
PARTICIPANTS' PAPERS

CURRENT CHALLENGES AND EFFECTIVE COUNTERMEASURES IN THE FIGHT AGAINST MONEY-LAUNDERING AND TERRORISM FINANCE IN THE MALDIVES

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I. DEFINITION OF MONEY-LAUNDERING (PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM ACT 10/2014)

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 assisting any person who is involved in the commission of a predicate offence to evade the legal consequences of his or her actions; or 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 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 participation in or conspiracy to commit, attempt to commit and aiding, abetting, facilitating and counselling the commission of any of the activities contained in (1), (2), and (3) of this subsection. The offence of money-laundering shall also apply to people who have committed the predicate offence.

II. DEFINITION OF TERRORISM FINANCING (PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM ACT 10/2014)

“Financing of terrorism” shall mean an act by any person who by any means, directly or indirectly, wilfully, provides or collects funds, or attempts to do so, with the intention to use the funds 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 been used to commit such act.

III. PREDICATE OFFENCES

Predicate offences under the Prevention of Money Laundering and Financing of Terrorism Act 10/2014 include: Terrorism; Terrorism financing; Illicit trafficking in narcotic drugs and psychotropic substances; Human trafficking; Illicit arms trafficking; Counterfeiting currency; Insider trading; Corruption; Crimes committed by organized criminal groups; Any offence categorized as a “serious offence” under other Maldivian laws; Aiding, abetting, or participating in the commission of any of the offences listed above.

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IV. KEY INSTITUTIONS COUNTERING MONEY-LAUNDERING AND TERRORISM FINANCING IN THE MALDIVES

A. Maldives Financial Intelligence Unit (MFIU)

The primary national agency responsible for AML/CFT intelligence gathering receives and analyses Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) from financial and non-financial institutions, shares intelligence with law enforcement and international counterparts, operates under the Maldives Monetary Authority (MMA) and is a member of the Egmont Group (global FIU network).

B. Maldives Monetary Authority (MMA)

The Maldives Monetary Authority (MMA) serves as the central bank and main financial regulator, overseeing banks, insurance companies, finance firms and money service businesses. Although the Maldives is not a member of the Financial Action Task Force (FATF), the MMA aligns its regulatory framework with FATF Recommendations and global best practices. It issues AML/CFT regulations, supervises compliance and promotes risk-based approaches to customer due diligence (CDD), Know Your Customer (KYC) and transaction monitoring. MMA plays a key role in national AML/CFT efforts, working closely with the Maldives Financial Intelligence Unit (MFIU), law enforcement and regional bodies such as the Asia/Pacific Group on Money Laundering (APG) to strengthen the country's financial integrity system.

C. Capital Market Development Authority CMDA

The Capital Market Development Authority (CMDA) is the independent regulator of capital markets in the Maldives, including the Maldives Stock Exchange and related financial service providers. It also oversees AML/CFT compliance within the capital market sector. CMDA monitors brokers, dealers, investment advisers and listed companies to ensure adherence to obligations such as customer due diligence, beneficial ownership transparency, suspicious transaction reporting and record-keeping. It plays a key role in preventing the misuse of capital markets for money-laundering or market manipulation and works with the MFIU and other agencies to share intelligence, strengthen enforcement and raise AML/CFT awareness in the investment sector.

D. Maldives Police Service (MPS)

The Maldives Police Service (MPS) is responsible for detecting and investigating money-laundering and terrorism financing offences, utilizing a range of investigative techniques including digital forensics tools to analyse electronic evidence such as transaction records, communication data and digital wallets. They conduct evidence gathering, search and seizure operations, and prepare investigative reports while maintaining close coordination with the Maldives Financial Intelligence Unit, Maldives Monetary Authority and the Prosecutor General's Office (PGO). For international cases, Maldives Police Service prioritizes police-to-police cooperation before submitting formal Mutual Legal Assistance (MLA) requests. MLA requests are carefully drafted to ensure clear objectives, verification of dual criminality and inclusion of necessary documentation.

