, there is no legal impediment restricting the Maldives to provide feedback in a timely manner.

791. *Criterion 40.5*

792. *Criterion 40.5 (a) to (d)* The Maldives does not place unreasonable or unduly restrictive conditions on the provision of information or assistance on all the grounds under Criterion 40.5. While the relevant laws such as Section 37 of the PMLFT Act and Section 83 of the ACC Act regulate the conditions whereby which information can be shared to foreign counterparts on common restrictions like confidentiality requirement, these do not appear to be unreasonable or unduly restrictive.

793. Where a competent authority has an MOU in place, this would set out the scope of information that can be exchanged, the manner and form of information exchange. Factors such as the type of information, the volume, and the period applicable to the information sought will impact how timely the authorities can provide information upon request.

794. These MOUs will also prescribe grounds for refusal. In the absence of MOUs, authorities other than FIU would usually require some form of arrangement to ensure the confidentiality of any information shared.

795. After becoming a member of the Egmont Group in July 2024, the FIU is able to exchange information with foreign FIUs more frequently. Prior to becoming a member of the Egmont Group, FIU exchanged information upon request only after establishing information exchange MOUs. However, FIU has spontaneously exchanged information with foreign FIUs without information exchange MOUs. Currently, the FIU's information exchange is governed by the Information Collection Analysis and Dissemination Policy. The FIU is currently reviewing this Policy to bring relevant changes following Egmont membership.

796. *Criteria 40.6* - There are a range of controls and safeguards to ensure information exchanged by competent authorities is used only for the purpose for which it was sought or provided. For example, Section 514 of the Penal Code creates an offence, inter alia, of disclosure of confidential information that the person acquired as a public official.

797. Specific obligations on the relevant authorities for maintaining confidentiality are also provided under the relevant legislation, namely:

- Financial Intelligence Unit: Section 37 of the PMLFT Act
- Maldives Police Service: Section 5(l) of the MPS Code of Conduct.
- Anti-Corruption Commission: Section 83 of the ACC Regulation
- Maldives Customs Service: Sections 23 and 84 (c) of the Customs Act
- Maldives Inland Revenue Authority: Section 15 of the Tax Administration Act
- Capital Market Development Authority: Section 16 of the Securities Act
- Maldives Monetary Authority: Section 11(1) of the MMA Act

798. To ensure the confidentiality of information, each agency has internal policies, procedures, security protocols and mechanisms established within each authority. All the agencies have in place controls and safeguards for information exchanges ensuring the information is used for a particular purpose and to seek consent if to be used for another purpose. Cooperation arrangements are subject to confidentiality and prior authorisation, or consent is required where the information exchanged is required by a third-party.

799. *Criteria 40.7* - The provisions, obligations and procedures set out in 40.6 apply to 40.7. Yet, there is no standard procedure or guideline for competent authorities in the Maldives to access whether the requesting authority is able to protect the information obtained from the Maldives and if this is the case, for the Maldives to refuse the providing of information.

800. Some competent authorities use secure channels to protect data and privacy for example MPS uses INTERPOL platforms and the FIU has access to the Egmont Secure Web.

801. *Criterion 40.8* - Generally, although without a specific framework for international cooperation, authorities in the Maldives are vested with wide discretion to obtain information and conduct inquiries as long as there is no statutory restriction on such conduct. They are able to rely on local enforcement power to conduct enquiries for foreign requests.

802. Specifically for the FIU, Section 28(g) of the PMLFT Act allows FIU to conduct inquiries on behalf of foreign counterparts. Supervisors will require a bilateral or multilateral agreement or MOU to exchange information with international counterparts.

Exchange of Information Between FIUs

803. *Criterion 40.9* - The FIU has the legal basis under Section 38 of the PMLFT Act to provide cooperation on ML, associated predicate offences and TF regardless of the nature of the

foreign agency. Section 38(c) stipulates that the information exchanged shall only be for the purposes of combatting ML, predicate offences and TF and only with the consent of the agency which provided the information.

804. *Criterion 40.10* - The FIU does not systematically provide feedback to international counterparts as this is not a legal requirement however the FIU does provide feedback on request. Prior to Egmont membership in July 2024, the FIU's feedback mechanism was governed by the requirements of respective information exchange MOUs. These MOUs provide provisions for providing and seeking feedback upon request and each MOU establishes point of contact for information exchange and exchange of feedback purposes.

805. The FIU has MOUs with 13 international counterparts (Australia, Bangladesh, Bhutan, India, Japan, Kazakhstan, Malaysia, Nepal, Philippines, Slovenia, Sri Lanka, Thailand and Timor-Leste).

806. The FIU has recently established internal policies and procedures to implement this feedback mechanism. Since becoming an Egmont member, the FIU's information exchanges are governed by the Information Collection Analysis and Dissemination Policy.

807. *Criterion 40.11*

808. *Criterion 40.11(a)* - Subject to R.29 analysis, there is a legal framework for the Maldives to exchange information under Sections 38 and 28(g) of the PMLFT Act. This is reinforced by FIU's Information Collection Analysis and Dissemination Policy.

809. *Criterion 40.11(b)* - Apart from exchanging through the Egmont network, which is available since the Maldives membership in July 2024, FIU would also be able to rely on MOUs to further facilitate the power of exchange.

Exchange of Information Between Financial Supervisors

810. *Criterion 40.12*

Financial supervisors

811. The Maldives is able to cooperate on ML/TF issues with international counterparts under subparagraphs (5) and (8) of Section 46(b) of the PMLFT Act. Supervisors of REs, including financial supervisors and the FIU, require a bilateral or multilateral agreement or MOU to exchange information with international counterparts and where these arrangements are in place, the supervisors should share information promptly with other domestic and foreign competent authorities under Section 46(b) of PMLFT Act.

812. The MMA is also enabled to cooperate with international counterparts on supervisory matters pursuant to Section 53 of the MBA (exchanging information on bank supervision matters) and sub-paragraph 11 of Section 14(c)(11) of the NPSA (cooperate with relevant domestic and foreign authorities to achieve the objectives of that Act, including supervisory matters). Further, Section 47(f) of the NPSA allows MMA to disclose information to foreign supervisory authorities. The MMA has also signed 6 MOUs with international counterparts during the period 2010 and 2024 (China; Hong Kong, China; India; Mauritius; Sri Lanka and the UAE), some of which cover cooperation and exchange of information concerning ML and TF supervision.

813. The CMDA has a wide-ranging ability to cooperate with international counterparts under Section 13 of the Securities (General) Regulations. CMDA can provide assistance to a foreign regulatory authority in connection with any legal or regulatory requirement which the foreign regulatory authority enforces or administers, and for that purpose may carry out

investigations of any alleged breaches of the legal or regulatory requirements or provide such other information, opinion or assistance to the foreign regulatory authority as the Authority thinks fit (s.13(a) Securities (General) Regulations). The CMDA is also enabled to conduct an investigation at the request of a foreign regulatory authority or provide assistance regardless of whether or not any offence has been committed in the Republic of the Maldives, or whether any conduct under investigation would, if committed in the Republic of the Maldives, be an offence (s.13(d), Securities (General) Regulations).

814. CMDA has signed one (1) bilateral MOU with SEC of Sri Lanka in 2024. It is also a member of IOSCO and IOPS which significantly enhances CMDA's capacity for information exchange and regulatory oversight. In particular, IOSCO and IOPS both create avenues for secure information exchange and cooperative work, which are essential in an interconnected financial world and for capacity building, training and skills development.

