



***Deputy Commissioner
Dato' Mohamad Zamri Bin Zainul Abidin
Director of Anti-Money Laundering
Division,
Malaysian Anti-Corruption Commission***

15 September 2023

“Investigation Efforts to Combat Grand Corruption and Money Laundering”



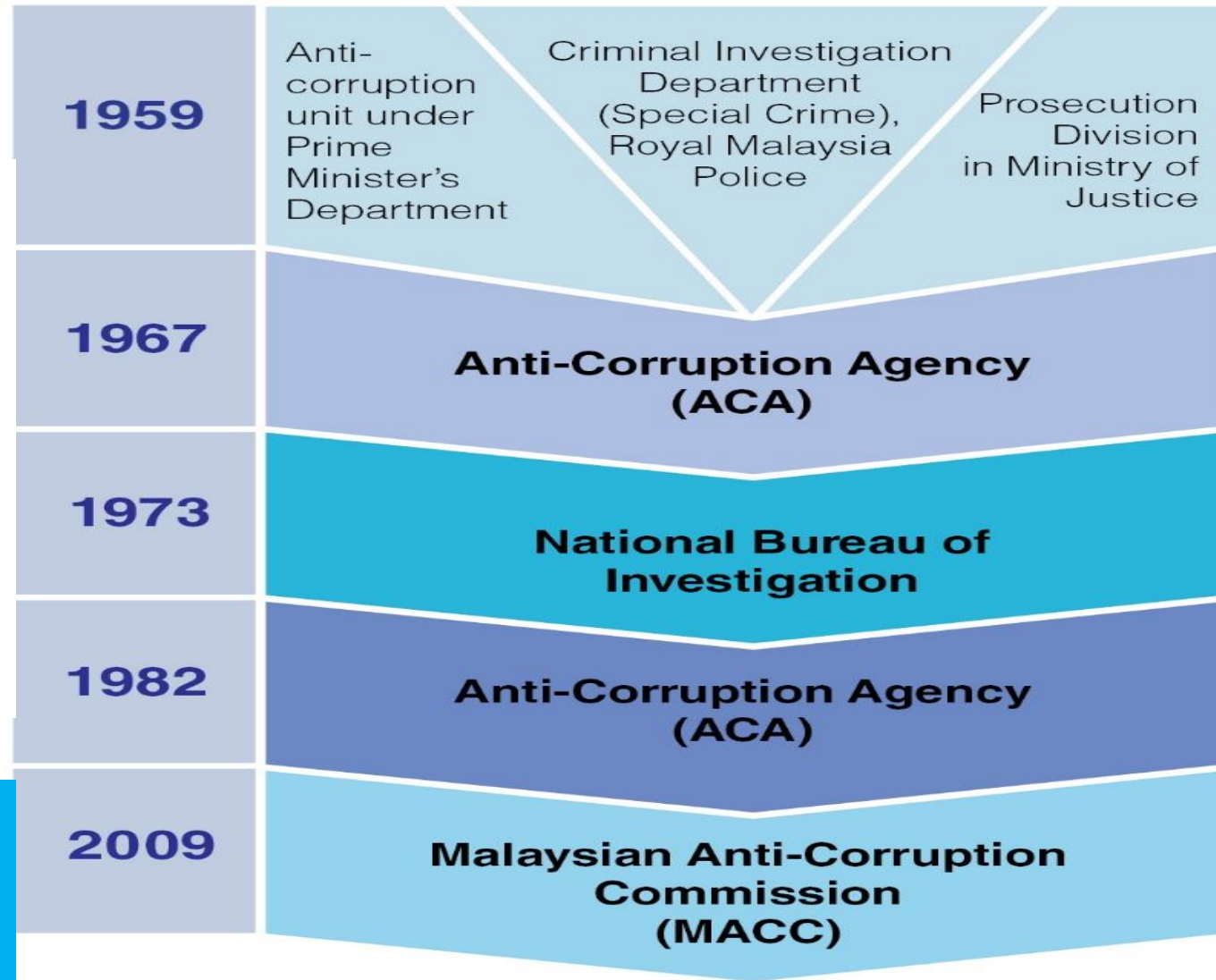
AGENDA

1. Background of the MACC
2. International Obligation – FATF & UNCAC
3. National Risk Assessment Findings 2020
4. MACC Strategy: Uncovering & Disrupting Corruption and Money Laundering Activities
5. Key Challenges
6. Moving Forward



