

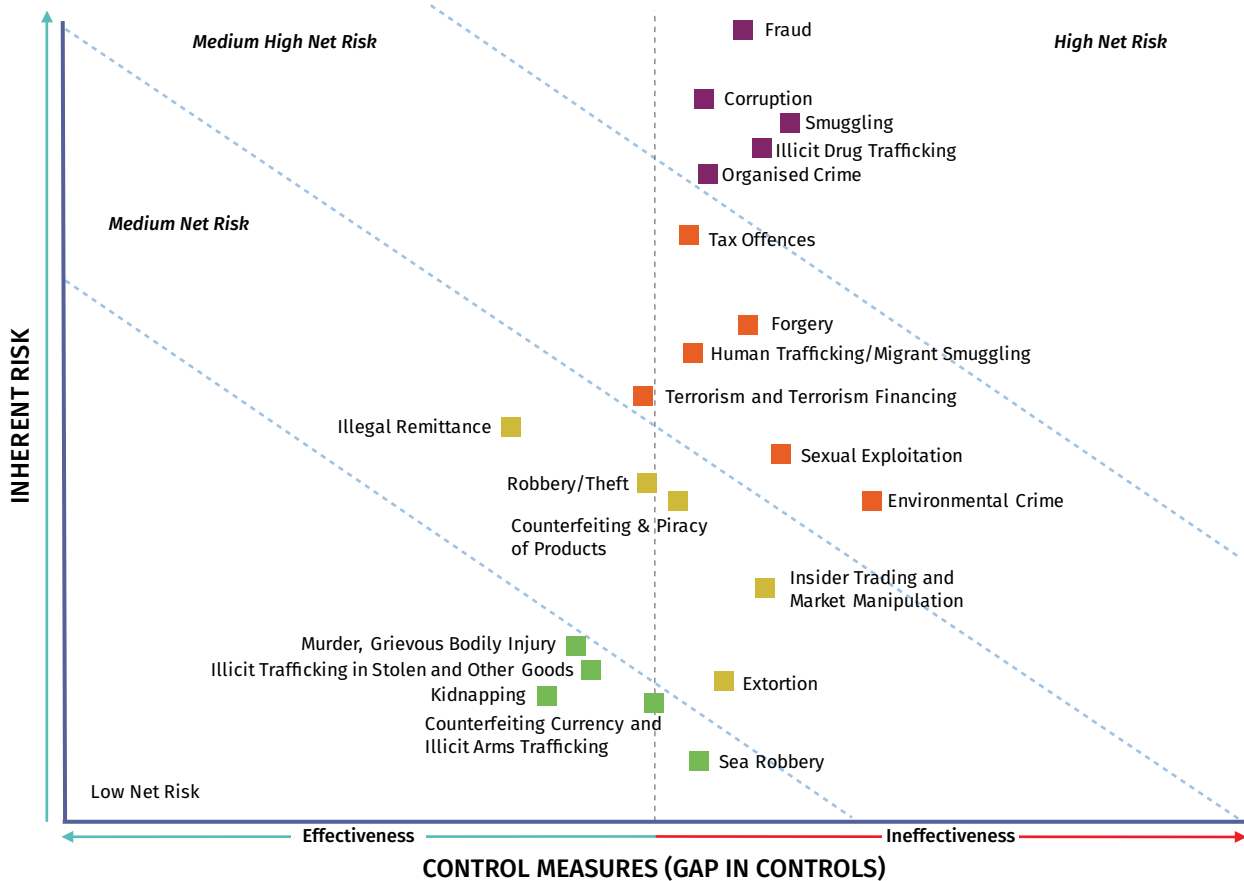
National Risk Assessment on Money Laundering and Terrorism Financing 2020 (NRA 2020)