815. *Criterion 40.13* - As in c.40.12, financial supervisors have broad ranging abilities to exchange information with international counterparts under Section 46(b) (5) and (8) of PMLFT Act. These provisions require competent authorities responsible for supervising or regulating reporting entities to share information promptly with other domestic and foreign competent authorities to cooperate on money laundering and financing of terrorism issues. Supervisors will require a bilateral or multilateral agreement or MOU to exchange information with international counterparts. While not explicit in law, the sharing of information held by financial institutions is not restricted. Further, financial supervisors also have provisions to exchange information in their respective laws as set out below.

816. CMDA: Section 13(a) of the Securities (General) Regulations states CMDA can provide information to a foreign regulatory authority in connection with any legal or regulatory requirement. While not explicit in the legal provision, this is assumed to include information held by financial institutions.

817. *Criterion 40.14* - As in c.40.12 and c.40.13, the FIU, MMA and CMDA have a wide range of powers under Section 46(b)(5) & (8) of the PMLFT Act to exchange information, including regulatory, prudential and AML/CFT information, with its foreign counterparts. Financial supervisors are able to share information with other domestic and foreign competent authorities to cooperate on money laundering and financing of terrorism issues. These provisions do not prohibit MMA and CMDA to exchange information with the foreign counterparts of financial supervisors in case where its counterparts are not of the same nature.

818. *Criterion 40.15* - There are no legal impediments for FIU, MMA or CMDA to conduct inquiries on behalf of the foreign authorities as there are no specific legal provisions that prohibit FIU, MMA and CMDA to conduct inquiries on behalf of the foreign authorities.

819. CMDA may conduct investigations at the request of a foreign regulatory authority under Section 13(d) of the Securities Act.

820. *Criterion 40.16* - There are no specific legal provisions or guidelines implementing the requirement under this criterion. However, requirements for prior notification and authorisation/consent are usually included in the relevant information exchange clauses of established MOUs and some agencies may rely on MOU provisions to specify the scope of information exchanges.

Exchange of Information Between Law Enforcement Authorities

821. *Criterion 40.17* - Law enforcement agencies are able to exchange information with foreign counterparts for intelligence and investigative purposes relating to ML and TF under Section 65 of the PMLFT Act for the purposes of extradition and mutual legal assistance.

822. MPS: Intelligence and information in relation to predicate offences can be exchanged under broad provisions in Section 132 of the MPS Act in particular Section 132(e) which enables MPS to “obtain the required cooperation from foreign parties in criminal cases” and 132(g) which enables MPS to provide “cooperation and assistance on behalf of the Maldives Police to a foreign agency or organisation cooperating with the Maldives Police”.

MPS can also exchange information with foreign counterparts under Section 65 of the PMLFT Act for the purposes of extradition and mutual legal assistance concerning ML/TF offenses.

823. While not explicitly set out, these provisions could include the identification and tracking of the proceeds and instrumentalities of crime as MPS has discretion under the relevant legal framework to establish international cooperation and there is no legal restriction on MPS’s ability to exchange information with foreign counterparts.

824. MCS: Section 85 of the Customs Act allows MCS to exchange information with foreign non-counterparts for the purpose of discovering persons involved in activities in contravention to Law and regulations. While not explicitly stated, this could include identifying and tracing illicit proceeds as there is no legal provision to restrict this.

825. The Maldives is a member of the World Customs Organization (WCO) and shares information in accordance with WCO rules. As a SAARC member, it is party to the SAARC Agreement on Mutual Administrative Assistance in Customs Matters (2005). Maldives has entered into a number of bilateral agreements and MoUs with international counterparts’ Customs services including China, UAE, Malaysia, Hong Kong, China, Thailand, Australia, US and India.

826. *Criterion 40.18* - Under the relevant legal provisions set out in c.40.1 and c.40.2, agencies are able to exchange information and cooperate with foreign counterparts and conduct inquiries on behalf of foreign counterpart agencies for example intelligence agencies share information via INTERPOL and P2P channels.

827. ACC: Section 21(q) of ACC Act enables the ‘establishment of relations’ with foreign agencies, regional and international organisations to prevent corruption and to seek support and assistance in matters of mutual benefit to the Maldives. However, the provision is not explicit on whether ACC can use its powers to conduct inquiries and obtain information on behalf of counterparts. The Maldives participates in regional and global initiatives such as the International Association of Anti-Corruption Authorities and the International Organization of Supreme Audit Institutions. ACC also collaborates with foreign counterparts and is a member of the Global Operational Network of Anti-Corruption Law Enforcement Authorities (Globe Network).

828. PGO: The PGO is a member of SEAJust (established in 2020), which is a judicial cooperation network that facilitating direct contact and communication between central authorities for MLA and extradition. PGO does not conduct their own inquiries nor obtain information on behalf of counterparts.

829. MCS: There is no provision in the MCS Act to enable MCS to use its powers to conduct inquiries and obtain information on behalf of counterparts however there is no legal restriction either.

830. *Criterion 40.19* - There are no specific provisions setting out procedures or guidelines for LEAs to form joint investigative teams. However, there is no legal restriction for the Maldivian authorities to conduct joint investigations. MPS has conducted joint investigations on terrorism cases and has exchanged information as part of joint teams with international counterparts during the period under review.

Exchange of Information Between Non-Counterparts

831. *Criterion 40.20* - Competent authorities in the Maldives are able to exchange ML/TF information indirectly with non-counterparts in accordance with Section 65(a) of the PMLFT Act. This provision enables competent authorities to provide the widest possible range of cooperation to the competent authorities of other countries for purposes of extradition and mutual legal assistance in connection with criminal investigations and judicial proceedings related to money laundering and financing of terrorism.

832. Under their respective legislation, competent authorities can exchange information with non-counterparts in other jurisdictions. The broad extent of cooperation means that Maldives' authorities are not limited to exchange information only with their respective counterparts as long as the subject matter relates to their remit, the request sets out the purpose of the exchange and on whose behalf the request is being made. These conditions are set out below for each respective agency:

833. FIU: Section 65 of the PMLFT Act. Additionally, the FIU became an Egmont member in July 2024 and will adhere to the Egmont Principles of Information Exchange between FIUs with respect to indirect cooperation with foreign non-counterparts. Therefore, the exchange of information indirectly with non-counterparts is available although it may involve the use of intermediary agencies in some circumstances.

834. MPS: Section 132 of the MPS Act is a general provision allowing the MPS to cooperate with international law enforcement agencies for various purposes, including general crime investigation or a specific criminal investigation.

835. ACC: Section 21 of ACC Act allows the establishment of relationships with foreign governments, foreign relevant agencies, regional and international organisations for corruption prevention or investigations.

836. MCS: Section 85 of Customs Act allows MCS to exchange information with foreign non-counterpart agencies in the areas of law enforcement activities including identifying and tracing illicit actors and for the prevention of illicit activities.

Weighting and Conclusion

837. Authorities in the Maldives have a broad legal framework to establish international cooperation and exchange information with foreign counterparts. The legal framework for informal international cooperation is in the PMLFT Act for ML/TF offences and at the respective agency level for associated predicate offences. Most competent authorities have signed a limited number of bilateral MOUs/agreements with some foreign counterparts however there is still significant scope to expand this form of international cooperation.

838. The FIU is conferred with wide powers and discretion to exchange information with foreign FIUs, financial supervisors and non-counterparts on AML/CFT matters which has recently become more accessible with access to ESW since becoming an Egmont member in mid-2024.

