

Marzunisham Omar: Opening remarks - Malaysia Assessed Country Training

Opening remarks by Mr Marzunisham Omar, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Malaysia Assessed Country Training, Kuala Lumpur, 15 May 2024.

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It is my honour to be able to address all of you this morning. I am heartened to see many representatives from government and law enforcement agencies here, all of whom share in our commitment and responsibility in implementing measures to further strengthen anti-money laundering, as well as countering the financing of terrorism and proliferation of weapons of mass destruction. I would like to express my gratitude to our colleagues from the FATF-APG Secretariat, whose sharing of insights and perspectives on the end-to-end mutual evaluation processes will certainly be valuable to all of us here today.

I'll begin this remark with a brief overview on where we are with regards to the Mutual Evaluation, or ME, process. As you are aware, Malaysia is among the first set of countries that will undergo the FATF's fifth round of the ME. This will first begin with the submission of the Technical Compliance on selected FATF recommendations in June 2024, then followed by the submission of the effectiveness of AML/CFT/CPF in September 2024, before finally the on-site visit in February 2025. The ME report is scheduled to be tabled during the FATF Plenary in October 2025.

In gearing up preparations for the coming ME milestones, we have sought to engage various key stakeholders at all levels involved. In recent months, we have undertaken a series of both high-level engagements and operations-focused discussions with a multitude of regulatory, supervisory and law enforcement agencies. These cross-agency interactions have resulted in the implementation of more than 100 key recommended actions (KRAs) to strengthen our AML/CFT/CPF regime. In this regard, I would like to express my sincere gratitude to all of you for the inputs shared and your teams' unwavering support and commitment to implementing these KRAs.

Additionally, in our recent mock run of the ME, held between 4 to 6 March 2024, our teams had the opportunity to familiarise ourselves with the onsite interview process, where I trust we gained insights on the expectation of assessors and identified remaining areas for further improvement in our AML/CFT/CPF measures.

Ladies and gentlemen,

As a member of FATF, Malaysia holds itself to the highest levels of integrity in adhering to international AML/CFT/CPF standards. As we all know, crimes today transcend borders, and in response to this, Malaysia has also forged and maintained strong relationships with our foreign counterparts, particularly where intelligence-sharing and investigations are concerned. Additionally, our AML/CFT/CPF regime is anchored by a robust surveillance system, which in turn helps ensure the effectiveness and timeliness of enforcement actions by the relevant law enforcement agencies.

On this note, in 2023, Bank Negara Malaysia (BNM) had undertaken a total of 291 supervisory and enforcement actions on financial institutions, and forfeited assets from illegal activities amounting to approximately RM 11 million. The Financial Intelligence Unit of BNM had also shared financial intelligence with domestic law enforcement agencies and more than 50 foreign FIUs, with 71% of these disclosures related to high-risk crimes.

We do not, and cannot, combat financial crimes alone. Indeed, our regulatory and enforcement counterparts have played an equally critical role in this respect. The Malaysian Anti-Corruption Commission, or MACC, for example, has made important and significant progress in graft-busting, including the opening of a total of 776 investigation papers, resulting in 869 arrests and a total of 326 charges brought to court between January and August 2023. Our counterpart, the Commercial Crime Investigation Department of the Royal Malaysia Police has also charged a total of 4,880 cases in court between January and April 2024. These efforts are reflective of Malaysia's keen determination to combat financial crimes and preserve the integrity of our financial system.

While we have made commendable progress, we should not be complacent. ML/TF/PF risks continue to evolve, and if we let our guard down, it will pose serious threats to our financial system, our economy, our society, and our country. On that note, I would like to elaborate on five strategic priorities in our effort to further strengthen our national AML/CFT/CPF regime:

First of these is the new National Coordination Committee to Counter Money Laundering Roadmap that is currently being developed as we refresh our National Risk Assessment. This new roadmap, like the existing one, will outline key initiatives in the areas of investigation, enforcement, coordination, and capacity building. Improvements and refinements will be made to ensure our AML/CFT/CPF continue to be fit-for-purpose amid significant global and national developments that have occurred in recent years, as well as taking into account what we have learnt from our previous experiences in these areas.

Second, futureproofing the legal framework. We are currently reviewing our primary AML/CFT/CPF legislation, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), to address gaps and implementation issues, particularly in matters relating to regulation, supervision and enforcement. Other crucial laws, such as the Companies Act 2016, are also being amended to elevate beneficial ownership reporting, which is key in enhancing transparency.

