National Money Laundering (ML) & Terrorism Financing (TF) Risk Assessment (NRA) 2017

Agenda

❑ **Overview of National Risk Assessment**

❑ **Results of Threat/Crime & Terrorism Financing Assessment**

❑ **Results of Sectoral Assessment**

❑ **Results of Non-Profit Organisation Assessment**

❑ **Post NRA 2017**

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National Risk Assessment – Why?

International Standards

FATF Recommendation 1

- **Identify, assess, and understand** the ML and TF risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at **ensuring the risks are mitigated effectively**.

- Apply a **Risk Based Approach** to ensure that measures to prevent or mitigate ML and TF are **commensurate with risks identified**.

- Require FIs and DNFBPs to identify, assess and take effective action to mitigate their ML and TF risks.

FATF Immediate Outcome 1

- **ML and TF risks are understood** and, where appropriate, **actions coordinated domestically to combat** ML and the financing of terrorism and proliferation.
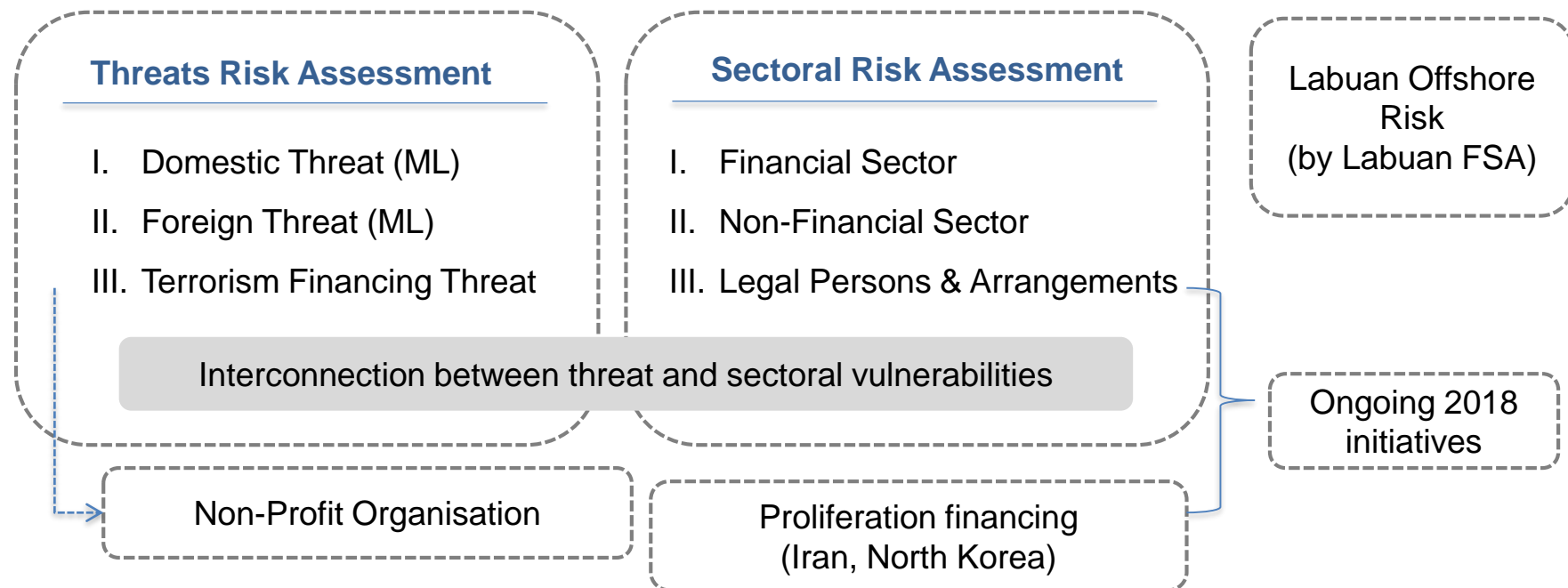
Malaysia National Risk Assessment

- Conducted on a 3-year cycle - effective system in identifying, assessing and understanding ML/TF risks for the country

- Foundation for robust risk-based national strategies and policies to combat ML/TF risk

  - Coordinated actions and efficient allocation of resources among domestic stakeholders

  - Enhancement of risk based approach across public and private sectors

Overview of Assessment Scope & Methodology

Scope

Threats Risk Assessment

I. Domestic Threat (ML)

II. Foreign Threat (ML)

III. Terrorism Financing Threat

Sectoral Risk Assessment

I. Financial Sector

II. Non-Financial Sector

III. Legal Persons & Arrangements

Labuan Offshore Risk
(by Labuan FSA)