839. While other authorities rely on MOUs to establish the scope and procedures for exchanging information with international counterparts, even their respective legislation provides them with the general power to share information. The deficiencies of the limited numbers of MOUs for authorities other than FIU may yet be mitigated by the wide power conferred upon on the FIU for exchange of information with counterparts and non-counterparts. Although there may be a limited number of bilateral MOUs, authorities may still through its membership in international organisations exchange information.

840. **Recommendation 40 is rated largely compliant.**

Summary of Technical Compliance – Key Deficiencies

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	PC	<ul style="list-style-type: none"> Gaps/limitations in the process of developing and identifying threats/vulnerabilities/risks may not represent accurate findings and ratings in the NRA report. Sector-specific vulnerabilities, particularly in relation to DNFBPs, NPOs, and TF remain under analysed. (c.1.1) There is no specific legal provision authorising the formation or establishment of the NCC and there is a lack of clarity in the NCC TOR that demonstrates a designated authority or mechanism to coordinate actions to assess ML/TF risks. (c.1.2) No specific statutory requirement to conduct ML/TF/PF risk assessment and there are no measures in place that require the Maldives to keep the risk assessment up to date. (c.1.3) No existing mechanism that has been established to provide information regularly on the results of the risk assessment(s) to all relevant competent authorities and self-regulatory bodies (SRBs), financial institutions and DNFBPs (c.1.4) The absence of a coordinated national approach impacts on the lack of clarity on how resources for AML/CTF have been shared across key competent authorities on a government-wide basis and how this works in practice aligned with a risk-based approach (c.1.5) Unclear mechanism within FIs of identifying higher risks and measures to ensure that their AML/CFT regime manages and mitigates such risks. (c.1.7) No specific regulatory provision for DNFBPs to apply a risk-based approach to AML/CFT compliance. (c.1.7) Unclear mechanism or regulation to ensure that the information of higher risks is incorporated into the risk assessments in the Maldives. (c.1.7) Unclear mechanism within the FIs of identifying lower risks ensuring such measures are applied and consistent with the national assessment of its ML/TF risks. (c.1.8) Lack of guidelines for financial institutions to implement the risk assessment. The FIU supervisory role and responsibility is unclear and there is no regulation for DNFBPs. (c.1.9) Lack of a comprehensive AML/CFT supervision manual/guideline etc to inform supervisors to conduct risk-based supervision activities for FIs/DNFBPs. (c.1.9) Lack of details of procedures and standards on the implementation of a risk-based approach. (c.1.10) No specific provisions on requirements for FIs and DNFBPs to identify, assess, and understand their ML/TF risks. (c.1.10) Requirements for banks, money remittance institutions, securities, consumer financial institutions, and mobile payment service providers are not provisioned under any law or

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<p>enforceable means. Further, no similar requirements for the DNFBPs. (c.1.10)</p> <ul style="list-style-type: none"> No enforceable means requiring FIs and DNFBPs to have risk mitigation policies (c.1.11). The classifications of high-risk customers are not accurate. (c.1.11). No specific provisions under the PMLFT Act that allow FIs and DNFBPs to take simplified measures to manage and mitigate lower risks, but these requirements are covered under the PMLFT regulations. (c.1.12) No enforceable guidelines permitting or governing the application of simplified measures in low-risk situations within these sectors. The lack of risk-based frameworks for DNFBPs undermines consistent application of proportionate AML/CFT measures across sectors. (c.1.12) Existing regulations do not allow the application of simplified due diligence measures whenever there is a suspicion of ML/TF. (c.1.12)
2. National cooperation and coordination	NC	<ul style="list-style-type: none"> The Maldives does not have a national AML/CFT strategy. (c.2.1) There are no formalised procedures requiring the FCWG to create policies or facilitate consultations. It remains unclear whether these MoUs incorporate formal mechanisms for operational coordination among agencies, especially regarding information sharing. (c.2.3) There is no national mechanism in place to ensure effective cooperation and coordination among competent authorities especially for combatting PF. Furthermore, the existing frameworks for inter-agency cooperation and coordination through the NCC do not explicitly include strategies to address PF. (c.2.4) There is no evidence of domestic cooperation and coordination mechanisms to ensure AML/CFT requirements are compatible with data protection and privacy rules. (c.2.5)
3. Money laundering offence	LC	<ul style="list-style-type: none"> While the definition of 'funds' or 'property' incorporates the FATF definition of "proceeds" to some extent, it is not explicit in proceeds being derived from of obtained directly or indirectly and therefore does not have as much coverage as the FATF definition. (c.3.1) No far-reaching predicate offences criminalised for ML e.g. illicit trafficking in stolen and other goods and piracy are not criminalised insufficient range of offences for environmental crimes that are predicate offences for ML. (c.3.2). Sanctions for natural persons is not considered proportionate nor dissuasive. Sanctions for legal persons are not considered dissuasive. (c.3.10)
4. Confiscation and provisional measures	PC	<ul style="list-style-type: none"> Does not extend to covering property of corresponding value (c.4.1(d))

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> There are no specific legislative measures to identify, trace and evaluate property that is subject to confiscation (c.4.2(a). it is not clear if initial application to freeze or seize property subject to confiscation is allowed to be made ex-parte or without prior notice (c.4.2(b). deficiencies exist in relation to investigative measures as outlined in R.31 (c.4.2(d). No adequate mechanism for managing and, when necessary, disposing of property that has been frozen, seized or confiscated. (c.4.4)
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> Sanctions applying to legal persons are not considered to be proportionate or dissuasive. (c.5.7)
6. Targeted financial sanctions related to terrorism & TF	NC	<ul style="list-style-type: none"> The Maldives has not identified a competent authority or court responsible for proposing persons or entities to the 1267/1989 Committee for designation, and for proposing persons or entities to the 1988 Committee for designation. (c.6.1(a)). The Maldives has no mechanisms in place for identifying targets for designation based on the designation criteria set forth in the relevant UNSCRs. (c.6.1(b). There are no procedures or mechanisms indicating evidentiary standard of reasonable grounds or reasonable basis when deciding whether or not to make a proposal for designation as established by the UNSC. (c.6.1(c)). The Maldives does not have an explicit requirement for authorities to comply with or follow the UN Sanctions Regime procedures and standard forms for listing adopted by the relevant the 1267/1989 Committee or 1988 Committee. (c.6.1(d)). There are no requirements for the authorities to provide as much relevant information as possible when proposing a designation including a statement of case on the basis of listing and specification of whether their status as a designating state may be made known. (c.6.1(e)) No competent authority having responsibility to initiate, or make proposals for designations pursuant to UNSCR 1373, either on its own motion, or at the request of another country. (c.6.2(a)) No mechanism for identifying targets for designation, based on the designation criteria set out in UNSCR 1373. (c.6.2(b)) No mechanism for designating a person or entity in line with UNSCR 1373 upon prompt consideration of requests from other countries. (c. 6.2(c)) No specified evidentiary standard of proof of "reasonable grounds" or "reasonable basis" when deciding whether or not to make a designation. (c. 6.2(d)) No specified process for requesting another country to give effect to the actions initiated under the freezing mechanisms, provide as much identifying information, and specific information supporting the designation as possible. (c. 6.2(e))

