

# Maintaining Financial Integrity

Bank Negara Malaysia (BNM) continues to enhance efforts to combat financial crimes by strengthening compliance with international standards, optimising technology and widening stakeholder collaboration in implementing mitigation strategies.

## BNM's Role

BNM is the competent authority that oversees and administers the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA 2001). We act as the country's financial intelligence unit (FIU) and the anti-money laundering, countering financing of terrorism and countering proliferation financing (AML/CFT/CPF) supervisory authority for reporting institutions<sup>1</sup>. BNM collaborates with various stakeholders to ensure a holistic and robust national AML/CFT/CPF framework is in place, as well as aligned with international standards and best practices. To achieve this, we leverage the National Coordination Committee to Combat Money Laundering (NCC), a national inter-agency platform responsible for coordinating, implementing and monitoring Malaysia's AML/CFT/CPF initiatives.

In 2024, significant efforts were directed towards preparing for the Mutual Evaluation (ME) of Malaysia's effectiveness and compliance with the Financial Action Task Force's (FATF) standards. The ME is a peer review process focusing on risk management, international cooperation, supervision, preventive measures and enforcement. The results can affect a country's reputation, influence investor confidence, ease of doing business and cost of compliance. Countries with poor ME ratings

are listed as jurisdictions with weak measures to combat financial crimes and may cause financial institutions to face difficulties in dealing with foreign correspondent banks and conducting international transactions due to heightened scrutiny. BNM, as the competent authority collaborated with various agencies<sup>2</sup> in conducting internal assessments to analyse gaps and areas of improvements to strengthen the domestic landscape. Preparation sessions and targeted engagements with over 20 agencies were held, leading up to the on-site visit. This, together with all our other initiatives during the year demonstrates Malaysia's commitment to enhancing the national AML/CFT/CPF framework and safeguarding the integrity of the financial system.

One of the key AML/CFT/CPF initiative was the passage of the AMLA 2001 amendments in December 2024, which enhances and provides clarity on (a) investigation and prosecution procedures; and (b) supervision and regulation of reporting institutions. The amendments are aimed at implementing recommendations from the gap analysis conducted by the NCC on AML/CFT/CPF implementation issues and challenges, addressing areas raised in Malaysia's last ME report in 2015, and aligning with the latest FATF standards and methodology, which were revised between 2020 and 2024. In addition, legislative amendments were also undertaken to streamline the scope and coverage of AML/CFT/CPF obligations for dealers in precious metals or precious stones (DPMS) across Malaysia.<sup>3</sup> Further enhancements have been made to the supervisory frameworks for financial institutions and designated non-financial businesses and professions (DNFBPs), as well as to the beneficial ownership reporting framework. Efforts were undertaken to foster greater understanding of money laundering, terrorism financing and proliferation financing (ML/TF/PF) threats, vulnerabilities and emerging risks amongst the agencies. This was achieved through initiatives by

<sup>1</sup> Reporting institutions are defined in the First Schedule of AMLA 2001. It includes the financial institutions, non-bank financial institutions and designated non-financial businesses and professions, i.e. lawyers, company secretaries, accountants, dealers in precious metals or precious stones, registered estate agents, trust companies, casino and licensed gaming outlets.

<sup>2</sup> These include the Attorney General's Chambers, Companies Commission of Malaysia, Immigration Department of Malaysia, Inland Revenue Board of Malaysia, Labuan Financial Services Authority, Malaysian Anti-Corruption Commission, Ministry of Domestic Trade and Cost of Living, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Home Affairs, Ministry of Investment, Trade and Industry, National Anti-Financial Crime Centre, Registrar of Societies, Royal Malaysia Police, Royal Malaysian Customs Department and Securities Commission Malaysia.

<sup>3</sup> Further added under the First Schedule of the AMLA 2001 and to be subjected to reporting obligations under Part IV of the AMLA 2001.

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the National Scam Response Centre (NSRC)<sup>4</sup> and the National Financial Crime Intelligence System (NFIS), as well as broader efforts like public-private partnerships and joint supervisions that enable smoother sharing of tactical intelligence on cases, issues and trends between law enforcement and reporting institutions.

In the second half of 2024, the new NCC Roadmap 2024-26 (new Roadmap) was endorsed and implemented, setting clear milestones and guiding parameters with measurable targets for prioritisation and effective monitoring. The new Roadmap continues Malaysia's comprehensive strategy to combat financial crimes by focusing on:

- strengthening the deterrence and disruption of financial crimes;
- heightening the compliance culture among reporting institutions;
- enhancing the understanding of emerging risk areas based on global and domestic developments; and
- sustaining awareness and capacity building efforts amongst NCC members.

