

BATTLING MONEY LAUNDERING

& TERRORISM FINANCING IN MALAYSIA

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APPRECIATION



I have been teaching anti-money laundering and counter terrorism financing (AML/CFT) subjects since 2003 and I realized over the years that many participants who attended my programs or other AML/CFT programs have problems remembering the key processes especially in explaining the concept behind “Know Your Customer” which now requires implementation of Risk Based Approach by every Reporting Institution in Malaysia. In addition, participants have difficulty in understanding how relevant provision, regulations and laws in AML/CFT works in the practical sense.

I am amazed to see that there are hardly any books or reading materials available from a Malaysian perspective on this subject. Even if the books were available they were very technical in nature and more suitable for certain categories of professionals but was not suitable for everyone in general. What struck me the most is the fact that everyone wanted a simple way to learn about this subject and that is how I taught this subject over the years. Giving simple examples for “everyone” to understand and be united in one goal that is to fight money launderers and terrorist financiers.

In this book, I will embark on giving a basic understanding on what is money laundering, terrorism financing, implications and how regulators are fighting to ensure the economy is not corrupted with illegitimate funds or funds intended to fund terrorism.

As money launderers and terrorist financiers evolved over the years, this book may just be a start to understand how difficult it is to completely eliminate this problem. On my part, this book will help many to understand what criminals or terrorist are trying to achieve and how we should not be tempted or be trapped in such unlawful activities.

In view of the on-going issues involving AML/CFT in our country and with strong encouragement and inspiration from Asian Banking School especially from Dr. Vijayan Paramsothy, Director Graduate Training and Financial Sector Talent Enrichment Program (FSTEP), my participants as well as colleagues in the banking, legal and financial services, I have decided to write this simple and easy to approach book.

My utmost gratitude to Puan Nik Nuun Asma Binti Nik Sulaiman, Head Compliance of UAE Exchange Malaysia Sdn Bhd (Former Head Group AML/CFT & Compliance Strategy, Compliance, Malayan Banking Bhd) who took the time to review this Book while sharing her vast experiences in this field and I also wish to pay tribute to my law firm, Sheila Hussain Vijay & Partners, specifically my law firm partners, Mrs Kwan Siew May and Puan Shakiroh Binti Mohd Ezmi and to my Office managers Mr Khoo Swee Seng and Ms Asha Pusparaj for reviewing and giving their input in this Book. Not forgetting Datuk Ahmad Badri Bin Mohd Zahir, Director of National Budget, National Budget Office, Ministry of Finance for his kind words in supporting the objective of this Book.

Finally, this Book is dedicated to my late father, Mr. R Kanniah who passed away in 2014 and to my two sons, Dhirrenraj and Jivveshraaj who are the pillars and motivation behind the completion of this Book.

Vijayaraj R Kanniah

Kuala Lumpur

14th February 2017



FOREWORD [1]

I first met Mr. Vijay in the year 2007 with regards to training on AML/CFT to be provided to an organization that I was attached with at that point in time. He has a unique and charming character and full of humor. His classes were vibrant, not a dull moment and full of real life cases of people being involved and charged under Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA 2001).

There is no doubt that he wrote this book from the very depths of his heart for easy understanding of the general public through his simple language and sharing of examples. He has been able to explain clearly how money laundering (ML) process works and why the criminals need to hide the ill-gotten money or asset. The same goes for terrorism financing (TF) where he described how the process works and the motives behind the funders. He also went in-depth making comparison between ML and TF as the type of funds and the ideology behind movement of such funds are different.

Mr. Vijay also explained on the role played by the world standard setting body, Financial Action Task Force (FATF) in respect of ensuring global actions to prevent ML and combat TF. He also mentioned how a country that is categorized as a “country with deficiencies” may further attract sanctions and affect foreign investments should the said country continue to ignore FATF recommendations and/or AML/CFT laws and regulations.

The book also provides an insight on the regulatory framework and the role of relevant parties in enforcing AML/CFT requirements as mandated under AMLATFPUAA 2001. It further explained in great detail the important provisions under the Act, its retrospective effect, the punishment for money

laundering and the approach that Reporting Institutions adopt in addressing and mitigating ML/TF risk.

This book is excellent and one must read it to understand and appreciate the author's passion as he has not turned back since taking on the role of a trainer in this field.

Nik Nuun Asma Nik Sulaiman
Head Compliance
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Former Head Group AML/CFT
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FOREWORD [2]

This is really a great book. Mr. Vijay has managed to use an excellent tool not only to understand what money laundering is and how it happens, but also to increase our expertise in this scope. It explains the basic concepts in Money Laundering and in an easy to read format. It includes a comprehensive selection of examples on how monies were laundered, checklists and an unrivalled collection of training materials. It will help us understand better in the context of the Malaysian perspective and put together an effective framework to meet our legal obligations.

It is the book that highlights understanding AMLATFPUAA 2001, new trends in crime and terrorism financing, the rise of money laundering in connecting with major frauds, law and policy shifts related to terrorism financing, new methods for financial intelligence and the filing of suspicious transaction reports as well as how changes in technology have enabled launderers to move funds more easily and anonymously.

This book also highlights the techniques used to investigate cases and it enlightens us with a full understanding of the laws and regulations that serves as the weapon to counter and fight off these criminal activities. While the Act remains an important tool in combating unlawful activities, it explains the investigative and legislative processes that are essential in detecting and circumventing this illegal and dangerous activity especially to those who are directly exposed

Datuk Ahmad Badri Mohd Zahir
Director of National Budget
National Budget Office
Ministry of Finance

INTRODUCTION

The main objective of this book is to give readers an easy entry and understanding of all aspects of anti-money laundering and counter financing of terrorism (AML/CFT). There are books in this area but it is either too technical or too long or too difficult for readers to understand. Hence, this Book was written as preliminary reading material before attending any AML/CFT related programs. This Book is also intended to be a ‘refresher’ reading material before attending any AML/CFT refresher training programs.

In this book, each Chapter selected and discussed are critical areas on the subject of AML/CFT. The Chapters may not completely cover all AML/CFT areas as this Book is intended to be complementary to many others that have already been written on AML/CFT. It is with great hope that the readers appreciate the “spirit” behind the entire AML/CFT regime and the purpose of each policy, rules, regulations and the laws behind AML/CFT.

By the end of this Book, readers would realize that criminals / terrorist will be having great difficulty to enjoy or move their illegal funds through the Malaysian Financial System. The entire AML/CFT legal framework was introduced to be an effective mechanism to prevent illicit funds from entering or moving into the Malaysian Financial System whether onshore or offshore.

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