Interconnection between threat and sectoral vulnerabilities

Ongoing 2018 initiatives

Non-Profit Organisation

Proliferation financing
(Iran, North Korea)

Data Points

Case Studies

Independent Reports

Statistical Data

Perception Surveys

Expert Views

Results : Net Risk after considering effectiveness of control measures

Threat (Crime), Terrorism & Terrorism Financing Risk Assessment Results
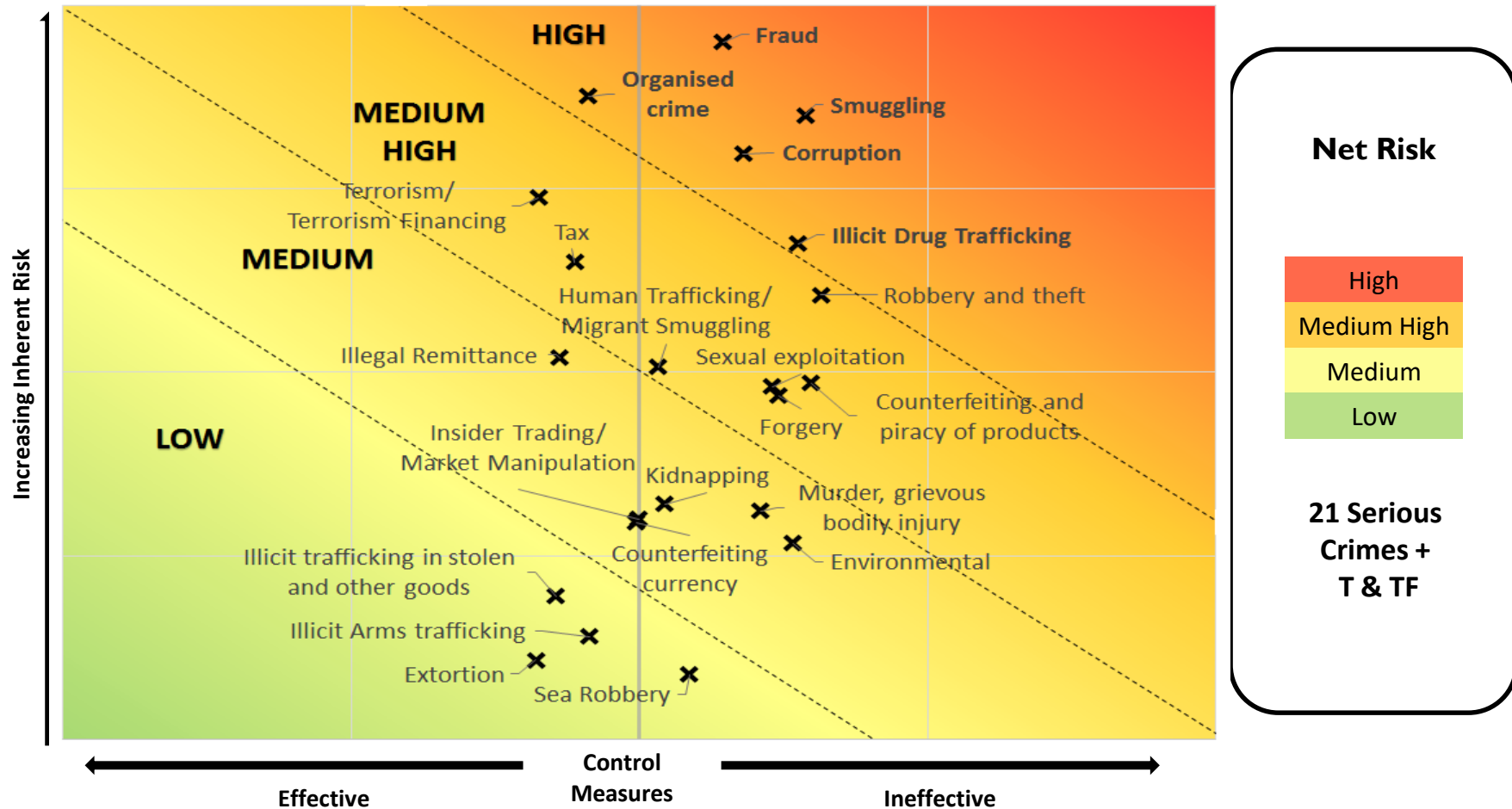
Control effectiveness is relative to the inherent risk : higher risk requires greater control measures