The new Roadmap incorporates key recommendations from the latest National Risk Assessment 2023 (NRA) and five thematic risk assessments<sup>5</sup>. These risks assessments collectively provide a holistic understanding of Malaysia's ML/TF/PF risk landscape. Further details on the NRA can be found in the feature article on 'Malaysia's Fifth National Risk Assessment (NRA)'. The new Roadmap ensures that AML/CFT/CPF efforts remain effective and fit-for-purpose in addressing Malaysia's risk exposures amid national, regional and global developments. There are action plans in the areas of risk, prevention, enforcement, legal, regulation and coordination, as well as capacity building and awareness.

## Strengthening AML/CFT/CPF Measures through Coordinated National and Regional Efforts

In August 2024, the Asian Institute of Chartered Bankers (AICB), in collaboration with the Compliance Officers' Networking Group (CONG), organised a two-day International Conference on Financial

Crime and Terrorism Financing (IFCTF). Over 700 participants attended 13 plenary and masterclass breakout sessions. The sessions offered insights into aligning AML/CFT/CPF international standards with the domestic landscape, as well as national, thematic and institutional risk assessments. Speakers from BNM and both domestic and international partner agencies shared valuable perspectives particularly on effective strategies and best practices in addressing ML/TF/PF risks. The conference facilitated greater understanding and collaboration among stakeholders to strengthen Malaysia's AML/CFT/CPF regime.

Concurrently in the same month, BNM hosted the inaugural AML/CFT/CPF Supervisory College for the banking sector. The event was attended by representatives from regional supervisory authorities, including the Hong Kong Monetary Authority (HKMA), Otoritas Jasa Keuangan Indonesia (OJK) and the Monetary Authority of Singapore (MAS). The Supervisory College provided an avenue to enhance cooperation and coordination among different supervisory authorities with the oversight of financial institutions operating in multiple jurisdictions. This preserves the integrity of the financial system and supports global efforts to combat financial crimes.



2024 AML/CFT/CPF Supervisory College

In November 2024, BNM co-hosted the 25th Typologies Workshop with the Asia/Pacific Group on Money Laundering (APG). The workshop was attended by over 150 delegates from 32 member countries, seven observers and over 60 private sector participants. The event comprised two streams, namely the abuse of legal persons and cyber-enabled fraud. This workshop enabled officials and subject matter experts from across the APG network to share experiences in understanding emerging trends and combating illicit financial flows in the region.

<sup>4</sup> NSRC, established in 2022, is a joint effort between the National Anti-Financial Crime Centre, BNM, Royal Malaysia Police, and Malaysian Communications and Multimedia Commission, as well as financial institutions and the telecommunications industry.

<sup>5</sup> These include the Proliferation Financing Risk Assessment (PFRA), the Legal Arrangements Risk Assessment (LARA), the Legal Persons Risk Assessment (LPRA), the Non-Profit Organisations Risk Assessment (NPORA) and the Virtual Assets Risk Assessment (VARA).



2024 APG Typologies Workshop

BNM continues to leverage the ASEAN Senior Officials Meetings on Transnational Crime (SOMTC) as it develops initiatives to prepare for Malaysia's ASEAN Chairmanship in 2025. Key efforts include the establishment of a working group under SOMTC focused on money laundering, with the aim of enhancing regional cooperation and capacity building in this critical area.

## Sharing of Financial Intelligence and Supporting Law Enforcement

BNM is committed to exchanging financial intelligence through its FIU function. The FIU works closely with domestic law enforcement agencies (LEAs) and foreign FIUs to support investigations into ML/TF/PF. This collaboration is essential for detecting and preventing the threats of financial crimes posed by criminals and terrorists that abuse the financial system.