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • No procedures or mechanisms, or competent authorities, that are legally authorized to collect and solicit information to identify persons and entities that, based on reasonable grounds, meet the criteria for designation. (c.6.3(a)) • No procedures or mechanisms to operate ex parte against a person or entity who has been identified and whose (proposal for) designation is being considered. (c. 6.3(b)) • Limited freezing power under the PMLFT Act to operate without delay. (c.6.4) • The Maldives has a limited obligations on all natural and legal persons within the country to freeze without delay and without prior notice the funds or other assets of designated persons and entities as required under this criterion. (c.6.5(a)) • Although the obligation to freeze under Section 52(c) of the PMLFT Act applies to “the funds or property of persons” on the list submitted to the reporting entities, but these obligations to freeze do not fully cover the requirements as outlined in c.6.5(b). • No enforceable provisions or laws that explicitly prohibit Maldivian nationals, or any persons and entities within the jurisdiction from making funds available for the benefit of designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs. (c.6.5(c)) • No mechanism to communicate designations and the guidance is limited in relation to the narrow freezing mechanisms. (c.6.5(d)) • The PMLFT Act does not specifically provide an obligation to report actions, or the existence of funds or property related to attempted transactions. (c.6.5(e)) • No legislative measures, policies and procedures which protect the rights of bona fide third parties acting in good faith when implementing the obligations under Recommendation 6. (c.6.5(f)) • No specific and publicly known procedures in place to submit de-listing requests to the relevant UN sanctions Committee in the case of persons and entities designated pursuant to the UN Sanctions Regimes, in the view of the country, do not or no longer meet the criteria for designation. (c.6.6(a)) • No provisions explicitly empowering the Maldivian authorities, including no publicly known procedures or mechanisms, to de-list and unfreeze the funds or other assets of persons and entities designated pursuant to UNSCR 1373, that no longer meet the criteria for designation. (c.6.6(b)) • No competent authority responsible for designating terrorist groups and no specific and publicly known procedures to follow, upon request, review of the designation decision before a court or other independent competent authority. (c. 6.6(c)) • No procedures to facilitate review by the 1988 Committee in accordance with the applicable guidelines or procedures. (c. 6.6(d))

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • No specific procedures in place for informing designated persons and entities of the availability of the United Nations Office of the Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions. (c. 6.6(e)) • The Maldives laws and competent authorities do not have or specify any publicly known procedures to unfreeze the funds or other assets of persons or entities with the same or similar name as designated persons or entities, who are inadvertently affected by a freezing mechanism (i.e. a false positive), upon verification that the person or entity involved is not a designated person or entity. (c. 6.6(f)) • No specific mechanism for communicating de-listings and unfreezing to the financial sector and the DNFBPs immediately upon taking such action. (c. 6.6(g)) • No legal provisions that authorize access to frozen funds or other assets which have been determined to be necessary for basic expenses, for the payment of certain types of fees, expenses and service charges, or for extraordinary expenses, in accordance with the procedures set out in UNSCR 1452 and any successor resolutions. (c.6.7) • No legislative measures, policies and procedures that authorize access to funds or other assets, if freezing measures are applied to persons and entities designated by a (supra)national country pursuant to UNSCR 1373. (c.6.7)
7. Targeted financial sanctions related to proliferation	NC	<ul style="list-style-type: none"> • The Maldives has a limited legal basis to freeze assets of targeted financial sanctions without delay to comply with UNSCR, but the scope of the requirement and its application is very narrow and it is not well understood by implementing players or supported by competent authorities. The authorities' lack of supporting dissemination of the UN lists undermines the timely operation of the narrow requirements that are in place (c.7.1) • The Maldives has limited obligations on all natural and legal persons within the country to freeze without delay and without prior notice the funds or other assets of designated persons and entities as required under this criterion (c.7.2(a)). • The freezing obligation is very limited in scope and do not extend to funds that are controlled absent ownership. (c.7.2(b)). • There are no enforceable provisions that explicitly prohibit Maldivian nationals, or any persons and entities within the jurisdiction from making funds available for the benefit of designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs (c.7.2(c)). • There are no mechanisms explicitly identified to communicate relevant UN designations and guidance is limited in relation to the narrow freezing mechanisms (c.7.2(d)). • The PMLFT Act does not specifically provide an obligation to report actions, or the existence of funds or property related to attempted transactions. In addition, the AMLCFT Guidelines

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<p>outlining requirements relating to attempted transactions do not cover all REs (c.7.2(e)).</p> <ul style="list-style-type: none"> • There is no legal basis to protect the rights of bona fide third parties acting in good faith when implementing the obligations under R.7 (c.7.2(f)). • Sanctions are not sufficiently dissuasive as they are weak and limited (c.7.3) • There are no publicly known procedures to submit de-listing requests to the UNSC. (c.7.4(a)). • There are no publicly known procedures to unfreeze the funds or assets of persons or entities with the same or similar name as designated persons or entities who are inadvertently affected by asset freezing (c.7.4(b)). • There are no publicly known procedures that authorise the access to funds or other assets, where jurisdictions have determined that the exemption conditions set out in UNSCRs 1718 and 2231 are met (c.7.4(c)). • There are no mechanisms for communicating de-listings to the financial sector and the DNFBPs and providing guidance to FIs and other persons or entities, that may be holding targeted funds or other assets (c.7.4(d)). • The Maldives has not considered whether any addition to the accounts frozen in the form of interest, other earnings or payments due under contracts, agreements or obligations that arose prior to the designation of the persons and entities could be permitted (c.7.5(a)). • The Maldives has not considered whether a designated person or entity could make any payment in respect of contracts, agreements or obligations that arose prior to the date on which accounts became subject to targeted financial sanctions (c.7.5(b)).
8. Non-profit organisations	NC	<ul style="list-style-type: none"> • No subset of registered and international organisations that fall within the definition of NPO (in the FATF methodology) or those likely to be at risk of terrorist financing. (c.8.1(a)) • Although Maldives has identified the nature of threats posed by terrorist entities as presented in the NRA; however, it is not clear how terrorist entities abuse the at-risk NPOs. (c.8.1(b)) • Lack of clarity on how suspected NPOs were identified, whether they relate to the subset of the NPO sector that may be abused for TF, and if they address the most acute TF risks for NPOs. (c.8.1(c)) • Inadequate measures, including policies and procedures, that promote accountability, integrity, and public confidence in the administration and management of NPOs. (c.8.1(c)) • The Maldives has not undertaken some broader reviews on the measures for NPOs, therefore it is not clear whether the authorities are able to take proportionate and effective actions to address the risks related to NPOs. (c.8.1(c)) • No formal procedures for regular review on the NPOs activities ensuring their compliance to the regulatory requirements. No formal coordination mechanism set up among competent

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<p>authorities, including intelligence information exchange to support the monitoring and supervision of NPOs activities. (c.8.1(d))</p> <ul style="list-style-type: none"> • No guidelines that are publicly accessible or any other clear policies to promote accountability for NPOs on how to establish and manage accountability and transparency in the administration and management of NPOs. (c.8.2(a)) • No clear policies to encourage and undertake outreach and educational programs to raise and deepen awareness among NPOs and donor community, including no formal mechanism of inter-agency coordination to conduct outreach and educational programmes raising awareness among NPOs on TF risks, as well as the donor community. No going co-ordination between oversight bodies and other government authorities in their engagement with NPOs ensuring clear messages are sent on expectations for TF risk management. (c.8.2(b)) • No coordination framework applied among authorities in maintaining ongoing and regular dialogue with the NPO sector to ensure an accurate and up-to-date understanding of risks, understand self-regulatory measures and related internal control measures in place within NPOs, and develop an adequate policy response. (c.8.2(c)) • No evidence that the Maldives is actively encouraging or promoting the use of regulated financial channels across the broader NPO sector, particularly, no reference to targeted outreach, awareness, or guidance provided to NPOs encouraging the use of regulated financial channels; no indication of capacity building or support for smaller NPOs that may face barriers to accessing financial system, and no mention of monitoring or promoting compliance with these rules. (c.8.2(d)) • The Maldives has not taken any steps to promote effective supervision or monitoring to demonstrate that focused, proportionate and risk-based measures apply to NPOs at risk of TF abuse. (c.8.3) • No formal mechanism in place, requiring a regular risk-based monitoring on NPOs' activities is needed as part of proactive measures to detect and respond to significant changes in risks. No formal requirements for the Registrar or the Ministry of Home Affairs to ensure that the NPOs' registration is accurate and up to date, and to review NPOs' internal controls and governance as part of their monitoring policies. (c.8.4(a)) • No effective, proportionate, and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs (c.8.4(b)) • No information sharing framework between NPO associations and other relevant authorities demonstrating a cooperative and collaborative inter-agency approach to the detection of abuse and risk of NPOs. (c.8.5(a)) • No evidence of NPO specific investigative policies, procedures or expertise was provided by the Maldives. No investigation on an NPO suspected of either being exploited by or actively supporting terrorist activity. (c.8.5(b))