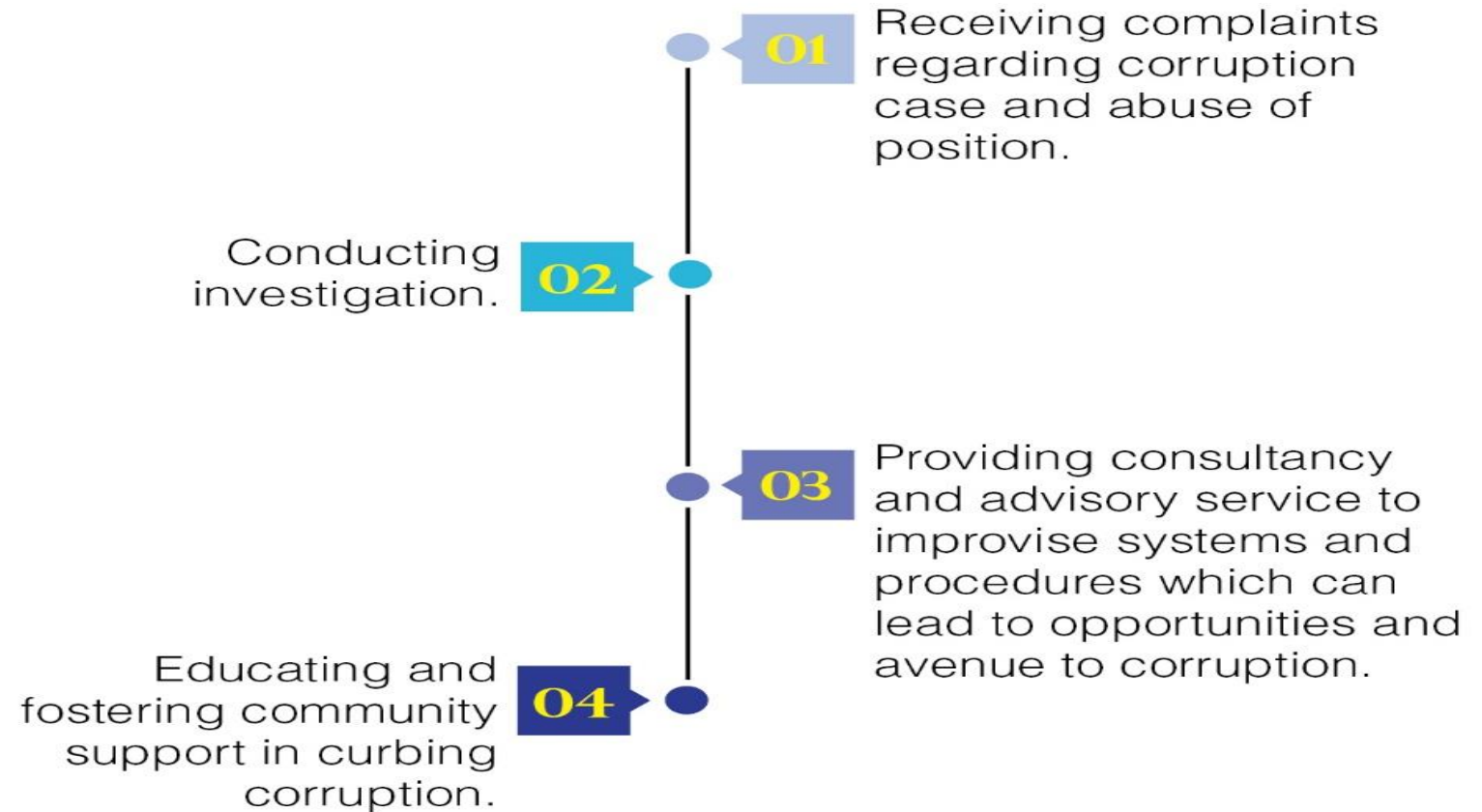
1. Background of the MACC

1 JANUARY 2009



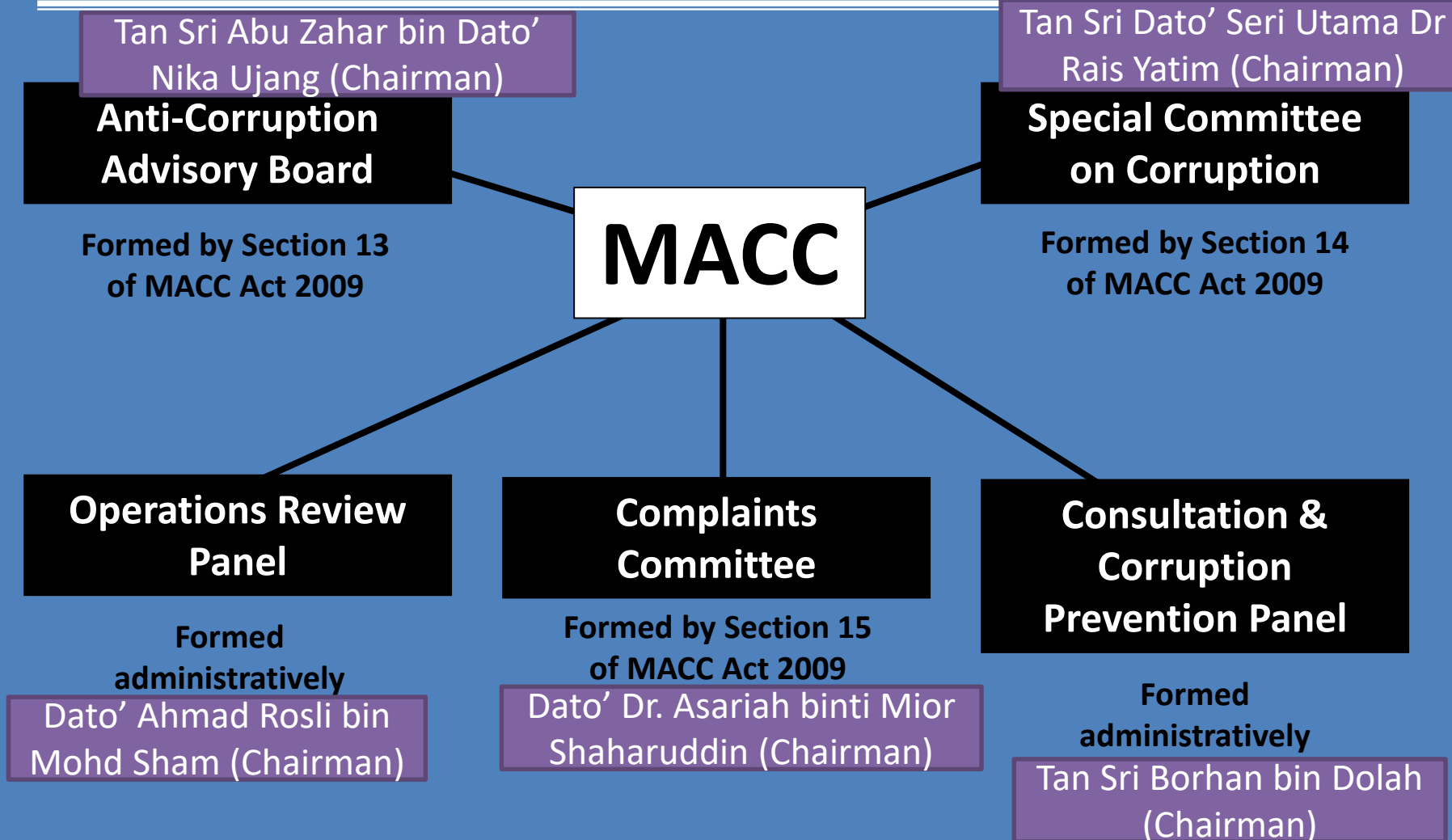


Functions of MACC





'CHECK AND BALANCE' MECHANISM





Financial Action
Task Force



2. International Obligation – FATF & UNCAC



INTERNATIONAL REQUIREMENTS

The 40 Recommendations
**“Disrupt money laundering activities and
Protects the Integrity of Global Financial
Institution”**



- In accordance with APG membership rules, on joining the APG, members commit to a mutual peer review system to determine the levels of compliance with the international AML/CFT standards. These peer reviews are referred to as “mutual evaluations”.
- The mutual evaluation report is an assessment of a country’s measures to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction. This includes an assessment of a country’s actions to address the risks emanating from designated terrorists or terrorist organisations.
- A mutual evaluation involves a team of experts drawn together from APG member jurisdictions (specially trained and qualified in the FATF's assessment methodology). The team consists of:
 - legal experts;
 - financial and regulatory experts; and
 - law enforcement experts (including FIU experts).
- Training courses for experts are conducted yearly, organised by the APG secretariat, for delegates within the APG membership. The FATF also offers courses which APG delegates may attend



3. National Risk Assessment Findings 2020



Background: National Risk Assessment (NRA)

In line with the requirement of the FATF Standards, NRA is an important tool for countries to identify, assess and understand ML/TF risks

1 What is NRA?



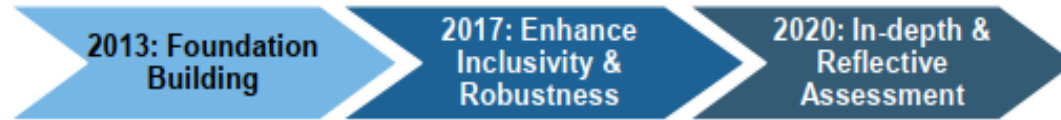
- Malaysia has committed to conduct NRA **every 3 years** as stipulated under the anti-money laundering and counter-terrorist financing (AML/CFT) National Strategic Plan 2015-2020
- NRA 2020 is conducted in collaboration with the National Anti-Financial Crime Centre (NFCC)