E. Prosecutor General's Office (PGO)

The Prosecutor General's Office (PGO) provides legal oversight throughout investigations and prosecutions, offering guidance to law enforcement and reviewing MLA requests to ensure legal accuracy and compliance with international standards. The PGO determines charges, prepares prosecution cases and manages follow-up on MLA outcomes. It emphasizes pre-submission consultations and strong coordination with investigative agencies and foreign counterparts to enhance the effectiveness of AML/CFT prosecutions in the Maldives.

F. Judiciary (Courts)

The judiciary plays a central role in adjudicating ML and TF cases. Courts are responsible for ensuring due process and upholding the right to a fair trial. They have the authority to issue orders for search, arrest, and asset freezing or confiscation. Upon conviction, the courts impose penalties which may include imprisonment, fines or the forfeiture of illicit assets, thereby reinforcing the rule of law and the integrity of the justice system.

G. Penalties and Sentencing Considerations for ML/TF

1. Penalties for Money-Laundering (ML)

Imprisonment: Convictions for money-laundering can lead to up to 10 years in prison. *Fines:* Fines are significant, with amounts that can be imposed depending on the severity of the crime, but specific fine amounts are generally discretionary and determined on a case-by-case basis.

2. Penalties for Terrorism Financing (TF)

Imprisonment: Those convicted of financing terrorism can face up to 15 years in prison. For money-laundering, fines may be levied, although the specifics depend on the details of the case.

3. Other Relevant Points

Confiscation of Assets: Both money-laundering and terrorism financing can result in the seizure and confiscation of assets related to the crime.

Corporate Liability: Companies involved in money-laundering or terrorism financing can face substantial penalties, including fines and operational restrictions.

Increased Penalties for Aggravated Offences: If the offence involves organized criminal groups or terrorism-related activities, the penalties can be more severe, especially for repeat offenders or high-profile cases.

4. Factors that Lead to Stricter Sentencing

- Repeat offender
- Abuse of position
- Use of front or shell companies
- Large amounts involved
- Cross-border transactions
- Organized criminal group involvement

5. Factors for Reducing Sentencing:

- Cooperation with authorities
- Voluntary disclosure
- First-time offender
- Minor role in the offence
- Restitution or compensation

V. INTERNATIONAL COOPERATION UNDER THE PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM ACT 10/2014

- Enables Mutual Legal Assistance (MLA) for investigation, prosecution, asset freezing, and evidence sharing in ML/TF cases.
- Allows exchange of financial intelligence between Maldives authorities and foreign counterparts. (FIU to FIU)
- Aligns with international standards such as FATF Recommendations, including principles of dual criminality and reciprocity.
- Designates key agencies responsible for cooperation: MFIU, Maldives Police Service, Prosecutor General's Office, and Maldives Monetary Authority.
- Supports collaboration with regional and international bodies like the Egmont Group the Asia/Pacific Group on Money Laundering (APG).

VI. STATISTICS OF MONEY-LAUNDERING AND TERRORISM FINANCING CASES (2019-2024)

Year	TF Investigations	TF Prosecutions	ML Investigations	ML Prosecutions
2019	1	1	13	1
2020	1	0	25	1
2021	2	1	17	3
2022	0	0	27	7
2023	0	1	30	19
2024	0	0	46	19

VII. CASE STUDY: SUSPICIOUS REMITTANCE FOUND DURING HOUSE SEARCH¹

In the Maldives, reported cases related to terrorism financing (TF) have historically been very limited. However, even isolated cases can reveal serious vulnerabilities in the financial system. The following case study—though fictional—illustrates how a routine search can expose potential TF indicators and why proactive monitoring, and international cooperation are essential.

During an ongoing investigation, the Maldives Police Service Investigation Team conducted a search at the residence of a suspect, “Ben.” The search uncovered a significant amount of cash alongside a MoneyGram receipt indicating an international money transfer from an individual named “Jack,” residing in another country. Subsequent checks revealed that Jack has a criminal history related to terrorist activities in his home country, raising serious concerns that the transferred funds might be connected to terrorist financing or other illicit activities.