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> No specific provision outlining the responsibility of the Registrar for maintaining information on the administration and management of particular NPOs (including financial and programmatic information). (c.8.5(c)) Although the Registrar is part of the FCWG, but the Maldives has not established a formal mechanism to help authorities to identify TF suspicions related to NPOs activities, in response to c.8.5(d). The Maldives has not demonstrated that it has identified appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support. (c.8.6)
9. Financial institution secrecy laws	LC	<ul style="list-style-type: none"> Professional privilege obligations only extend to banks and not all FIs. It is also unclear, in the absence of specific provisions, whether financial institutions can share information between themselves. (c.9.1)
10. Customer due diligence	PC	<ul style="list-style-type: none"> Minor deficiencies in c.10.4 - 10.7 limit the full scope of CDD obligations when establishing business relations (c.10.2(a)), conducting occasional transactions (c.10.2(b)), occasional wire transfers (c.10.2(c)), where there is a suspicion of ML/TF (c.10.2(d)), or there are doubts on previously obtained CDD information (c.10.2(e)). There are no requirements for the financial leasing, consumer finance or the state-owned pension fund to verify if the person acting on behalf of a customer is authorised to do so (c.10.4) There are no requirements for the financial leasing, consumer finance or the state-owned pension fund to verify the BO through reliable and independent sources (c.10.5) It is not clear that FIs have an obligation to understand the purpose and intended nature of the business relationship. (c.10.6) There are no requirements for the financial leasing, consumer finance or the state-owned pension fund to conduct ongoing due diligence in keeping with the risk profile of the customer and nature of transactions (c.10.7(b)) The requirement to understand the control structure is not mandated under any regulation. (c.10.8) There is no requirement to obtain name, legal form and proof of existence for legal arrangements, nor deed of trust. (c.10.9(a)) and there is no requirement to obtain powers that regulate and bind legal arrangement. (c.10.9(b)). There is no requirement to obtain the address of the principal place of business for legal persons if this differs from the head office address. Addresses of legal arrangements are not required (c.10.9(c)) It is unclear what constitutes 'reasonable measures' to verify the BO of a legal person (c.10.10(a). There are no requirements to identify and verify a BO exercising control of a legal person or arrangement through other means (c.10.10(b)). FIs are not explicitly required to identify and verify class of beneficiaries, nor the protector nor the natural person

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<p>exercising ultimate effective control over a legal arrangement (c.10.11).</p> <ul style="list-style-type: none"> There is no explicit provision for a beneficiary that is designated by characteristics or by class or by other means to be identified (c.10.12(b)). It is not clear that the identity of the beneficiary of life insurance policies is verified at the time of payout (c.10.12(c)). There are no explicit provisions requiring beneficiary of the life insurance policy to be considered as a relevant risk factor in determining whether EDD is applicable. There is no requirement to take enhanced measures including identification and verification of BO of the beneficiary when FI determines that beneficiary is a legal person or legal arrangement that poses higher risk (c.10.13). There are no explicit provisions for financial leasing and consumer finance or the state-owned pension fund to verify the identity of customer and BO before carrying out a transaction (c.10.14). There is no explicit requirement to adopt risk management procedures concerning the customer's utilisation of the business relationship if a business relationship is established prior to verification of identity (c.10.15). There is no explicit requirement to apply CDD based on materiality and risk for ongoing customers, including taking into consideration whether and when such ongoing due diligence was previously undertaken and the adequacy of the data obtained (c.10.16). There are no requirements for financial leasing and consumer finance or the state-owned pension fund to conduct enhanced due diligence where ML/TF risks are higher (c.10.17). Simplified due diligence measures are not required to be commensurate with the level of lower risk, nor explicitly excluded where there are suspicions of ML/TF or other higher risk scenarios (c.10.18). There are no requirements for financial leasing and consumer finance or the state-owned pension fund to not conduct transactions where CDD cannot be completed (c.10.19). There are no explicit provisions for FIs to not pursue the CDD process and instead file an STR when a suspicion of ML/TF has been formed (c.10.20).
11. Record keeping	LC	<ul style="list-style-type: none"> There are minor deficiencies regarding lack of requirements to maintain records for at least five years for financial leasing and consumer finance sector or the state-owned pension fund (c.11.1 and C.11.2)
12. Politically exposed persons	PC	<ul style="list-style-type: none"> The categorical classification and identification of what constitutes a prominent public function for foreign PEPs is not explicit (c.12.1) There is no explicit requirement for REs to put in place a risk management system to determine whether a customer or BO is a PEP (c.12.1(a)).

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • There are no requirements for MVTs, MCBs, financial leasing and consumer finance sector as well as the state-owned pension fund to obtain senior management approval for continuing relationships with existing customers identified as PEPs (c.12.1(b)). • There are no requirements regarding classifying PEPs as high-risk customers and applying enhanced measures for financial leasing and consumer finance sector as well as the state-owned pension fund (c.12.1(c)) • Categorical classification and identification of domestic PEPs is not available. The definition of PEPs does not cover persons who have been entrusted with a prominent function by an international organisation. (c.12.2) • There is no explicit requirement for REs to take reasonable measures to determine whether a customer or BO is a PEP. (c.12.2(a)) • There are no enforceable requirements to determine the risk level of domestic PEPs or persons who have been entrusted with a prominent function by an international organisation and to apply appropriate measures. (c.12.2(b)) • It is unclear who falls under the definition of family members or close associates of PEPs. (12.3) • Life and family takaful insurance businesses and their brokers are not required to identify the BO of the beneficiary and no requirement to take reasonable measures to determine whether beneficiary or the BO of a beneficiary are PEPs. Informing senior management before payout of policy proceeds and conducting enhanced scrutiny, where higher risks are identified is also not explicitly required (c.12.4).
13. Correspondent banking	LC	<ul style="list-style-type: none"> • There are no requirements to understand the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action. (c.13.1(a)) • It is not clear whether respective AML/CFT responsibilities and obligations of foreign and domestic financial institutions extends to being understood. (c.13.1(d)) • FIs are not required to satisfy themselves that respondent financial institutions do not permit their accounts from being used by shell banks. (c.13.3)
14. Money or value transfer services	PC	<ul style="list-style-type: none"> • It is unclear to whom the imprisonment is levied, where applicable, or that coordinated action has been taken to identify unlicensed operators. (c.14.2) • Minimal monitoring on compliance with AML/CFT requirements has been undertaken (c.14.3) • MVTs providers that use agents are not explicitly required to include them in their AML/CFT programmes and monitor them for compliance with these programmes. (c.14.5)
15. New technologies	NC	<ul style="list-style-type: none"> • The Maldives has not assessed ML/TF risks with respect to new technologies. Further, there is no obligation for FIs to identify and assess such risks (c.15.1)