2 Why is it important?



- Ensure **informed decision or policy making** in relation to the National AML/CFT regime
- Strengthen **Malaysia's reputation** at the international level

3 How has it evolved?



NRA2020

Adoption of NRA2017 methodology with several enhancements for more in-depth analysis to enable more reflective assessment of the actual risk situation:

- Improved data availability** (controls indicator) for threats risk assessment, hence minimising reliance on perception data
- Refined assessment** on sectoral risk by taking into consideration enriched quantitative and qualitative data
- Deeper **understanding of connectivity** of threats and vulnerabilities of sectors

NRA2017

Major restructuring of the methodology for the assessment to be more inclusive, comprehensive and robust:

- More exhaustive list and analysis of data points sourced from relevant public and private stakeholders
- Assessment of control measures and higher focus on terrorism financing (TF) risks
- Experts' views from governmental and non-governmental organisations (for threats/crimes assessment only)
- More granular on subsectors vulnerabilities

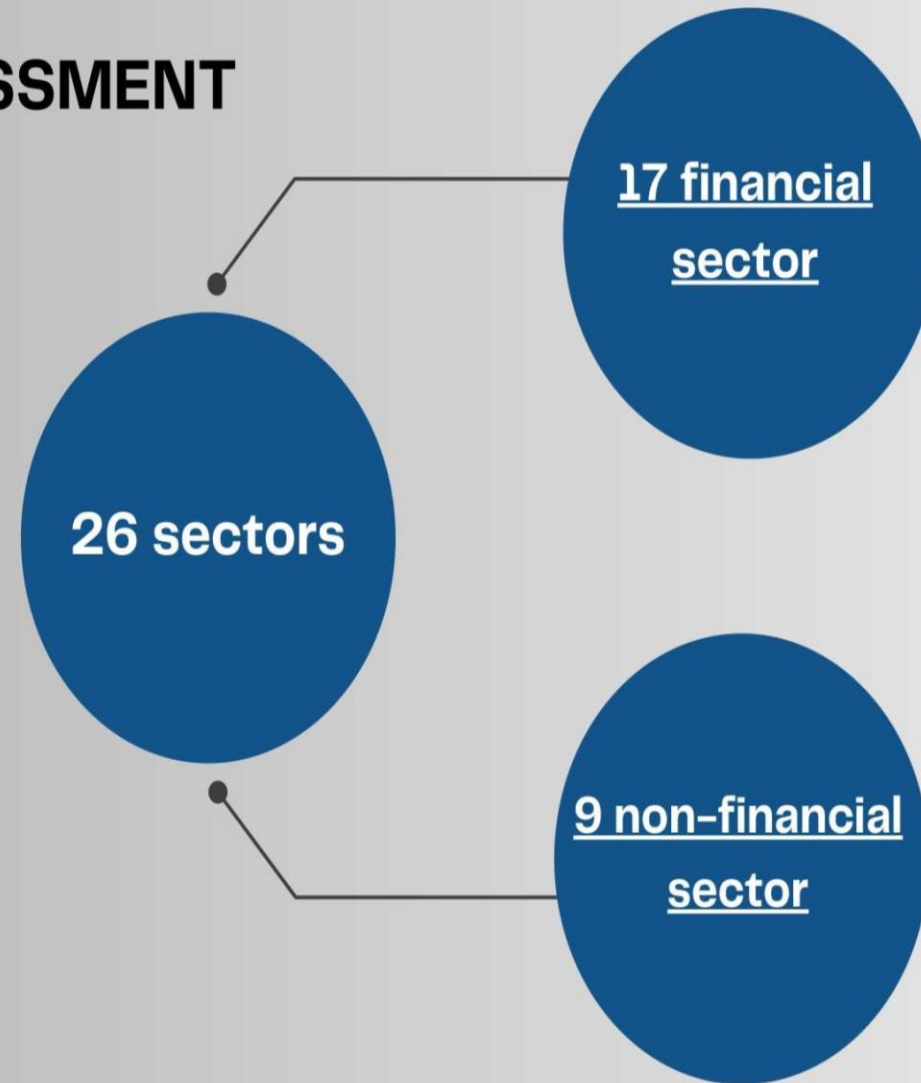
NRA2013 (and 2014 update)

- Risk indicators were adopted from Strategic Implementation Planning Framework (SIP)*
- Focus on prevailing inherent risks and vulnerabilities and no assessment on control measures

*APG Implementation Issues Working Group (IIWG) in partnership with World Bank and BNM piloted SIP in 2008



SECTORAL RISK ASSESSMENT





FINANCIAL
SECTORS



Pawnbrokers



Labuan Money Brokers



Leasing & Factoring
Companies



Insurance & Takaful
Operators



Labuan Capital Market
Intermediaries



Labuan Factoring
Companies



Non-Banking Institutions



Capital Market
Intermediaries



Moneylenders



Banking Institutions



DPI Issuers



Labuan banking
Institutions



Money Services
Businesses



Insurance Intermediaries



Labuan Insurance & Takaful
Operators





FRAUD

- Cheating and illegal investment schemes are the most prevalent and severe fraudulent activities respectively.
- Increasing number of mule accounts are used to move illicit proceeds over the last few years.

SMUGGLING

- Challenges posed by large-scale illicit trade activities and smuggling syndicates persist.
- While border control has improved, the long and porous borders with numerous illegal entry points pose inherent challenges.

CORRUPTION

- Concerns remain over widespread systemic corrupt practices.
- Intensified efforts by Malaysian Anti-Corruption Commission (MACC) to pursue graft cases remain key.
- In addition to enforcement actions, strong political commitment is critical to ensure the success of the national anti-corruption plan and Initiatives.

ILICIT DRUG TRAFFICKING

- Malaysia remains vulnerable to illicit drug trafficking due to its proximity to Asia's Golden Triangle.
- Positive development in targeting proceeds of crimes in drug enforcement and prosecution but concerted international efforts remain critical.

ORGANISED CRIME

- Perceived to have strong interconnectedness with most, if not all, serious crimes.
- Greater coordination between law enforcement agencies is key to combat organised crimes effectively.