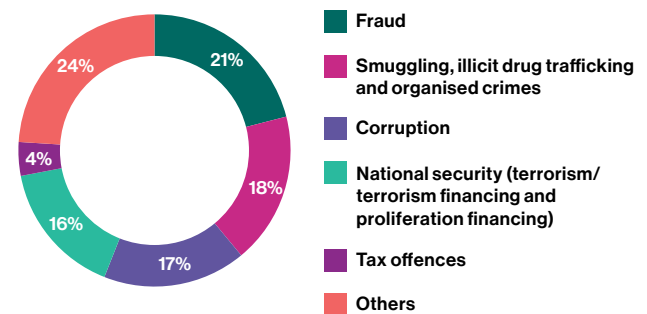
Reporting institutions continued to enhance their compliance and improve their detection mechanism in 2024. This has contributed to an increasing trend in the

reporting of Suspicious Transaction Reports (STRs). The reporting institutions had submitted 342,166 STRs in 2024 (2023: 317,435 STRs). The FIU continues to leverage data analytics to uncover patterns and insights in STRs, using network analysis and text mining to profile and prioritise them according to risk. Fraud was the most common suspected offence, accounting for 24% of all STRs. Other reported suspected offences include money laundering, tax offences and organised crimes.

In 2024, the FIU published a Suspicious Transaction Reporting Handbook which outlines key features of quality reports and offers practical guidance to assist the reporting institutions to submit quality STRs.

The FIU actively shared disclosures of financial intelligence<sup>6</sup> with domestic LEAs and more than 30 foreign FIUs in 2024, supporting cross-border financial investigations. About 70% of these disclosures were related to high-risk crimes<sup>7</sup> (Chart 1). The FIU also conducted two-way knowledge sharing and training sessions on financial intelligence analysis with relevant LEAs throughout the year. This is to foster better cooperation and understanding between agencies, ensuring continuous improvement in detecting and preventing the threats of financial crimes.

Chart 1: Financial Intelligence Disclosures by Serious Offences in 2024



Note: 'Others' include offences related to environmental crimes, human trafficking and migrant smuggling, illegal remittance etc.

Source: Bank Negara Malaysia

<sup>6</sup> The sharing of financial intelligence to support law enforcement investigations into financial crimes.

<sup>7</sup> High-risk crimes include fraud, corruption, organised crimes, smuggling and drugs trafficking, as identified under the NRA 2023, as well as terrorism/terrorism financing and proliferation financing.

These disclosures, along with close FIU–LEA cooperation, supported investigations of major crimes such as fraud, drugs trafficking, corruption, smuggling and organised crimes. They led to arrests of more than 200 individuals and the freezing, seizure and recovery of criminal proceeds worth more than RM120 million. The disclosures also supported monitoring and investigation of cases related to national security.<sup>8</sup>

### Measures to Elevate and Coordinate Fraud Response

Fraud has consistently ranked as one of the top high-risk crimes in all four iterations of the NRA on ML/TF since 2013. The NSRC has continued to deliver swift tracing and responses to online financial scams, while adopting a more coordinated approach to recovering stolen funds. Diagram 1 highlights the NSRC's key outcomes in 2024.

To further strengthen efforts against online financial scams, BNM, Payments Network Malaysia Sdn. Bhd. (PayNet) and financial institutions have launched the National Fraud Portal (NFP). The NFP enhances the NSRC's ability to adapt to evolving scam tactics by leveraging PayNet's shared payment system. This collaboration fortifies Malaysia's defences against online financial scams through several key features, including:

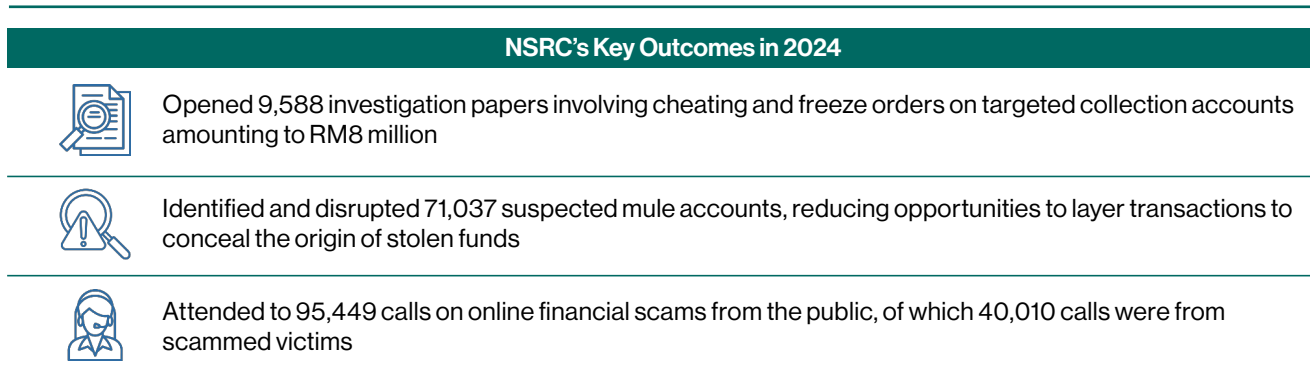
- i. Faster fund tracing across banks, aided using artificial intelligence (AI) and automation which reduces the time needed for financial institutions to identify suspected fraud transactions by 75%, giving a more comprehensive picture of fund flows.

