

Malaysia's Fifth National Risk Assessment on Money Laundering and Terrorism Financing 2023 (NRA 2023)

The National Risk Assessment (NRA) is a process to assess and facilitate the understanding on the money laundering (ML) and terrorism financing (TF) risks in Malaysia. It is an initiative by the National Coordination Committee to Counter Money Laundering¹ (NCC) to improve understanding of ML/TF threats, vulnerabilities and its interconnectedness. To achieve this, it examines ML/TF related threats such as crimes that generate illicit proceeds and terrorism activities, as well as vulnerabilities of financial and non-financial sectors to ML/TF risks.

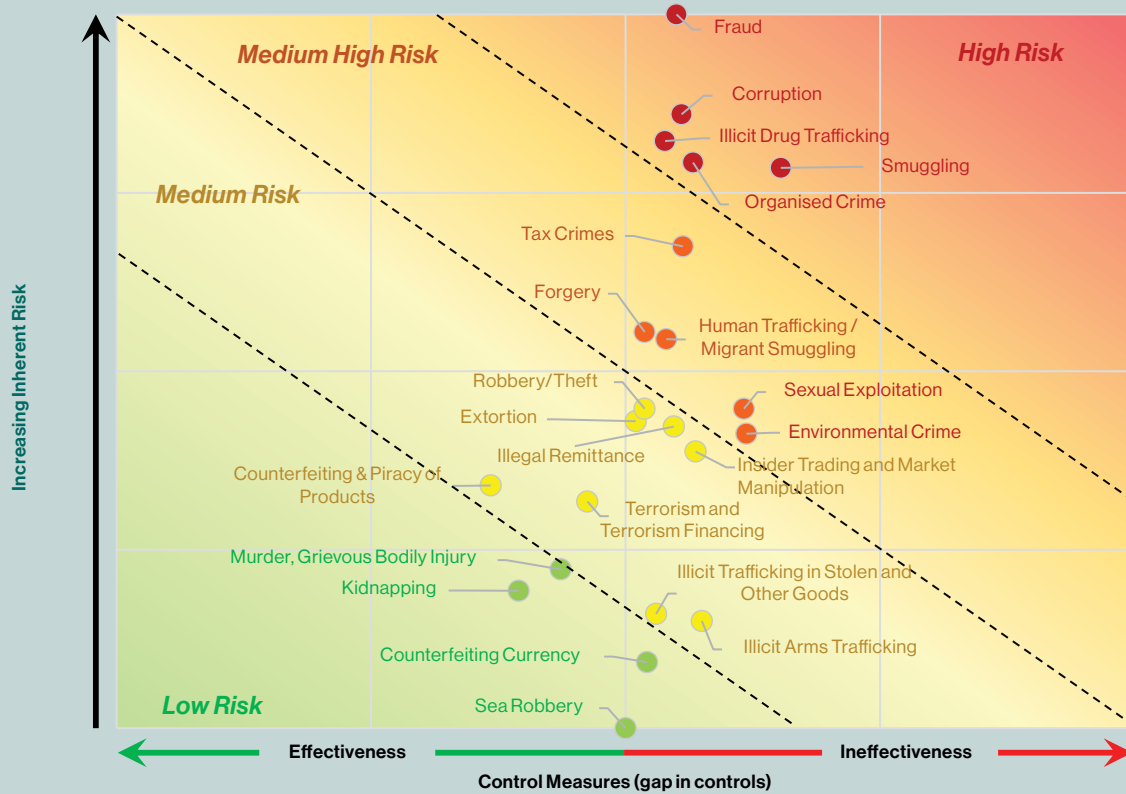
BNM, as the chair and secretariat to the NCC, collaborated with key partners to conduct the fifth edition of assessment, known as NRA 2023. This assessment leverages information from ministries and government agencies, supervisory and regulatory authorities, reporting institutions, foreign attaché, law enforcement agencies and civil societies. Information from foreign law enforcement agencies is also relied upon, given the nature of cross-border crimes and the flow of illegal proceeds. The NCC deliberated and endorsed the results of the NRA 2023 in August 2024.

This edition of the NRA reveals that fraud, corruption, illicit drug trafficking, organised crime and smuggling remain the most prevalent crimes that pose high ML risk. These high-risk crimes generate a high volume of illicit proceeds that increase ML risks amidst insufficient control measures, including inadequate ML investigations and prosecutions. NRA 2023 also finds that there has been an improvement in the terrorism and TF risk, given continued national, regional and international efforts to counter terrorism. This is supported by effective preventive and enforcement measures by relevant enforcement agencies.