MALAYSIA NATIONAL RISK ASSESSMENT 2020

Factors, vulnerabilities
and threats to Malaysia
economy ecosystem

- Corrupt practice
- Syndicated : organised crimes
- Technology-enabled crime
- Money mule : transit account
- Cash-based economy

Trend in financial
crime:

International and
domestic

- Digitalisation in using e-wallet with higher account limit and cross border access & usage giving chances for launderers to abuse digital platform operators
- Impact from the pandemic has increased the adoption of electronic and online platform, indirectly increase cases related to online fraud and cybercrimes



4. MACC Strategy : Uncovering & Disrupting Corruption and Money Laundering Activities



CRIMINAL MOVES AT THE SPEED OF MONEY BUT LEA's MOVE AT THE SPEED OF LAW



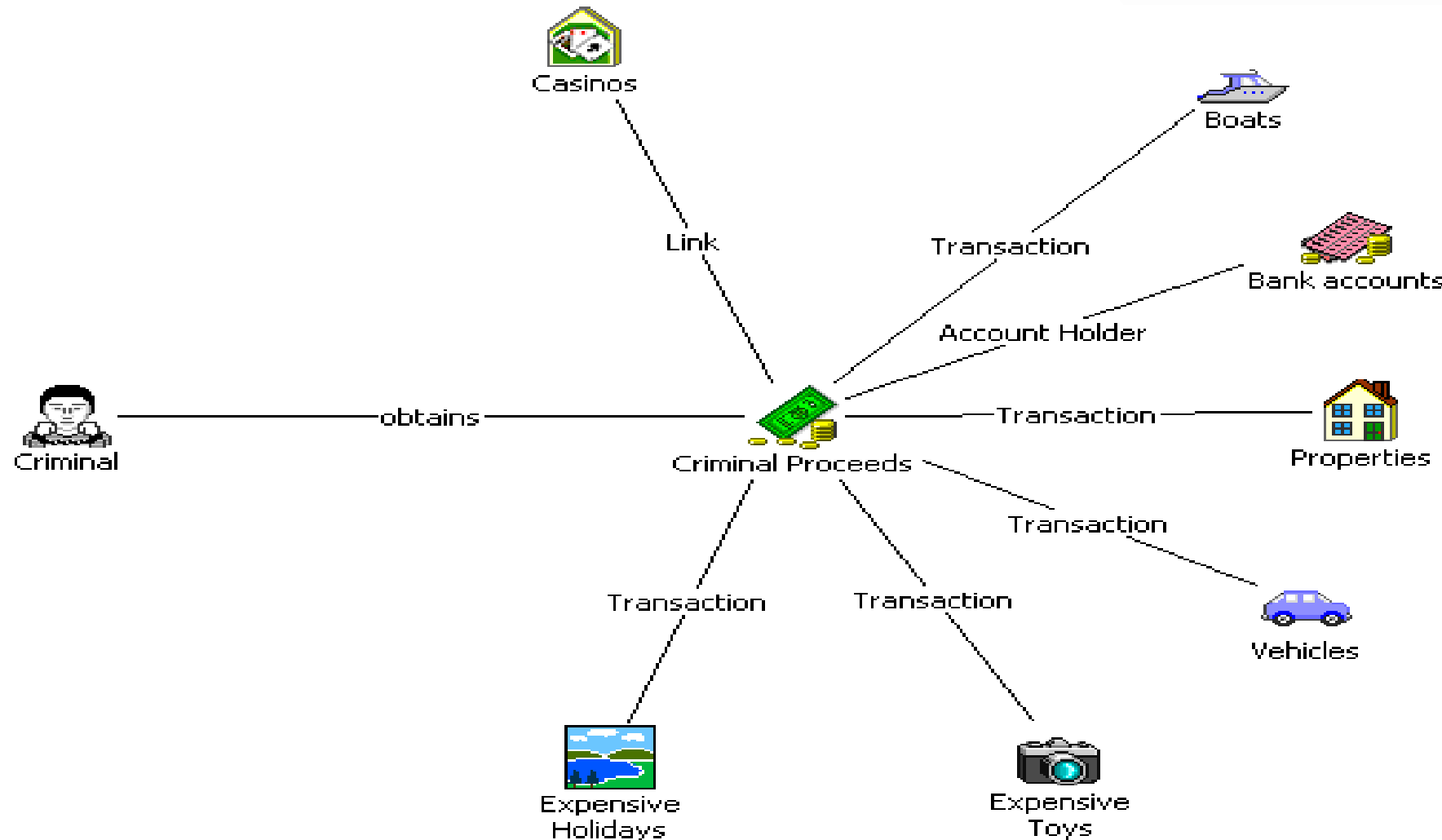


Objectives of Criminal

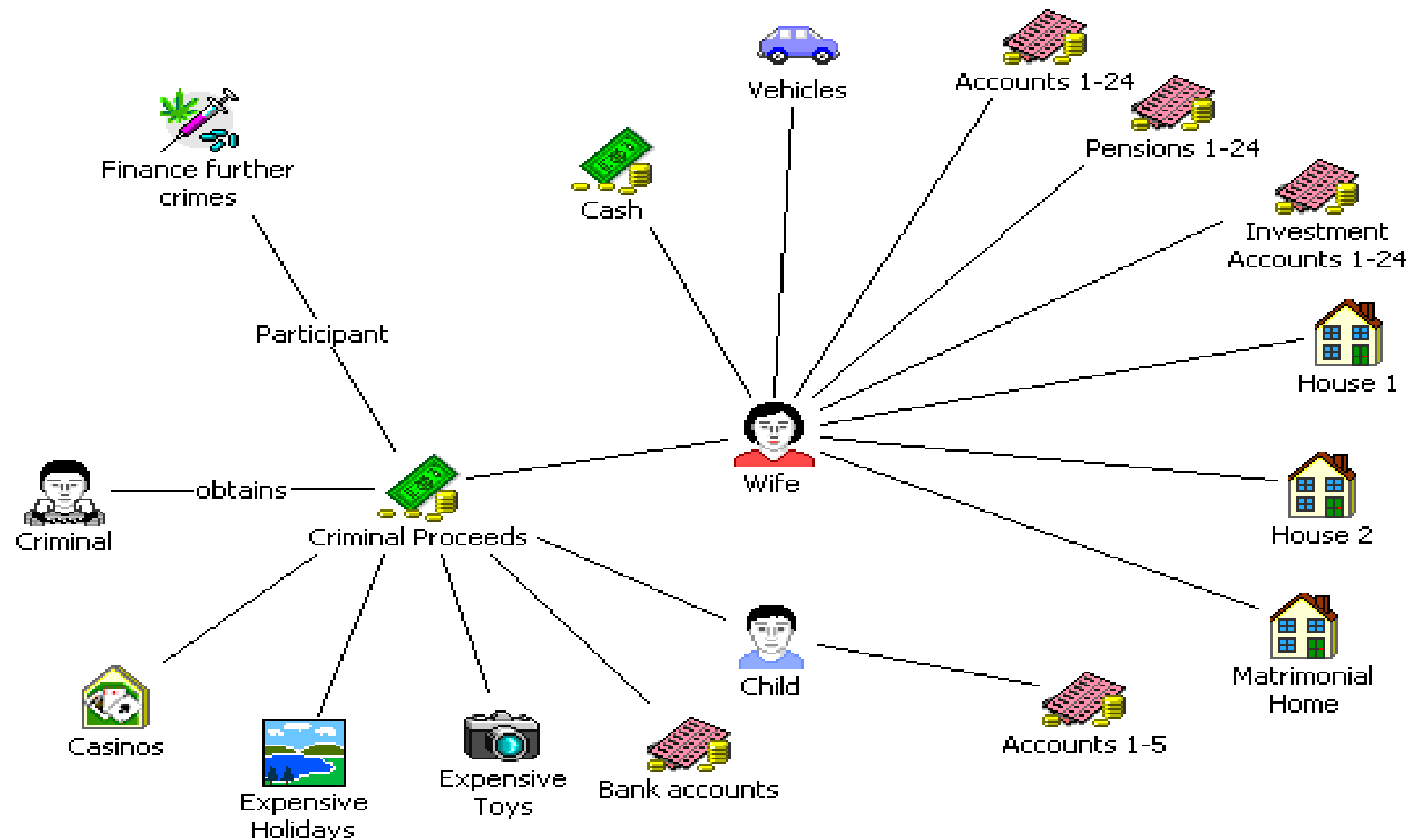
- 1) Obtain as much money as possible.
- 2) Hide as much money as possible.
- 3) Spend as much money as possible.