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • There is no requirement for FIs to undertake risk assessments prior to the launch or use of new products, practices and technologies (c.15.2). • The Maldives has not assessed ML/TF risks emerging from VA and VASPs (c.15.3(a)). • The Maldives has not applied a risk-based approach to mitigate ML/TF risks associated with VA and VASPs. There is no regulatory framework in place nor have VAs been prohibited (c.15.3(b)). • There are no requirements on VASPs to identify, assess, manage and mitigate their ML/TF risks (c.15.3 (c)). • There are no licensing or registering requirements for VASPs. There is no regulatory/ supervisory framework pertaining to VAs and VASPs (c.15.4). • There are no completed actions taken to identify natural or legal persons that carry out VASP activities (c.15.5). • There is no legal provision identifying a supervisory authority for VASPs and requiring VASPs to be subject to adequate regulation and risk-based supervision or monitoring (c.15.6). • There are no guidelines nor the provision of feedback for VASPs in line with R.34 (c.15.7). • There are no proportionate and dissuasive sanctions available for failure to comply with AML/CFT requirements (c.15.8). • There are no provisions requiring VASPs to comply with the required preventive measures set out in R.10 to R.21, including with the travel rule requirements (c.15.9). • There are no established communication mechanisms, reporting obligations and monitoring with respect to TFS with respect to VASPs (c.15.10). • In the absence of supervisory framework for VASPs, there is no legal basis for exchanging information with foreign counterparts (c.15.11)
16. Wire transfers	PC	<ul style="list-style-type: none"> • The details of what an ordering FI is required to collect on a beneficiary are not specified (c.16.1(b)) • There is no requirement for batch files to contain information required under c.16.2. • There is no threshold for the requirements of c.16.1. (c. 16.3). • Deficiencies related to beneficiary information (c.16.1) and record-keeping (R.11) apply to record keeping requirements for wire transfers (c.16.7). • Ordering FIs are not explicitly prohibited to execute wire transfers where the requirements specified from c.16.1 through c.16.7 are not complied with (c. 16.8). • No requirement to maintain all beneficiary information when involved as an intermediary in a transfer payment chain (c.16.9).

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Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • There is no explicit provision covering record keeping requirements by the intermediary FI, irrespective of technical limitations (c. 16.10). • There are no provisions requiring intermediary FIs to identify cross-border wire transfers, that lack required originator or beneficiary information (c.16.11). • There are no provisions requiring intermediary FIs to have risk-based policies and procedures (c.16.12 and c.16.15). • There is no requirement to take reasonable measures regarding monitoring in case of wire transfers in order to identify inadequate originator or beneficiary information (c.16.13). • Relevant provisions of PMLFT Act and regulations issued to MVTs providers contain only some requirements of R.16 to be complied by MVTs providers (c.16.16). • There are no requirements for MVTs provider that controls both the ordering and beneficiary side to consider all the information from both ordering and beneficiary sides in order to determine whether an STR has to be filed and file an STR in any country affected by the suspicious wire transfer & make relevant transaction information available to the FIU (c.16.17) • A sustained communication strategy regarding designations is unclear in light of lack of explicit legal requirements (c.16.18).
17. Reliance on third parties	NC	<ul style="list-style-type: none"> • There are no provisions and obligations relating to fulfilment of this criterion by FIs of reliance on third parties in the PMLFT Act and sectoral regulations (c.17.1) • There is no obligation for FIs to have regard to the information available on the level of country risk of relevant third parties (c.17.2)
18. Internal controls and foreign branches and subsidiaries	PC	<ul style="list-style-type: none"> • The type and extent of measures required in internal programs to address ML/TF risks and size of the business is not explicit (c.18.1) • There are no specific provisions in law or other enforceable means that require financial groups to implement group wide programs against ML/TF risks (c.18.2) • There is no requirement to assess the gaps of home/ host country measures and apply additional measures, where required (c.18.3).
19. Higher-risk countries	PC	<ul style="list-style-type: none"> • There are no requirements for financial leasing and consumer finance or the state-owned pension fund to apply enhanced due diligence to business relationships and transactions from higher risk countries (c.19.1) • Maldives cannot apply countermeasures proportionate to the risks: (a) when called upon to do so by the FATF and (b) independently of any call by the FATF to do so. (c.19.2) • There are no other measures in place to advise FIs about concerns in weaknesses in the AML/CFT systems of other countries, outside of the FATF designations. (c.19.3)

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
20. Reporting of suspicious transaction	LC	<ul style="list-style-type: none"> The grounds for suspicion are not explicitly required to be 'reasonable'. (c.20.1) Inadequate coverage of all predicate offences which would constitute 'criminal activity' subject to reporting obligations. (c.20.1)
21. Tipping-off and confidentiality	C	N/A
22. DNFBPs: Customer due diligence		<ul style="list-style-type: none"> Deficiencies related to CDD as outlined in R.10 apply to DNFBPs (c.22.1). The deficiencies related to record-keeping as outlined in R.11 apply to DNFBPs (c.22.2). The deficiencies related to PEPs as outlined in R.12 apply to DNFBPs (c.22.3). No enforceable means are in place for DNFBPs to comply with the new technologies' requirements set out in R.15 (c.22.4). No enforceable means are in place for DNFBPs to comply with the reliance on third-parties requirements set out in R.17 (c.22.5).
23. DNFBPs: Other measures	PC	<ul style="list-style-type: none"> Deficiencies related to STR and tipping off requirements as set out in R.21 apply to DNFBPs. No limit has been set on the cash threshold for DPMS and real estate agents requiring the filing of STRs. There are no specific requirements for TCSPs. (c.23.1 and c.23.4). The deficiencies related to reliance on third parties as outlined in R.18 apply to DNFBPs (c.23.2) The deficiencies related to higher-risk countries as outlined in R.19 apply to DNFBPs (c.23.3).
24. Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> Definition of BO and Significant BO (SBO) do not fully align with the FATF definition. If the SBO is a foreign entity, there is no requirement of disclosure of BO information of the foreign entity. There is no express prohibition on foreign nationals establishing cooperative societies in the Maldives, but members of the management committee shall be a Maldivian citizen (c. 24.1). The Maldives has not assessed the ML/TF risks associated with different types of legal persons (c.24.2). The basic information required to be collected by partnerships and cooperative societies does not capture all elements of this criterion (c.24.3) There is no requirement for partnership to notify the Registrar of the location records are kept (c.24.4) It is not clear what information is required to be collected on the control structure of legal persons. There are limited regulations to ensure the information collected by all types of legal persons is accurate and up to date. There are no requirements to notify the Registrar of the removal of a partner. There is no mechanism requiring the society to regularly update

