CHAMBER
OF ADVOCATES
MALTA

Guidance Note

Implementation of Article 32 of the National Interest (Enabling Powers) Act – Sanctions Compliance Requirements

The Chamber of Advocates wishes to draw the attention of its members to the Guidance recently issued by the Sanctions Monitoring Board ("**SMB**") entitled *Implementing Article 32: Sanctions Compliance Requirements*, following the consultation process undertaken earlier this year.

The Guidance was published on 20 August 2026 and is intended to assist Operators in understanding and implementing the requirements arising under Article 32 of the National Interest (Enabling Powers) Act, Chapter 653 of the Laws of Malta. The SMB emphasises that effective sanctions compliance requires Operators not merely to have policies and procedures in place, but to understand the sanctions risks to which they are exposed and to maintain controls which are appropriate and proportionate to the nature, size and risk profile of their activities.

Application to Advocates and Law Firms

Article 32 applies to the persons, entities and bodies listed in Schedule I to the National Interest (Enabling Powers) Act.

Schedule I includes any natural or legal person conducting a "relevant activity" or "relevant financial business" as defined under the Prevention of Money Laundering and Funding of Terrorism Regulations, S.L. 373.01.

Accordingly, advocates and law firms fall within the scope of Article 32 insofar as they are carrying out a "relevant activity" within the meaning of the PMLFTR.

Members should therefore bear in mind that not every legal service constitutes a relevant activity. Insofar as legal professionals are concerned, relevant activity includes, in particular, participation in financial or real estate transactions on behalf of clients or assisting clients in the planning or carrying out of transactions concerning matters such as:

- the buying and selling of real property or business entities;
- the management of client money, securities or other assets;
- the opening or management of bank, savings or securities accounts;
- the organisation of contributions necessary for the creation, operation or management of companies; and
- the creation, operation or management of companies, trusts, foundations or similar structures, including where the lawyer acts as a trust or company service provider.

The FIAU has previously clarified that lawyers are subject persons when carrying out such relevant activity, but that legal services falling outside the statutory definition of relevant activity do not, solely by reason of being legal services, render the lawyer a subject person.

Members should therefore first establish whether the services they provide constitute relevant activity and, where they do, ensure compliance with the requirements imposed under Article 32.

Sanctions Compliance is More Than Screening

The Chamber draws members' attention to the fact that sanctions compliance should not be regarded merely as an obligation to check a client's name against an applicable sanctions list.

The SMB Guidance adopts a broader, risk-based approach requiring Operators to understand the sanctions risks inherent in their activities and to maintain appropriate systems and controls to identify, assess, manage and mitigate those risks.

Practitioners falling within the scope of Article 32 should therefore review their existing arrangements to ensure that appropriate measures are in place in relation to the following areas.

Sanctions Risk Assessment

Practices should identify and assess the sanctions risks arising from their activities, having regard to the nature of their clients, services, transactions, geographical exposure and other relevant risk factors.

The assessment should be proportionate to the nature and size of the practice and should be reviewed periodically, particularly where there are changes to the nature of the practice or to applicable sanctions regimes.

Client Due Diligence and Screening

Practitioners should obtain sufficient information concerning their clients and, where appropriate, their beneficial owners, ownership and control structures and other persons connected with the relevant relationship or transaction.

Screening should not necessarily be limited to the immediate client. Depending upon the circumstances and the sanctions risk presented, it may also be necessary to screen beneficial owners, directors, counterparties and other relevant parties.

Ongoing Monitoring

Sanctions compliance is not limited to checks undertaken when a client relationship is established.

Practices should maintain appropriate procedures for ongoing monitoring and, where necessary, repeat sanctions screening during the course of the professional relationship or transaction.

This is particularly important because sanctions designations and applicable restrictive measures may change after a client relationship has commenced.

Freezing and Reporting Obligations

Practitioners should have procedures in place to identify and appropriately escalate potential sanctions matches.

Where a confirmed sanctions match or other circumstance giving rise to a freezing obligation is identified, the practitioner must take the measures required by law, including the freezing of funds or economic resources where applicable and the making of the necessary report to the SMB.