SIMPLE MONEY LAUNDERING SCHEME

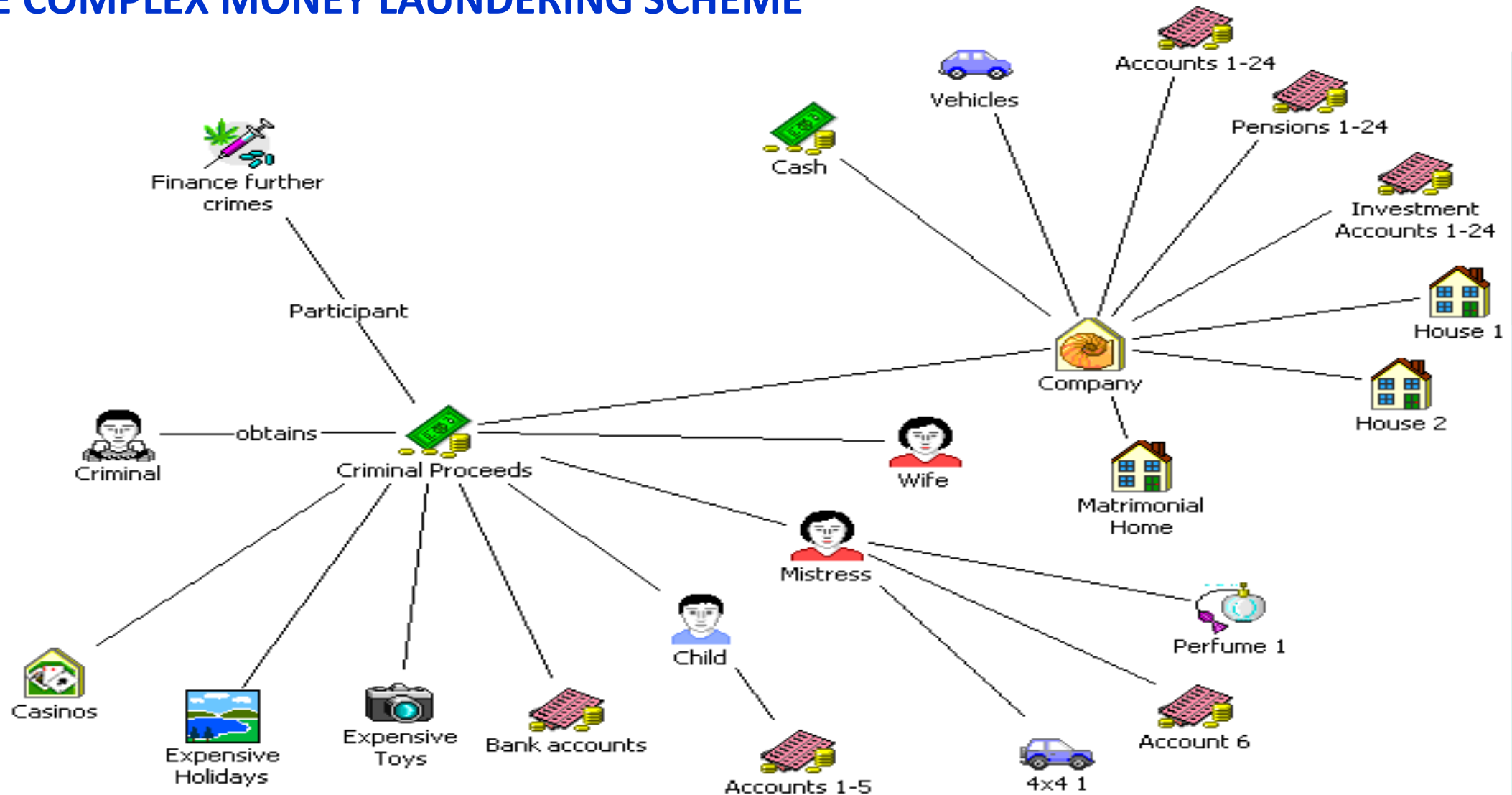


SIMPLE MONEY LAUNDERING SCHEME

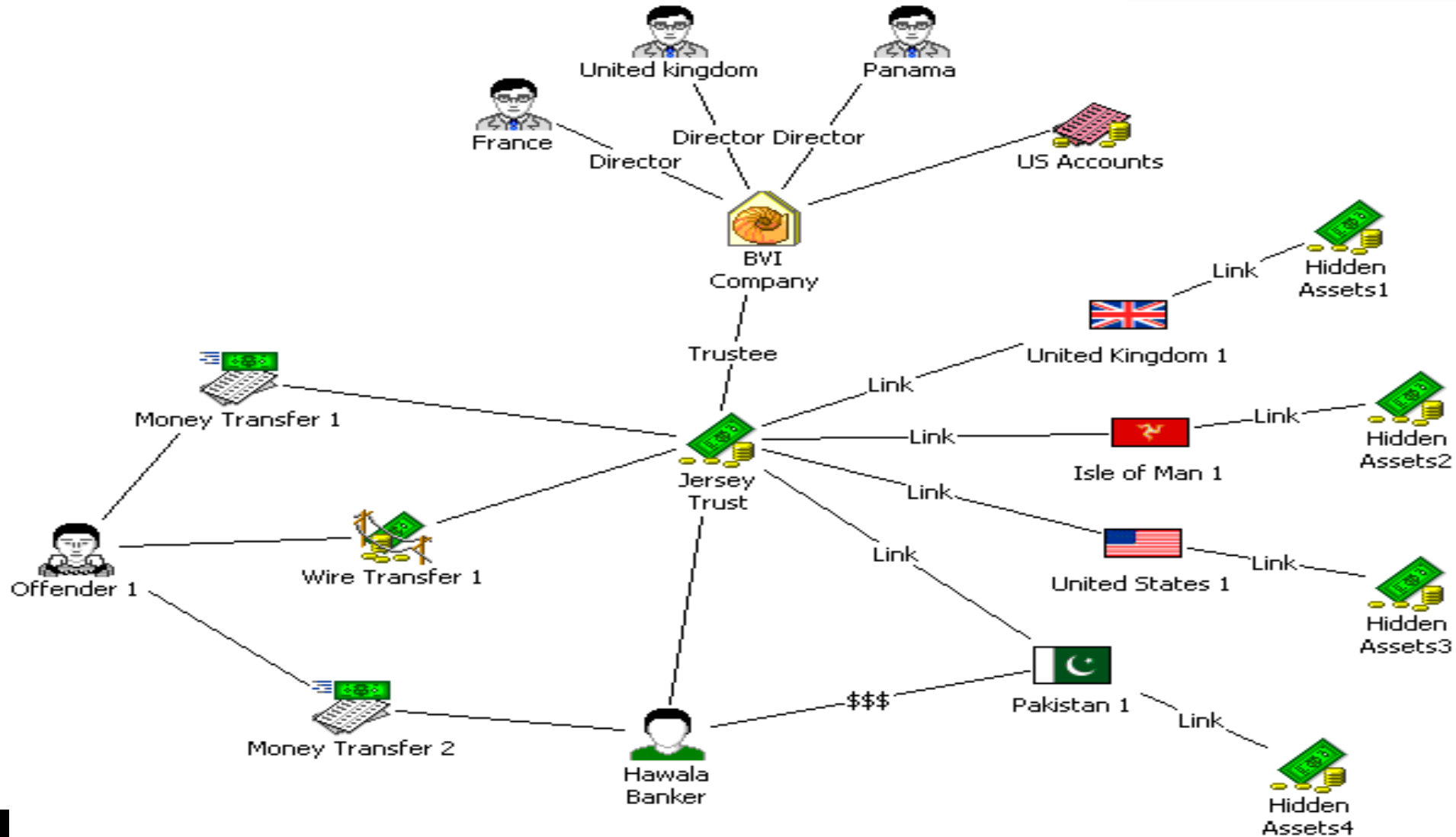




MORE COMPLEX MONEY LAUNDERING SCHEME



COMPLEX MONEY LAUNDERING SCHEME





Trends

Enabler

Company Secretaries

- Facilitate incorporation of legal persons to act as front for illegal schemes
- Layering of business administrative and financial transactions

Legal Firms

- Allow usage of clients' accounts to facilitate laundering of illegal proceeds

Cross Boundary

Multiple Jurisdictions

- Placement and layering of illegal proceeds in other countries
- Cross border transfers using illegal remittance service providers & hawala banking
- Bank accounts opening, business acquisitions, arts & other properties purchases

Usage of Offshore / Tax Haven

Complex structure of Corporate Ownership

- Attempt to conceal the ultimate beneficial ownership thru multiple layers of corporate ownership
- Flexibility to change ownership
- Registration functions delegated to agents
- No public office – trust companies

Abuse of Legal Arrangement

Creation of Trust & Foundation

- Least regulated and supervised
- Beneficial Ownership – identifying someone that has control over the company/account

The Unseen Hand

SURUHANJAYA PENCEGAHAN RASUAH MALAYSIA
MALAYSIAN ANTI-CORRUPTION COMMISSION

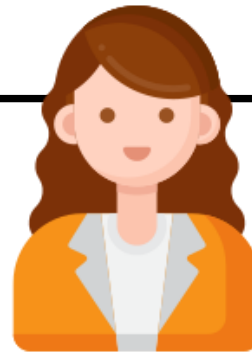


Beneficial owner of
Company B

Legal owner & beneficial owner of
Company A

Beneficial owner

- It is always a natural person (individual) and can be more than one natural person.
- This person ultimately owns or manages or controls a legal person (company).
