

Marzunisham Omar: Opening remarks - International Conference on Financial Crime and Terrorism Financing (IFCTF) Masterclass 2024

Opening remarks by Mr Marzunisham Omar, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the International Conference on Financial Crime and Terrorism Financing (IFCTF) Masterclass 2024, Kuala Lumpur, 19 August 2024.

* * *

Assalamu'alaikum warahamatullahi wabarakatuh and a very good morning.

Thank you for inviting me to speak today. It is an honour and a pleasure to see so many people in the room. I would like to express my sincere gratitude to both AICB and the Compliance Officers' Networking Group for their effort and leadership in organising this event.

As mentioned by Tan Sri Azman Hashim earlier, this is the 14th iteration of the IFCTF and the first time it is held in a masterclass format. These exchanges grow in importance each year, amid an environment of rapid changes across the financial landscape. The IFCTF, in particular, has always been a platform for leading practitioners to have discussions on the frontiers of tackling financial crimes. The conference is especially timely, given that the National Coordination Committee to Counter Money Laundering (NCC) has recently endorsed Malaysia's National Risk Assessment (NRA) 2023. It is also of significance as we are in the midst of preparing for the 5th Round of the Mutual Evaluation Exercise by the Financial Action Task Force.

Today's masterclass is an exercise in technical depth and exploration, which I hope all participants will find practical and useful. This morning, I would like to speak on three principles that we must embrace in strengthening our ability to address financial crimes: Competence, Commitment, and Collaboration.

Part 1: Competence – Strengthening Skillsets

Ladies and gentlemen,

The financial crime landscape is continuously evolving. A key transformative enabler is technology and its rapid advancement. For instance, PWC UK's 2023 report identifies that artificial intelligence (AI) will likely drive an increase in the volume and sophistication of fraud and scams. In Malaysia today, we also observe these risks materialising as a new wave of scams which leverage technology, such as malware and AI-developed deepfakes, is deployed on social media to deceive victims. The NRA 2023 further concluded an upward trend of virtual assets illicit activities in Malaysia (although still small in value) and its increasing association with high-risk money laundering crimes, especially fraud.

Advances in technological solutions such as AI, virtual assets and social media platforms, coupled with an increasing prevalence of cross-border elements have made fighting financial crimes much more complex.

This brings me to competence. First, as criminals adopt technology, we must also harness technological innovations to stay ahead in our fight. Thus, financial institutions must continuously invest in the latest technology solutions to detect threats and protect customers against financial scams. On this front, we welcome the financial industry's recent implementation of malware-shielding technology on banking applications to curb malware-related scams.

Second, financial institutions must continuously invest in strengthening staff capabilities. It bears reminding that in this situation, people still lie at the core of our solution to crime. It is people who perpetrate crime using sophisticated tools. It is also people who will stop them. Investing in skills, knowledge and talent should not be considered as a "cost to doing business". It is critical for maintaining trust and confidence in the banking and financial system.

In this regard, I call on financial institutions to invest in upskilling their staff. Institutions, such as AICB and Compliance Officers' Networking Group (CONG), are certainly playing an important role in meeting this need and the recently launched Future Skills Framework for the Malaysian financial sector is certainly timely.

In considering competencies, we should not be limited solely to technological aspects. A serious defence warrants an institution-wide strategy toward risk management. Competencies in other areas of risk are just as important: Compliance, legal, and reputational – they all form part of an institution's bastion of competencies in fighting crime.

There is one other area that underpins and sustains competence, and that is governance. This brings me to the second principle, that is Commitment.

Part 2: Commitment – Accountability at Every Level

Ladies and gentlemen,

The financial industry is an efficient and massive network that connects resources with needs. But this efficiency is a double-edged sword: Poison that enters at one point quickly spreads to infect the rest of the network. That is why financial institutions, in fighting financial crimes, carry the responsibility as a first line of defence. For instance, you play a critical role in preventing criminals from using financial institutions to launder the proceeds from illegal activities.

The NRA 2023 identified the top five high-risk crimes that pose significant money laundering threats are fraud, corruption, smuggling, illicit drug trafficking, and organised crimes. Corruption, for example, is a systemic issue that infiltrates every sector and level of our society. It funds and enables other higher-risk and devastating crimes. Those in the financial industry that facilitate or participate in these corrupt activities, without a doubt, leave repercussions for both victims and society at large.

This is why Bank Negara Malaysia (BNM) has zero tolerance for such serious lapses in integrity by employees of financial institutions, such as those that have made headlines recently. These employees had been recruited by criminal syndicates to facilitate corruption and fraudulent activities. While these cases are isolated, they can severely

tarnish the entire industry's reputation and erode public confidence and trust. BNM has put in place robust supervisory and enforcement processes in these areas, including requiring banks to undertake screening and vetting of new hires and frontline staff on an ongoing basis. BNM will not hesitate to impose heavy penalties on financial institutions that have lapses in these areas.

At the end of the day, fighting financial crime requires the full commitment of every single employee within the financial institution. Strong governance and risk controls must be reinforced by a healthy risk culture. This begins with a rigorous hiring process that not only accounts for technical proficiencies but also integrity. An institution is as good as its people. It is for this reason that BNM sets high expectations in its employee screening requirements for financial institutions. Each employee must see themselves as custodians of public trust and recognise the significance of their role within the financial system.

Part 3: Collaboration – Continuous and Sustained

Ladies and gentlemen,

While it falls on each of us to bear our duties with integrity and competence, we must also be good collaborators with one another. Financial crimes are not just confined to the financial sector. They permeate various facets of our daily lives, impacting our communities, businesses and the very fabric of our society. This reality underscores the necessity for a whole-of-nation approach where everyone has a role to play.

One clear example of where synergies have been critical is in addressing frauds and scams. In the last 21 months since its establishment in October 2022, the National Scam Response Centre has received approximately 105,000 calls from scam victims, with a total reported loss of RM328 million. These numbers represent merely the tip of the iceberg, as countless cases could go unreported.

These malicious activities thrive on exploiting weak gaps in communication. Thus, quick action between institutions could make all the difference. This is why we have established platforms such as the National Scam Response Centre (NSRC) and Financial Sector Threat Intelligence Platform (FinTIP). These platforms bring together not just financial players or law enforcement agencies, but also key stakeholders such as telecommunication companies. The goal is to foster relationships and engagements that allow us to keep pace with developments and act speedily in a time-critical environment.

Tomorrow, Yang Berhormat Minister of Finance II, Datuk Seri Amir Hamzah Azizan will launch the National Fraud Portal and accompanying mule account protocols. These two key initiatives are products of continuous collaboration between BNM as well as industry players such as CONG and PayNet. I hope to see some of you there.

Esteemed guests,

Addressing financial crimes is no mere box-ticking exercise. It requires deep understanding and demands careful planning.

I am confident that our industries, and all of us in this room, have recognised this challenge. We have seen this commitment reflected in the quality of discussions and contributions from various individuals and institutions in the recent NRA. Now, we must reflect on the NRA results and translate it into actionable insights.

To do so, we must continue to invest in the right competencies. We must be committed to nurturing integrity and accountability at every level. And we must collaborate better than ever before.

It is only then can we hope to preserve a financial system that the public, the *rakyat* can trust, and in doing so, a national economy that thrives, well into the future - for generations to come.

With that, I wish you a productive masterclass ahead. Thank you.