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<p>the Registrar of the change of any membership or management committee (c.24.5)</p> <ul style="list-style-type: none"> • The timeframes for obtaining and maintaining BO information for LLPs and cooperative societies is not specified and deficiencies in the information collected on control structure also apply (c.24.6 and c.24.7) • There is no specific requirement that this natural person resident in the Maldives authorised to be accountable for providing basic and BO information. Deficiencies in the information collected on control structure also apply (c.24.8). • There are no specific requirements for a record-keeping period after an LLP or cooperative society is dissolved or ceases to exist (c.24.9). • There are no explicit requirements on the timeliness to compel the production of records on basic and beneficial ownership (c.24.10). • There is no legislation in the Maldives explicitly prohibiting legal persons from issuing bearer shares or bearer share warrants (c.24.11) • There are no explicit requirements to disclose the identity of the nominee director to the company or Registrar (c.24.12) • Sanctions do not appear to be proportionate and dissuasive (c.24.13). • There is no guideline or mechanism in place to ensure rapid exchange of information or cooperation (c.24.14). • There are no specific guidelines for all competent authorities to monitor the quality of assistance they receive from foreign counterparts in relation to basic and beneficial ownership information (c.24.15).
25. Transparency and beneficial ownership of legal arrangements	PC	<ul style="list-style-type: none"> • There are no provisions covering the class of beneficiaries or any other natural person exercising ultimate effective control over a trust. Beyond these, there are no requirements for trustees, including non-professional trustees, to obtain and hold this information. (c.25.1 and c.25.8) • There is no timeframe for submission and updating of BO information of legal arrangements (c.25.2) • There are no explicit legal obligations on trustees to disclose their status to FIs and DNFBPs. (c.25.3) • TCSPs are not required to provide information on the assets held or managed under the terms of the business relationship to competent authorities, nor is there a requirement to keep this information up to date (c.25.4) • There are no specific provisions on obtaining information directly from trustees, including non-professional trustees. (c.25.5) • It appears that there is no mechanism nor guidelines in place to ensure the information can be exchanged rapidly. (c.25.6) • There is no legal framework for legal liability of trustees for failing to perform their duties nor proportionate and dissuasive sanctions for non-compliance (c.25.7)

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
26. Regulation and supervision of financial institutions	PC	<ul style="list-style-type: none"> Fit and proper requirements do not extend to persons that are beneficial owner of a significant or controlling interest in securities businesses or the state-owned pension fund. These fit and proper requirements also do not extend to senior management in securities businesses, and it is unclear how verification of fit and proper requirements is completed by MMA for the FIs under its purview (c.26.3) For securities sector, there has been no assessment with respect to IOSCO principles and there is no risk-sensitive supervisory approach. There are no external assessments with respect to observation of IAIS principles with self-assessment conducted in 2022 (c.26.4). There are no requirements for MMA and CMDA evidencing that frequency and intensity of on-site and off-site AML/CFT supervision of FIs or groups are determined based on ML/TF risk, policies, internal controls and procedures associated with FI or group, ML/TF risks present in the country and characteristics of FIs or groups (c.26.5). There are no requirements for FIU, MMA and CMDA to review the assessment of the ML/TF risk profile of a FI or group periodically, and when there are major events or developments in the management and operations of FI or group (c.26.6).
27. Powers of supervisors	LC	<ul style="list-style-type: none"> Supervisors are not empowered to issue sanctions for violations or non-compliance of PMLFT Regulations for the various sectors (c.27.4).
28. Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> There are no designated supervisors for real estate agents, DPMS and TCSPs. It is unclear what examination by the FIU includes and if fit and proper checks are included as a part of examination (c.28.2) Real estate agents, DPMS and TCSPs are not subject to systems for monitoring AML/CFT compliance (c.28.3 and c.28.4(a) and c.28.5)) The market entry controls for lawyers, notaries, accountants, auditors and tax advisers are not sufficient to prevent criminal ownership, control or management of these DNFBPs. Further, there are no requirements to prohibit criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest or holding a management function in a DNFBP. (c.28.4(b)). Sanctions cannot be imposed for all DNFBPs (c.28.4(c)) None of the designated DNFBP supervisors have issued any supervisory framework to conduct AML/CFT supervision (c.28.5)
29. Financial intelligence units	LC	<ul style="list-style-type: none"> The MMA has not issued regulations pertaining to STR obligations specifically for DNFBPs, including those related to cash transaction reporting thresholds. (c.29.2(a)) there are no regulations imposing threshold reporting obligations on DNFBPs. International funds transfers threshold reporting is only specified for banks. No other reporting entities have the obligation. (c.29.2(b))

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> There are no established SOPs or MOUs detailing the processes for requesting information or defining response timelines related to other LEA/competent authority databases. Further while BO information is accessible to LEAs and the FIU through the central BO registry, there is no verification process in place by the competent authority to ensure that this information is current and accurate. (c.29.3(b)) The strategic analysis process lacks detailed steps and a clear mechanism for reporting findings to competent authorities (c.29.4(b)) Lack of SOPs governing sharing of FIU intelligence by recipient LEAs with third parties (c.29.5) There is a lack of specific legislation addressing privacy, confidentiality and computerized databases of the FIU. (c.29.6(a)) It is unclear what vetting and training FIU staff are required to undertake relating to the handling and dissemination of confidential information. (c.29.6(b)) The FIU lacks independent legal status as its administrative and support functions (such as IT, HR, finance etc.) (c.29.7(c)) The head of FIU does not decide on the selection, recruitment, appointment and dismissal of FIU staff. The budget and resource requirements for the FIU are also determined by the Governor of MMA (c.29.7(d))
30. Responsibilities of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> Seizing and freezing powers are limited to offences involving terrorism and money-laundering and not associated predicate offences. Further, it is not clear that these powers extend to the expeditious identification, tracing, freezing and seizure of suspected proceeds of crime. (c.30.3)
31. Powers of law enforcement and investigative authorities	PC	<ul style="list-style-type: none"> There is no provision covering DNFBPs to produce records. c.31.1(a) Translation of all relevant legislation has not been shared with the assessment team (c.31.1(b) - c.31.1(d)) There are no express provisions for MIRA, CMDA or ACC to conduct undercover operations. (c.31.2(a)) Translation of all relevant legislation has not been shared with the assessment team (c.31.2(c)) ACC and MIRA cannot perform controlled deliveries. only MPS has the powers to perform controlled deliveries involving ML and TF. (c.31.2(d)) it is unknown what mechanisms are in place to ensure records are maintained or if this is done in timely manner or whether this applies to both natural and all legal persons that hold or control accounts. (c.31.3(a)) It is unknown whether competent authorities have a mechanism or process to identify assets without prior notification to the owner. (c.31.3(b)).
32. Cash couriers	LC	<ul style="list-style-type: none"> There is no requirement regarding the intended use of cash (c.32.4).

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Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> The administrative penalties are not dissuasive enough particularly in the instance of first-time offending (c.32.5). Provisions are broad and while not explicitly addressing coverage of MCS' declaration system, there are no legal provisions to restrict the facilitation of international cooperation through retaining:(a) a declaration or disclosure which exceeds the prescribed threshold is made; or(b) there is a false declaration or false disclosure; or(c) there is a suspicion of ML/TF (c.32.9). Making a false or misleading declaration is only subject to administrative penalties which are not dissuasive (c.32.11) Making a false or misleading declaration is only subject to administrative penalties which are not dissuasive (c.32.11(a)). Measures exist to confiscate currency or BNIs involved in physical cross-border transportation that are related to ML/TF or predicate offences but can only be under court order (c.32.11(b)).
33. Statistics	LC	<ul style="list-style-type: none"> There is no formal requirement for MPS and PGO to maintain statistics on ML/TF cases. The information provided publicly lacks details pertaining to ML/TF investigations, prosecutions and convictions, including a lack of information on number of ongoing investigations and prosecutions, cases linked to predicate crimes or whether from domestic or foreign proceeds, and whether third party or self-laundering. In addition, statistics are not shared across agencies on a real time basis. (c.33.1(b)) Lack of a mechanism for confiscation statistics at the national level. (c.33.1(c))
34. Guidance and feedback	PC	<ul style="list-style-type: none"> No guidance has been issued for DNFBPs and the STR guideline for FIs has not been revised since 2016 (c.34.1)
35. Sanctions	PC	<ul style="list-style-type: none"> There are no AML/CFT requirements in place for NPOs in PMLFT Act, as a result no sanctions are available and applicable. The sanctions relating to R.9to 23 are proportionate but not dissuasive. Also, it is unclear if such sanctions are available to natural persons who fail to comply with the AML/CFT requirements. There are no competent authorities designated as supervisors for all REs so no authority to issue sanctions. (c.35.1) There are no provisions in place for directors and senior management of relevant entities to be held accountable for non-compliance of AML/CFT requirements regarding R.6 and R.8. (c.35.2)
36. International instruments	PC	<ul style="list-style-type: none"> There are gaps in the implementation of Article 8 (transfer of proceedings) of the Vienna Convention. (c.36.2). Minor shortcomings in its implementation of the Palermo Convention are based on gaps in the ML offence relating to categories of predicate offences not being captured as discussed in R.3(c.36.2).