The Bank, as the competent authority under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), and the secretariat to the NCC, played a pivotal role in coordinating nationwide efforts to conduct the National Risk Assessment 2020. The NRA 2020, is the fourth iteration of a centralised assessment to identify and assess Malaysia’s exposure to money laundering and terrorism financing (ML/TF) risks. It is conducted in accordance with the international best practices and recommendations set out by the Financial Action Task Force (FATF).⁴

In July 2021, the NCC endorsed the results of the NRA 2020. Utilising datasets from 2017 to 2019, the NRA 2020 assessed several areas as follows:

- Serious crimes that pose money laundering threats;
- Terrorism and terrorism financing risks; and
- Vulnerabilities of financial and non-financial sectors to ML/TF risks. Key findings on serious crimes, financial and non-financial sectors are summarised in Diagram 1.

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



⁴ The FATF is an inter-governmental body that sets international standards and promotes effective implementation of legal, regulatory and operational measures for combating threats to the integrity of the international financial system.

FINANCIAL SECTORS	Money Laundering			Terrorism Financing		
	Inherent Risk	Control Measures	Overall Net Risk	Inherent Risk	Control Measures	Overall Net Risk
Banking Institutions	High	Acceptable	High	High	Acceptable	High
Non-Bank Issuers of DPs	Medium	Marginal	Medium High	Medium High	Marginal	High
Money Services Businesses	Medium High	Acceptable	Medium High	Medium High	Acceptable	Medium High
Capital Market Intermediaries	Medium High	Acceptable	Medium High	Medium	Acceptable	Medium
Insurance Intermediaries	Low	Weak	Medium High	Low	Weak	Medium High
Insurance/Takaful Operators	Medium	Acceptable	Medium	Medium	Acceptable	Medium
Moneylenders	Medium	Acceptable	Medium	Low	Acceptable	Low
Non-Bank Financial Institutions	Medium	Acceptable	Medium	Low	Acceptable	Low
Labuan Money Brokers	Low	Marginal	Medium	Low	Marginal	Medium
Leasing Companies	Low	Marginal	Medium	Low	Marginal	Medium
Factoring Companies	Low	Marginal	Medium	Low	Marginal	Medium
Labuan Capital Market Intermediaries	Low	Marginal	Medium	Low	Marginal	Medium
Labuan Factoring Companies	Low	Marginal	Medium	Low	Marginal	Medium
Banking Intermediaries	Low	Marginal	Medium	Low	Marginal	Medium
Pawnbrokers	Low	Acceptable	Low	Medium	Acceptable	Medium
Labuan Banks	Low	Acceptable	Low	Low	Acceptable	Low
Labuan Insurance/Takaful Operators	Low	Acceptable	Low	Low	Acceptable	Low

DNFBP SECTORS	Money Laundering			Terrorism Financing		
	Inherent Risk	Control Measures	Overall Net Risk	Inherent Risk	Control Measures	Overall Net Risk
Dealers in Precious Metals or Precious Stones	Medium High	Weak	High	Medium	Weak	High
Lawyers	Medium High	Marginal	High	Low	Marginal	Medium
Company Secretaries	Medium	Marginal	Medium High	Medium	Marginal	Medium High
Accountants	Medium	Marginal	Medium High	Low	Marginal	Medium
Casino	Medium High	Acceptable	Medium High	Medium	Acceptable	Medium
Registered Estate Agents	Low	Marginal	Medium	Low	Marginal	Medium
Gaming Outlets	Medium	Acceptable	Medium	Low	Acceptable	Low
Labuan Trust Companies	Medium	Acceptable	Medium	Low	Acceptable	Low
Trust Companies	Low	Acceptable	Low	Low	Acceptable	Low

Legend:

- Inherent Risk High (Purple Circle) Medium High (Red Circle) Medium (Yellow Circle) Low (Green Circle)
- Control Measures Weak (Purple Triangle) Marginal (Red Triangle) Acceptable (Yellow Triangle) Strong (Green Triangle)
- Overall Net Risk High (Purple Square) Medium High (Red Square) Medium (Yellow Square) Low (Green Square)

Conducted on a three-year cycle, the NRA exercise has undergone a series of reforms to keep abreast with the evolving risks. The NRA 2013 built a solid foundation for the country’s risk assessment, underpinned by the risk indicators adopted from the Asia/Pacific Group on Money Laundering Strategic Implementation Planning Framework. It focused on prevailing inherent risks and vulnerabilities, with no assessment on control measures.