- Those who own more than 25% of the company share or control more than 25% of voting rights or can similarly exercise significant control over the company.



Individual



Company A



Company B

100% owned Company A

Legal owner of Company B

100% owned Company B



Offshore Entities Features

The term **offshore** means :

- Any location that aims to attract capital from non-residents by promising low or no taxes, low regulation, secrecy and confidentiality.
- Jurisdictions that specialize in attracting the registration of investment vehicles with foreign sponsors.

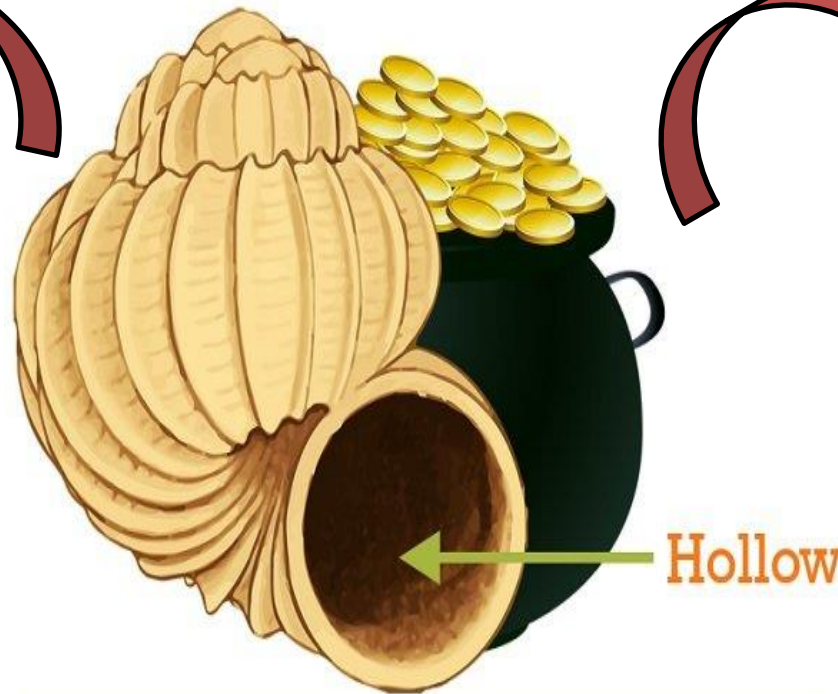
Offshore entities attract the attention of **money launderer** as it provides secrecy which ease them to hide their illegal activities, their identity as criminals, and ownership of assets as well as make a way for them to evade from paying taxes.



Why shell companies frequently used as tools/device to hide illegal activities & source of fund?

Characteristics of shell companies :

- No active business operations.
- No significant assets.
- No physical presence (only a mailing address).
- Generate little to no independent economic value.
- Located in a jurisdiction with strict privacy laws.



Just like an empty (hollow) shell, a shell company is also hollow, that only exists on papers.

It is being used to facilitate the criminals to :

- Holding assets.
- Moving assets.
- Buying assets/shares.
- Money transfer.
- Layering tools.
- Puppet transfers.
- Transfer funds.
- Hide identity.
- Fake transactions.
- Fake invoice.
- Opening bank account.

Issues?