Third, identification of emerging risks. Targeted risk assessments are currently being updated to sharpen our understanding in the areas of proliferation financing, virtual assets, legal persons and legal arrangements. Our particular focus at present is on vulnerabilities associated with beneficial ownership and foreign-created entities.

Fourth, public-private sector collaboration. Combating ML/TF/PF warrants a whole-of-nation approach, and the strength of alignment and coordination between the public and private sectors are key elements of this nexus. One initiative being undertaken in this respect is the development of the National Fraud Portal, a collaboration involving BNM and the private sector that complements the National Scam Response Centre, or

NSRC, in responding to scams. The portal will expedite the tracing of stolen funds, thus enabling prompt action to be taken against scammers.

Fifth, strengthening coordination for joint actions. Tackling complex financial crimes requires collective commitment with respect to timely information sharing, technical assistance, continuous training, and optimal use of technological tools. Our initiatives in refining these areas of coordination over the years have paid off, with enforcement actions being conducted increasingly frequently on a joint basis. Joint raids and arrests coordinated by the National Anti-Financial Crime Centre (NFCC) and Multi-Agency Task Force (MATF) have led to investigations and prosecutions of ML and predicate offences. For instance, in the Ops Tropicana case, timely financial intelligence-sharing and intelligence-based investigations enabled coordinated joint actions by our law enforcement agencies. In this case, investigators uncovered professional enablers, such as accountants and company secretaries facilitating the operations of illegal syndicates.

While demanding, I am confident that our collective experience, strengthened coordination, and adaptive enhancements to our AML/CFT/CPF regime will allow us to execute these strategic priorities effectively in the coming years.

Ladies and gentlemen,

The FATF is continuously enhancing its standards to ensure policy responses remain up-to-date, and Malaysia, in turn, has sought to keep abreast of these latest developments. Allow me to briefly speak on some key initiatives we have taken to adapt to our evolving landscape.

First, we have included virtual assets on our radar of new or emerging risks. As cryptocurrencies and other digital assets become increasingly relied upon by criminals to evade detection by authorities, there is an urgent need to accelerate and deepen our understanding of the risks associated with these virtual assets. For instance, a major step in this direction is the establishment of the Cryptocurrency Analysis Lab by the Royal Malaysia Police in May 2022 under the Commercial Crime Department, a first of its kind in Southeast Asia. This lab has been instrumental in facilitating the analysis and investigation of cryptocurrency-related crimes. Also BNM, Securities Commission Malaysia, Labuan Financial Services Authority and Royal Malaysia Police had also jointly undertaken the Virtual Assets Risk Assessment study, to be published this year.

Second, we have tightened global beneficial ownership requirements. This is crucial in preventing criminals from hiding their money behind corporate structures. I would like to commend the Companies Commission of Malaysia for launching the Electronic Beneficial Ownership System, with which companies can now identify, obtain, record, update and submit beneficial ownership information to the Registrar.

Third, we have adopted enhanced FATF standards on asset recovery. An important amendment to the NFCC Act will pave the way towards a centralised property management system. Currently, there are several agency-driven initiatives to manage assets more effectively, including refining internal processes.

Fourth, we continuously review Malaysia's exposure to TF/PF risks in light of global developments. As a member state of the United Nations, we are committed to the UN Security Council Resolutions, as well as FATF's Standards on targeted financial sanctions. We are also cognisant of unilateral sanctions and welcome constructive dialogue and information-sharing with other countries and information-sharing on matters of mutual importance, including TF/PF intelligence. We stand ready to cooperate and undertake necessary action in cases of clear violations against international or Malaysian laws. This is in addition to the strong baseline we hold all our financial institutions to in terms of compliance with AML/CFT/CPF requirements as set out under our laws, which are in line with international standards.

Ladies and gentlemen,

Combating ML/TF/PF risks is a continuous endeavour where challenges are constantly growing and evolving. Even as we continue to make strides in improving our approaches and systems in addressing these risks, there is always the need to ensure that we keep an eye on the horizon, particularly in terms of ensuring that all agencies continue to have the necessary resources, skills and tools to effectively adapt to the emerging risks that lie ahead and the capabilities they would demand of us.

In conclusion, I would like to stress that our ultimate and consistent goal is to ensure a strong, robust and effective AML/CFT/CPF regime that will address financial crimes and preserve the integrity of our financial system. In this sense, the ME is not a final destination. Rather, it is an opportunity for us to take stock and demonstrate key progress that has been made in addressing these risks. I trust that the diligent and thorough preparations by all parties, including in executing our Key Recommended Actions effectively, will be reflected in the ME's outcomes.

On that note, I wish all of you an insightful and productive exchange in the rest of today's sessions.

Thank you.