Any such measures should be taken without undue delay.

Tipping-Off and Confidentiality

Members should be conscious of the restrictions which may apply to the disclosure of information concerning sanctions-related measures.

In particular, where freezing or reporting obligations arise, practitioners should ensure that information is handled in accordance with the applicable legal framework and that clients or third parties are not improperly alerted to measures which are being contemplated or implemented.

Policies, Procedures and Record-Keeping

Practices falling within the scope of Article 32 should maintain written sanctions compliance policies and procedures which are proportionate to their activities and risk profile.

Such procedures should address, where applicable, risk assessment, screening, escalation, freezing, reporting, record-keeping and responsibility for sanctions compliance.

Appropriate records should be retained so that the practice is able to demonstrate the measures taken to comply with its sanctions obligations.

Training and Awareness

Practitioners and relevant members of staff should have an adequate understanding of the sanctions obligations applicable to the practice.

Appropriate training should therefore be provided to persons whose functions may expose them to sanctions risks, and such training should be kept up to date as sanctions regimes and regulatory expectations evolve.

Governance and Responsibility

Responsibility for sanctions compliance should be clearly identified within the practice.

The nature of the governance arrangements required will necessarily depend upon the size and structure of the practice. The measures expected of a sole practitioner will not necessarily be identical to those required of a larger law firm.

The SMB nevertheless expects all Operators to maintain controls which are effective and proportionate to their particular circumstances.

A Proportionate and Risk-Based Approach

The SMB expressly recognises that sanctions compliance arrangements should reflect the nature, size, complexity and sanctions-risk profile of the particular Operator.

Members should therefore avoid adopting a purely mechanical or "one-size-fits-all" approach.

A sole practitioner undertaking relatively limited relevant activity may require a considerably simpler framework than a large law firm regularly advising on international transactions. The framework adopted must nevertheless be capable of identifying and managing the sanctions risks to which the particular practice is exposed.

Relationship with AML/CFT Obligations

Members should not assume that compliance with existing AML/CFT procedures will automatically satisfy all sanctions compliance obligations.

While there is considerable interaction between AML/CFT controls and sanctions compliance, the two regimes pursue different objectives and impose distinct requirements.

Practitioners should therefore review their existing AML/CFT systems and determine whether these sufficiently address the specific sanctions obligations arising under the National Interest (Enabling Powers) Act and the SMB Guidance.

Existing client due diligence, beneficial ownership verification and ongoing monitoring procedures may provide an appropriate basis upon which to build a sanctions compliance framework, but additional sanctions-specific measures may nevertheless be required.

What Practitioners Should Do Now

- establish whether the legal services they provide constitute relevant activity for the purposes of the PMLFTR;
- review or prepare a documented sanctions risk assessment;
- review existing client and related-party screening arrangements;

- ensure that appropriate ongoing monitoring and re-screening procedures are in place;
- establish clear internal procedures for dealing with potential and confirmed sanctions matches;
- review procedures concerning freezing, reporting and record-keeping obligations;
- ensure that sanctions responsibilities within the practice are clearly allocated; and
- ensure that practitioners and relevant staff receive appropriate sanctions training.

Practitioners should also keep their sanctions compliance arrangements under regular review in light of changes to sanctions regimes, the nature of their practice and any further guidance issued by the SMB.

Further Guidance

Members are strongly encouraged to familiarise themselves with the full SMB publication, Implementing Article 32: Sanctions Compliance Requirements, which provides detailed guidance on the Board's expectations in relation to governance, risk assessment, screening, escalation procedures, record-keeping and reporting obligations.

The Chamber also draws members' attention to the FIAU's existing Interpretative Note: Relevant Activity for Lawyers, which provides guidance on determining when legal services constitute relevant activity for the purposes of the PMLFTR.

The Chamber will continue to monitor developments in this area and will draw members' attention to any material further guidance or regulatory developments.

Chamber of Advocates

August 2026

Publication note

This briefing is intended as a general overview of the SMB's Guidance Note. It is not a substitute for the text of the Guidance Note or applicable legislation, or for legal advice in any individual matter.