1) Mechanisms of Hiding the Money Trail

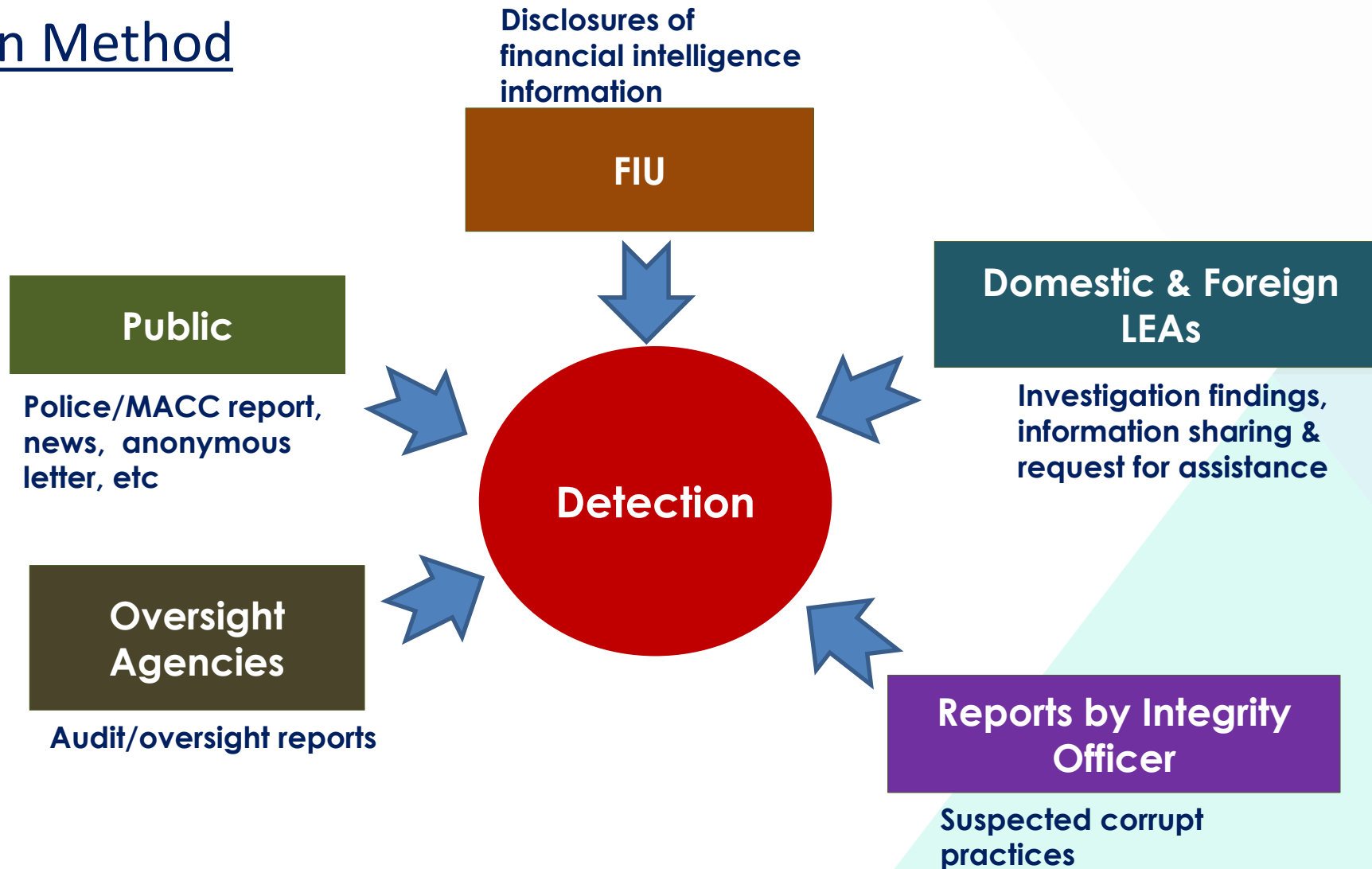


2) *How to Spend it?* Acquisition of Luxury Assets “Integration”





Detection Method





Most common:

Misuse of foreign shell companies (incl. offshore)

Use of nominees or associates to obscure connection to PEP

Misuse of domestic shell companies

Fake consultancy agreements

Bid rigging/preferential treatment in public procurement

Privatization of state assets

Deceptively named corporate vehicles

Misuse of foundations

Use of cash

Related party lending

Corruption Mechanisms (tracked)

Also featured but rare

Manipulation of regulations and import quotas

Use of share purchase agreement to disguise bribes

Use of bearer shares

Fake Invoices

Misuse of trusts

Misuse of lawyers account

Very novel/creative:

Use of financial restructuring to cover up embezzlement

Raising funds for graft through bond

issuance



CASE APPROACH

1. Intelligence

2. Evidence Gathering via Open Investigation
(Special Taskforce Formation)

3. Outcome



MACC APPROACH

INTELLIGENCE-BASED INVESTIGATION (IBI)

GATHERING INFORMATION THROUGH:

1. INFORMAL INFORMATION SHARING WITH FOREIGN COUNTERPARTS (DOJ, FBI, AFP, NCA UK, FOREIGN AGC'S OFFICE, CAD, SWISS PROSECUTOR, CCDI etc.);
2. INTELLIGENCE SHARING WITH FIU VIA EGMONT GROUP;
3. INTELLIGENCE SHARING WITH DOMESTIC LEA'S;
4. SERIES OF UNOFFICIAL ENGAGEMENT WITH FOREIGN AUTHORITIES SUBSEQUENT TO MLA'S;
5. LEVERAGE ON NETWORKING WITH WORLD BANK, STAR, UNODC, IACCC.

MANAGING TEAM-BASED INVESTIGATION

1. SPEARHEADED BY MACC CHIEF COMMISSIONER
2. SET-UP OF TASKFORCE SECRETARIAT FOR COORDINATION OF OPERATION INVOLVING INTER-AGENCY TASKFORCE & MACC;
3. TASKFORCE – MOBILISATION OF OFFICERS FROM DIFFERENT DIVISIONS;
4. ENGAGEMENT OF EXPERTS FROM OTHER AGENCIES, CENTRAL BANK (FIU) & AGC;
5. DEDICATED OPERATION CENTRE – ACTING AS ONE-STOP CENTRE FOR 1MDB INVESTIGATION;
6. EFFECTIVE UTILISATION OF RESOURCES BY ENSURING NON-OVERLAPING OF TASK, EACH TEAM/ OFFICERS HAVE OWN DEDICATED TASK;
7. EXPEDITING EVIDENCE GATHERING PROCESS.