To further the investigation, police-to-police cooperation took place with the law enforcement agency in Jack’s country to quickly share intelligence and coordinate preliminary investigative actions. Simultaneously, a formal Mutual Legal Assistance (MLA) request was submitted to obtain detailed financial records and relevant evidence from the foreign jurisdiction. This coordinated approach allowed for efficient cross-border information exchange, helping to trace the origin and intended use of the funds.

This case highlights how a small piece of evidence, such as a remittance receipt, can uncover larger criminal networks. It also emphasizes the importance of strong international cooperation through both direct police collaboration and formal MLA channels to effectively combat money-laundering and terrorism financing.

VIII. CURRENT CHALLENGES AND POSSIBLE COUNTERMEASURES

A. Institutional Capacity of the FIU and Law Enforcement

The effectiveness of the Maldives Financial Intelligence Unit (MFIU) is constrained by limited staffing, outdated technology and insufficient training opportunities. According to national assessments, the overall competency of law enforcement agencies to identify, investigate and prosecute money-laundering remains low. This is further hampered by weak inter-agency collaboration and unclear procedural coordination during complex financial crime cases. As a result, the volume and quality of Suspicious Transaction Reports (STRs) remain below optimal levels, and financial intelligence is not always effectively turned into actionable investigations.

¹ The names and details used in this case study are fictitious and serve solely for illustrative purposes.

Countermeasures

- Launch targeted and ongoing capacity-building programmes for MFIU staff, police and prosecutors, including training in digital forensics and financial investigations.
- Secure consistent budgetary and technical resource allocation to the FIU to improve analysis capabilities.
- Strengthen inter-agency mechanisms through formal coordination protocols, task forces and information-sharing platforms.
- Promote joint operations and early-stage collaboration between FIU, MPS, MMA and the PGO to close operational gaps.

B. Supervision of Non-Banking Financial Institutions and Informal Systems

Non-banking financial institutions (NBFIs) such as remittance services, currency exchange operators, and informal value transfer systems (like *hawala*) continue to operate with weak or inconsistent AML/CFT supervision. These entities are especially vulnerable to abuse due to limited licensing requirements, minimal regulatory reporting and gaps in customer due diligence enforcement. The lack of oversight also hinders the ability of authorities to trace cross-border fund flows used in money-laundering or terrorism financing.

Countermeasures

- Expand the scope of AML/CFT regulations to fully cover NBFIs and require mandatory licensing, risk assessments, and periodic compliance audits.
- Increase regulatory outreach and on-site inspections to monitor AML/CFT controls within these sectors.
- Promote the use of formal financial channels by launching national awareness campaigns to build trust in regulated institutions.
- Integrate informal operators into the formal financial system where possible, with appropriate safeguards.

C. Emerging Terrorist Financing (TF) Risks

Though reported TF cases in the Maldives remain low, the country faces growing risk due to ideological radicalization and foreign affiliations. National risk assessments highlight concerns over the use of both formal banking systems and informal remittance channels to fund extremist activities. Designations of Maldivian nationals under UNSCR 1267 and 1373 for links to ISIS and Al-Qaida underscore the potential for terrorist financing, including overseas facilitation networks. Moreover, the unregulated use of virtual assets such as cryptocurrencies presents a new and emerging threat vector, especially given the anonymity and borderless nature of such transactions.

Countermeasures

- Fully implement targeted financial sanctions (TFS) and ensure effective asset freezing mechanisms are in place, in line with FATF Recommendation 6.
- Upgrade transaction monitoring systems and STR frameworks to detect TF indicators across banks, NBFIs and informal channels.
- Strengthen international cooperation through formal Mutual Legal Assistance (MLA), police-to-police collaboration, and intelligence-sharing with partner FIUs and counter-terrorism units.
- Develop a legal framework for virtual asset regulation, including licensing and supervision of Virtual Asset Service Providers (VASPs), to prevent their misuse for terrorism financing.

- Conduct public-private sector engagement to raise awareness on TF typologies, including online radicalization and cross-border funding risks.