The assessment also finds that the banking, money services businesses, non-bank issuers of designated payment instruments (DPI Issuers), legal, company secretarial and dealers in precious metals or precious stones (DPMS) sectors are more exposed to ML/TF risks. This observation is attributed to these sectors' intermediation role, coupled with the convenience and speed of transaction facilitated. The provision of professional services also provide anonymity which criminals may misuse to launder illicit proceeds through client accounts and set up companies as fronts to obscure ownership. In addition, high value products offered by DPMS could also be misused to store value of illegal proceeds. Nevertheless, there are control measures being put in place to reduce the vulnerability of these sectors to the ML/TF risks such as intensified supervisory activities to improve awareness and compliance towards Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) requirements. Key findings on serious crimes, financial and non-financial sectors are summarised in Diagram 1.

¹ NCC is a high-level committee established in 1999 to coordinate, implement and monitor Malaysia's anti-money laundering and counter-financing of terrorism (AML/CFT) initiatives. There are 17 members in the NCC consisting of ministries and government agencies from supervisory and regulatory authorities, law enforcement agencies and policy-making ministries, with Bank Negara Malaysia as the chair and secretariat for the NCC.

Diagram 1: Key Findings on Serious Crimes, Financial and Non-Financial Sectors



Source: National Coordination Committee to Counter Money Laundering

Financial Sectors

		Control Measures				
		Strong	Acceptable	Marginal	Weak	
Inherent Risk	ML	High	Banking Institutions*			
		Medium High	Capital Market Intermediaries (including Digital Asset Exchanges (DAX))			
		Medium	<ul style="list-style-type: none"> Money Services Businesses DPI Issuers Labuan Banking Institutions Non-Bank Financial Institutions 	<ul style="list-style-type: none"> Insurance and Takaful Operators Moneylenders 	Labuan Money Brokers	
		Low	<ul style="list-style-type: none"> Pawnbrokers Labuan Insurance and Takaful Operators 		<ul style="list-style-type: none"> Insurance Intermediaries Banking Intermediaries Leasing Factoring 	Labuan Capital Market Intermediaries
	TF	High				
		Medium High	<ul style="list-style-type: none"> Banking Institutions DPI Issuers 	<ul style="list-style-type: none"> Money Services Businesses 		
		Medium	<ul style="list-style-type: none"> Capital Market Intermediaries (including DAX) 	<ul style="list-style-type: none"> Insurance and Takaful Operators 	Labuan Money Brokers	
		Low	<ul style="list-style-type: none"> Pawnbrokers Non-Bank Financial Institutions Labuan Banking Institutions 	<ul style="list-style-type: none"> Labuan Insurance and Takaful Operators Moneylenders 	<ul style="list-style-type: none"> Insurance Intermediaries Banking Intermediaries Leasing Factoring 	Labuan Capital Market Intermediaries

* Banking institutions high net risk is driven by its size as the largest financial sector, widest coverage with branches located throughout the country, as well as the nature of business providing key financial products.

Source: National Coordination Committee to Counter Money Laundering

DNFBP Sectors

		Control Measures			
		Strong	Acceptable	Marginal	Weak
Inherent Risk	ML				
	High				
	Medium High		Casino	Lawyers	DPMS
	Medium		Labuan Trust Companies	• Company Secretaries • Registered Estate Agents • Accountants	
	Low		• Trust Companies • Licensed Gaming Outlets		
	TF				
	High				
	Medium High				
Medium		Casino			
Low		• Trust Companies • Licensed Gaming Outlets • Labuan Trust Companies	• Company Secretaries • Lawyers	• Registered Estate Agents • Accountants	DPMS

Source: National Coordination Committee to Counter Money Laundering

The NRA 2023 also put forward a number of recommendations to further strengthen Malaysia’s response to ML/TF risks. These recommendations leverage on existing collaborative initiatives, and includes the sharing of information between stakeholders such as case referrals from law enforcement agencies to the supervisors to enhance risk-based supervision. There will also be more industry-led initiatives to elevate the compliance culture of reporting institutions. These includes the establishment and/or strengthening of industry networking groups to enhance collaboration and coordination.

These recommendations will be monitored by the various sub-committees under the NCC. The executive summary of the NRA 2023 can be accessed at <https://amlcft.bnm.gov.my/>.