- ii. Timely interventions by financial institutions through swift validation of reported scam transactions and enhanced ongoing case monitoring. This has led to a 47% increase in the average monthly earmarked<sup>9</sup> sum of fraudulent cases.
- iii. The NFP helps share information and analyse fraudulent funds by integrating transactions and mule account data from multiple sources. This comprehensive collection of data enables the NSRC to perform enhanced analysis and detection of mule accounts, shown by a 65% increase in the number of mule accounts identified by the NSRC.
- iv. The NFP's implementation is further supported by an industry agreed protocol for reporting and handling of mule accounts.<sup>10</sup> The protocol facilitates swift action by financial institutions to prevent further fraud using identified mule accounts. It also ensures a more consistent treatment of mule accounts across financial institutions to preserve continued access to basic financial services for mule account holders.

Future enhancements to the NFP will include shorter tracing times, broader data integration and the use of predictive analytics for improved detection of fraud and mule accounts.

As part of continuous and joint efforts to achieve higher recovery rate for stolen funds, amendments to the Penal Code and Criminal Procedure Code were passed by the Parliament in July 2024 and came into effect in October 2024. These amendments were introduced to establish mule account activity as an offence and allowing LEAs to seize or prevent transactions involving suspicious funds

Diagram 1: NSRC's Key Outcomes in 2024



Source: NSRC

<sup>8</sup> National security covers terrorism/terrorism financing and proliferation financing.

<sup>9</sup> The earmark amount is referring to the amount temporarily withheld by the financial institutions while waiting for the issuance of an enforcement order by the Royal Malaysia Police.

<sup>10</sup> More information on this can be found in the 'Promoting Safe and Efficient Payments and Remittance Services' chapter.

in suspected mule bank accounts, thereby strengthening the overall response to online financial crime incidents.

## Promoting Sustainable AML/CFT/CPF Compliance of Financial Institutions and DNFBPs

BNM remains committed in driving a sustainable AML/CFT/CPF compliance culture among over 20,000 reporting institutions across the financial and DNFBP sectors. To achieve this, we continue to employ a range of supervisory tools and enhance our risk-based supervisory activities, including leveraging supervisory technology (SupTech) to improve efficiency and effectiveness. In addition to an ongoing focus of supervision on ML/TF/PF risk and controls in financial institutions regulated by BNM, we conducted two thematic reviews focusing on anti-bribery and corruption measures, and effectiveness of countering TF/PF. We also continued to strengthen the supervision of DNFBPs.

In 2024, we expanded on-site supervision of DNFBPs by 12% from 2023, covering 181 reporting institutions with a focus on higher risk sectors (e.g. lawyers, DPMS, company secretaries, accountants and registered estate agents). This includes joint supervisory activities with the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia, SSM) and the Malaysian Institute of Accountants. Our off-site assessments i.e. the Data and Compliance Report

2024 (DCR) were also expanded to cover 12,000 reporting institutions across five sectors. In addition, we strengthened governance expectations by requiring the board and senior management of larger reporting institutions to demonstrate commitment and allocate necessary resources to drive the AML/CFT/CPF compliance culture of their institutions.

We continue to monitor and enforce regulatory standards to uphold the integrity and stability of Malaysia's financial system. In line with this commitment, DNFBP supervisors have initiated punitive enforcement actions against non-compliant institutions, including by imposing compound for failure to promptly submit STRs.

To further promote a strong compliance culture, BNM continues to participate in industry-driven engagements and forums. Informative articles are also regularly published to keep financial institutions and DNFBPs updated on compliance expectations and regulatory developments.

## Going Forward

In 2025, we will focus on demonstrating Malaysia's ability to effectively implement AML/CFT/CPF international standards through the FATF's ME process, enhancing collaboration with LEAs to combat financial crimes, and leveraging technology and SupTech to ensure continued resilience and compliance in the face of evolving challenges.