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Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> Deficiencies in noted in R. 38 and R.39 (in particular R.39) affect the implementation of the international cooperation obligations in the Vienna, Palermo and Merida Conventions (c.36.2). Gaps identified in the 2024 UNCAC Report including deficiencies in the: (i) asset recovery framework; (ii) BO verification; (iii) asset declaration regime; and (iv) confiscation framework (c.36.2)
37. Mutual legal assistance	LC	<ul style="list-style-type: none"> There are no specific internal guidelines, SOP or processes demonstrating how Maldivian authorities would coordinate and cooperate when handling an MLA request (c.37.1) There is no designated agency to execute all MLA requests set out in law. MPS processes and procedures to undertake MLA requests is unclear (c.37.2). Section 8(b)(4) of the MLA Act is unduly restrictive, as it provides a discretionary ground of refusal for the reason of prejudicing a local criminal investigation or proceeding. It is also inconsistent with Section 8(d) which enables the deferral of execution requests (c.37.3) a lack of dual criminality will not be the sole ground leading to refusal for non-coercive actions or the relevant assistance may be rendered via agency-to-agency cooperation (c.37.6).
38. Mutual legal assistance: freezing and confiscation	PC	<ul style="list-style-type: none"> It is unclear what the legal framework is for rendering assistance under Section 37 of the MLA Act. There is no definition of “proceeds of crime”, “property”, “money” under the MLA Act. (c.38.1) It is not clear that this assistance can be provided on the basis of non-conviction-based confiscation proceedings. (c.38.2) There is no specific provision on the management or realisation of the assets or seized properties. There is also no guideline or rule on what kind of directions the Prosecutor General may give to the Police or what arrangements may be made by the Maldivian court. (c.38.3)
39. Extradition	LC	<ul style="list-style-type: none"> The application of the Extradition Act is limited to “extradition countries” however currently there is no identified state on the list. (c.39.1(a)) There are no procedures providing for clear timeframes for processing official extradition requests (including those made after the provisional arrest). (C.39.1(b)) It is unclear if the case must be submitted without undue delay to competent authorities. (c.39.2) The Maldives does not have a mechanism in place for direct transmission of requests for provisions arrests and extraditing persons based only on warrants of arrests or judgments. (c.39.4)
40. Other forms of international cooperation	LC	<ul style="list-style-type: none"> Authorities (other than FIU) require an MOU/form of arrangement to ensure the confidentiality of information restricting the spontaneous nature of exchanging information (c.40.1 and c.40.5).

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Recommendation	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • There is no designated platform prescribed by Maldives agencies for transmitting information (c.40.2(c)) • There is no specific procedure or guideline for prioritization and timely execution of requests (c.40.2(d)). • There are no clear, explicit processes for safeguarding information received however confidentiality requirements must be met (c.40.2(e)). • Timeliness to sign MOUs is unclear for all agencies (c.40.3) • the Maldives does not have specific guidelines, standard procedure or mechanisms for providing timely feedback upon request (c.40.4). • there is no standard procedure or guideline for competent authorities in the Maldives to access whether the requesting authority is able to protect the information obtained from the Maldives and if this is the case, for the Maldives to refuse the providing of information (c.40.7). • The FIU does not systematically provide feedback to international counterparts as this is not a legal requirement however the FIU does provide feedback on request (c.40.10). • There are no specific legal provisions or guidelines to implement (c.40.16) • It is unclear whether provisions extend to conducting inquiries on behalf of foreign counterpart agencies. (c.40.18) • There are no specific provisions setting out procedures or guidelines for LEAs to form joint investigative teams. (c.40.19).

GLOSSARY

ACC	Anti-Corruption Commission
AML	Anti-Money Laundering
AT	Assessment Team
AuGO	Auditor General's Office
BNI	Bearer Negotiable Instrument
BO	Beneficial Ownership
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
CMDA	Capital Markets Development Authority
CPF	Counter Proliferation Financing
CT	Counter Terrorism
CTR	Currency Transaction Report
DEU	Drug Enforcement Unit
DIS	Defence Intelligence Service
DNFBP	Designated Non-Financial Business or Profession
DPMS	Dealer in Precious Metals and Stones
ECI	Economic Crime Investigations
EDD	Enhanced Due Diligence
EEZ	Exclusive Economic Zone
FCWG	Financial Crime Working Group
FI	Financial Institution
FIU	Financial Intelligence Unit
FTF	Foreign Terrorist Fighter
FTO	Foreign Terrorist Organisation
ICAM	Institute of Chartered Accountants of the Maldives
IUU	Illegal, Unreported and Unregulated
JSC	Judicial Service Commission
LEA	Law Enforcement Agency
MBC	Maldives Bar Council
MCB	Money Changing Business
MCS	Maldives Customs Service
MEDT	Ministry of Economic Development and Trade
MI	Maldives Immigration
MIRA	Maldives Inland Revenue Authority
ML	Money Laundering
MLA	Mutual Legal Assistance
MMA	Maldives Monetary Authority
MNDF	Maldives National Defence Force
MoFA	Ministry of Foreign Affairs
MoFT	Ministry of Finance and Treasury
MoHA	Ministry of Home Affairs
MoU	Memorandum of Understanding

MPS	Maldives Police Service
MVR	Maldivian Rufiyaa
MVTS	Money Value Transfer Service
MYEIA	Ministry of Youth Empowerment, Information and Arts
NBFI	Non-Bank Financial Institution
NCC	National Coordinating Committee
NCTC	National Counter Terrorism Centre
NPO	Non Profit Organisation
OFAC	Office of Foreign Assets Control
PEP	Politically Exposed Person
PF	Proliferation Financing
PGO	Prosecutor General's Office
PMLFT	Prevention of Money Laundering and Financing of Terrorism
RE	Reporting Entity
SEZ	Special Economic Zone
SOP	Standard Operating Procedure
SRB	Self-Regulatory Body
STR	Suspicious Transaction Report
TAR	Transaction Activity Report
TBML	Trade-Based Money Laundering
TCSP	Trust and Company Service Provider
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
ToR	Terms of Reference
TTR	Threshold Transaction Report
UNSCR	United Nations Security Council Resolution
VA	Virtual Asset
VASP	Virtual Asset Service Provider
WCO	World Customs Organisation
WMD	Weapon of Mass Destruction



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Anti-money laundering and counter-terrorist financing measures – the Maldives

3rd Round APG Mutual Evaluation Report

In this report: a summary of the anti-money laundering (AML)/countering the financing of-terrorism (CFT) measures in place in the Maldives as at January 2025. The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the Maldives' AML/CFT system, and provides recommendations on how the system could be strengthened.