The subsequent NRA 2017 included a major restructuring of the methodology for the assessment to be more comprehensive with in-depth analysis. This includes greater attention to foreign-sourced threats, terrorism financing, institutional vulnerabilities as well as interconnectedness between specific crimes and financial and non-financial sectors.

Guided by the findings of the NRA 2020, a series of recommendations have been outlined to address identified gaps and enhance existing measures. These recommendations include establishing stronger legal and operational frameworks, implementing robust risk mitigation measures, enhancing AML/CFT capacity and capabilities, and strengthening coordination and collaboration.

These actionable items have been incorporated within the five strategic focus areas under the NCC Roadmap 2021-2023, which encapsulates key responsibility areas to be fulfilled by member agencies and relevant ministries. The executive summary of the NRA 2020 can be accessed at <https://amlcft.bnm.gov.my/>.

Supervision of Designated Non-Financial Businesses and Professions (DNFBPs)⁵ and Non-Bank Financial Institutions (NBFIs)

The Bank continued to adapt its supervisory approach in conducting risk-based supervision on DNFBPs and NBFIs. In 2021, greater reliance was placed on virtual and hybrid examinations, off-site monitoring and thematic reviews of DNFBPs' and NBFIs' AML/CFT compliance. In addition, joint hybrid examinations with other AML/CFT supervisors were conducted to promote integration of supervisory efforts whilst increasing supervisory capacity. Application of off-site monitoring tools were also intensified through the issuance of the Data and Compliance Report (DCR2021). The DCR2021 leverages on automation and introduced a new submission portal which resulted in real-time monitoring of submission that facilitated the assessment of risk and compliance rating. A total of 14 DCR support clinics were held to increase awareness and the quality of submissions. As a result, there was a substantial 146% increase in DCR submissions compared to 2020. This was mainly attributed to greater outreach by the industry associations, self-regulatory bodies and other agencies to their respective sectors. Overall, the DCR2021 resulted in better mapping of institutional ML/TF risks as well as the understanding and compliance of the sectors.

The use of automation and data analytics techniques for supervisory analysis through centralisation

and visualisation of data across DNFBP sectors has increased the efficiency and effectiveness of supervisory processes. The improved supervisory processes have enabled targeted supervision and monitoring of sectors.

In 2021, the Bank conducted 74 virtual engagements as part of the AML/CFT awareness strategy. A new electronic platform was established as a centralised database of awareness materials to support compliance officers in DNFBPs and NBFIs. In addition, newsletters were issued on AML/CFT topics, including the latest news, guidance, infographic, risk assessment reports and international updates.

To secure more industry-driven efforts, the Bank, under the DNFBP Sub-Committee (DSC) of the NCC, encouraged the establishment of the compliance officer networking groups. The efforts built on the existing AML/CFT committees within self-regulatory bodies and industry associations. This led to the establishment of the Compliance Officers Networking Group (CONG) for Trust Companies which was introduced at the AML/CFT Compliance Conference 2021. Further, the AML/CFT train-the-trainer programme for entities providing legal, accounting and company secretarial services sectors was also launched. The programme is aimed at equipping and producing sector-specific AML/CFT professionals with sound understanding and knowledge of AML/CFT requirements. The train-the-trainer graduates will provide onward training to respective members to better support and sustain improvement in the implementation of AML/CFT measures.

⁵ A collective term used to describe casino, gaming outlets, real estate agents, dealers in precious metals or precious stones, as well as individuals and institutions that offer various types of gatekeeping services, namely lawyers, accountants, company secretaries and trust companies.