DOMESTIC COOPERATION



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



INTERNATIONAL COOPERATION



INTERPOL



Asia/Pacific Group
on Money Laundering



AFP
AUSTRALIAN FEDERAL POLICE





MACC APPROACH

MACC INTELLIGENCE-BASED INVESTIGATION (IBI)

GATHERING INFORMATION THROUGH:

1. FINANCIAL INTELLIGENCE / INFORMER / UCO / UCA
2. INFORMAL INFORMATION SHARING WITH FOREIGN COUNTERPARTS
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MACC APPROACH

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DOMESTIC COOPERATION

FATF Rec: 2



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA
(Agensi di bawah KPDNHEP)



Suruhanjaya Sekuriti
Securities Commission
Malaysia



**Pusat Governans,
Integriti &
Anti-Rasuah
Nasional**





INTERNATIONAL COOPERATION

FATF Rec: 39,40





REGIONAL ANTI-CORRUPTION AGENCY



Australian Government

Australian Commission for
Law Enforcement Integrity



I·C·A·C

INDEPENDENT COMMISSION
AGAINST CORRUPTION



Swift and Sure



Anti-Corruption &
Civil Rights Commission





INTERNATIONAL TRAINING BODIES



INTERNATIONAL
ANTI-CORRUPTION
ACADEMY



NOTTINGHAM
TRENT UNIVERSITY



UNIVERSITI
KEBANGSAAN
MALAYSIA
*The National University
of Malaysia*



THE
WORLD
BANK



Stolen Asset Recovery Initiative

The World Bank Group • UNODC









UNODC

United Nations Office on Drugs and Crime



BASEL INSTITUTE ON
GOVERNANCE

PUBLIC PRIVATE PARTNERSHIP

Prior to 1 January 2020					
 Banking and Deposit taking Institution	 Insurance and Takaful	 Money Services Business	 Electronic Money and Non-Bank Affiliated Charge & Credit Card	 Designated Non-Financial Businesses and Professions (DNFBPs) & Other Non-Financial Sectors	 Digital Currencies
Effective 1 January 2020					
AML/CFT and TFS for Financial Institutions			AML/CFT and TFS for DNFBPs & NBFIs		
			Sector 8		



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA





MUTUAL LEGAL ASSISTANCE/ CROSS-BORDER INVESTIGATION

1MDB is a transnational case that involves many countries. To expedite investigation, MACC seek full cooperation from countries such as :

1. UNITED STATES
2. SWITZERLAND
3. SINGAPORE
4. INDONESIA
5. NETHERLAND
6. FRANCE
7. LUXEMBOURG
8. UNITED KINGDOM
9. BARBADOS
10. SEYCHELLES
11. CHINA & HONG KONG – ENGGAGEMENT WITH CCDI
12. KUWAIT, UAE & SAUDI ARABIA KINGDOM

**International
Taskforce**

**** Series of the meeting have been held in Malaysia, Singapore, USA, Switzerland, etc.**



SERIES OF INTERNATIONAL MEETING IN MALAYSIA





BENEFITS DERIVED

- ✚ INTERNATIONAL COLLABORATION IN INVESTIGATION – CROSS BORDER INVESTIGATIONS
- ✚ MUTUAL LEGAL ASSISTANCE – ASSISTING IN PRE-LAUNCHED M.L.A (FACTS & ASSISTANCE WERE DISCUSS BEFORE THE M.L.A SEND TO THE RESPECTIVE COUNTRY)
- ✚ SHARING FACTS & EVIDENCE – SOME FACTS ARE NOT BEING DISCLOSED UPON OFFICIAL REQUEST MADE BY ATTORNEY GENERAL CHAMBERS OR VIA EGMONT CHANNEL.
- ✚ ASSISTANCE IN BRINGING BACK THE SYPHONED FUNDS & ASSETS FROM ABROAD



6. Key Challenges





Key Challenges in ML Cases

- Alternative remittance
 - Illegals foreign currency such as Hawala system
 - Cheap and less paper trail
 - No movement of physical cash
 - International transaction and not involve with domestics FI
- Shell & Shelf Companies
 - international trade mechanisms remain almost unchecked with regard to the movement of illegitimate funds
 - Proxies and nominees is holding the companies
 - Transactions using this companies to conceal activities



Key Challenges in ML Cases

- Aids from Professional Enabler - Financial Sector and Non-Financial Institutions (DNFBP's)
 - Bank helping & advising the launderers how to move funds and setting up shell companies
 - Professional practitioners hired by money launderers
- Lack of cooperation, information sharing & communications between public & private sector
 - Banks concerned of customers sensitivity & confidentiality
 - Private & public engagement is very low
- International cooperation
- Legal impediment – cross border jurisdiction and framework



Key Challenges in ML Cases

- Specialized & Qualified personnel
 - not adequately equipped to investigate complicated and financial crime
 - Competency of IO - understanding the case (cryptocurrency, capital markets, trade based money laundering, industrial related crimes)
 - Lack of resources to either employ or buy the forensic accounting, financial analysis, computer skills, and ongoing legal advice needed to reveal complicated criminal systems



Key Challenges in ML Cases

- Jurisdictions
 - co-operation from their opposite numbers in other jurisdictions subject to the operation
 - MLA process – cumbersome process
 - Egmont request – time consuming to other countries not furnish
 - Proxies and nominees use offshore countries to hide ML activities
 - Some offshore countries give protection to ML



Key Challenges in ML Cases

- Evidence gathering & analysis
 - investigating the financial activity and its links to the underlying crime
 - Understanding the case
- Managing Freeze and Seize Assets
 - Time constrain to establish whether these assets is associated with the crime or not
 - money trails is crucial
 - Some of the assets have to release due to expiry seizure



7. Moving Forward





Moving Forward

Joint Investigations

- Full force of the law against the offenders – multiple offences under different laws
- Shared expertise and human capital resources
- Accessibility to information

Capacity Building

- Seamless capacity building to equip Law Enforcement Officers with the prevalent knowledge, latest trend, modus operandi & typologies
- Up-skilling & Re-skilling with the latest technology & applications

Risk Assessment

- Identification of high risk areas
- Allocation of appropriate resources on focus areas
- Development of strategic action plan to mitigate the identified high risk areas

Strategic Partnership

- Information sharing with Financial Intelligence Unit
- Members of International & Regional Network e.g. IACCC & ARIN-AP
- Close cooperation with regional peers



1. To establish DPA platform;
2. Creating BO Registry;
3. Joint and co-ordinated efforts needed in addressing grand corruptions, economics crime and money laundering activity effectively;
4. Adopting Whole Government Approach domestically and internationally;
5. Capacity building;
6. Fostering risk-based approach in combating financial crimes and money laundering;
7. Enhancing & leveraging international co-operation platform (formal and informal); and
8. Asset Targeting, Confiscation & Repatriation.



REPORT CORRUPTION

'DUTY TO REPORT BRIBERY TRANSACTIONS – S25, MACC ACT 2009'

**REPORT
CORRUPTION**



MACC MOBILE

FAST • ACCURATE • SECURED



**7 WAYS TO
REPORT CORRUPTION**



CMS : www.sprm.gov.my



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YOU ARE PROTECTED!

WHISTLE BLOWERS PROTECTION ACT 2010
SECTION 65, MACC ACT 2009

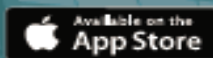


IDENTITY

INFORMATION

CONFIDENTIAL

DOWNLOAD





Q & A

**Thank
You**