Sectoral risk assessment results: Net ML & TF Risk Rating

* Both ML & TF

Control Measures	Low	Medium	Medium High	High
Weak	▪ Onshore Money Brokers* ▪ Insurance Intermediaries* ▪ Labuan Capital Market* ▪ Labuan Money Brokers (TF)	▪ Other Financial Services Providers* ▪ Labuan Money Brokers (ML) ▪ Jewelers (TF)	▪ Jewelers (ML)	
Marginal	▪ Labuan Insurers* ▪ Labuan Banks* ▪ Estate Agents (TF) ▪ Cosecs (TF) ▪ Trust Companies (TF) ▪ Labuan Trust Companies (TF) ▪ Lawyers (TF) ▪ Accountants (TF)	▪ E-Money and Non-Bank Cards* ▪ Non-Bank Financial Institutions* ▪ Estate Agents (ML) ▪ Cosecs (ML) ▪ Trust Companies (ML) ▪ Labuan Trust Companies (ML) ▪ Lawyers (ML) ▪ Accountants (ML)		
Acceptable	▪ Gaming Outlets (TF)	▪ Insurers* ▪ Capital Market (TF) ▪ Gaming Outlets (ML)	▪ Banks (TF) ▪ Capital Market (ML) ▪ Money Services*	▪ Banks (ML)
Strong		▪ Casino (TF)	▪ Casino (ML)	

Inherent Risk

Net Risk — Low — Medium — Medium High — High

NPO Assessment Results

Malaysia NPO Landscape

Total No. of NPOs: 62,724

♡ Charity	17,614		Religious	11,957
Cultural	2,877		Educational	544
Fraternal	292		Others	29,331
Assets	RM34 bil		% of GDP	3.1%
	Population	31.3 million		

Number of NPOs according to regulators

31 *(0.05%)*
367 *(0.58%)*
2,040 *(3.8%)*
60,286 *(95.5%)*

- ■ LFSA (As at 2016)
- ■ BHEUU (As at 2014)
- ■ SSM (As at 2016)
- ■ ROS (As at 2015)

0   1,000   2,000   3,000   4,000
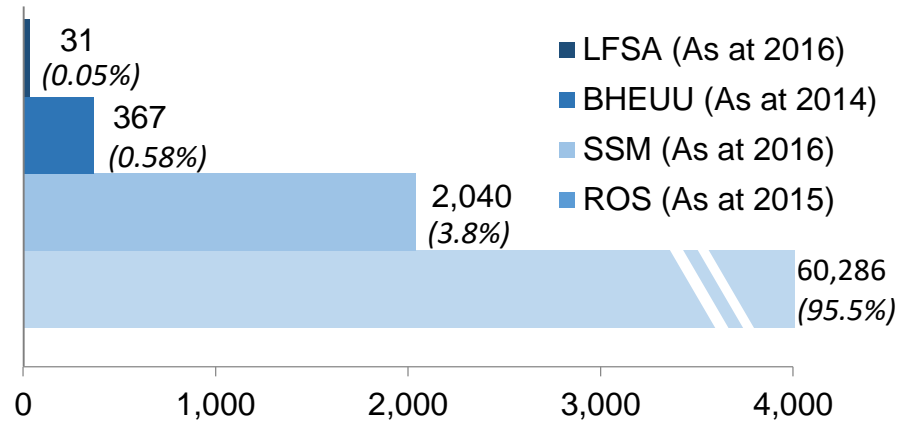
Possible usage of NPO for TF purposes (based on Suspicious Transaction Report (STR) information)

RAISING
- Donations from public to NPOs

MOVING
- Cash courier
- Fund transfer

USING
- Possible funding individuals to conflict zone
- Funds were transferred to various individuals
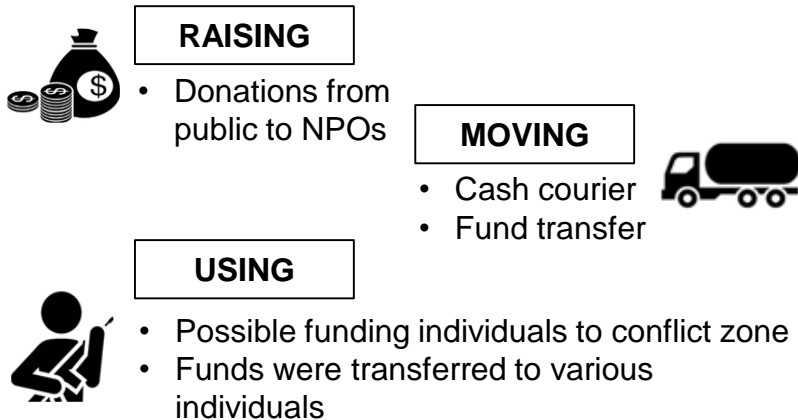
Risk Focus: Sub-sectors and Characteristic

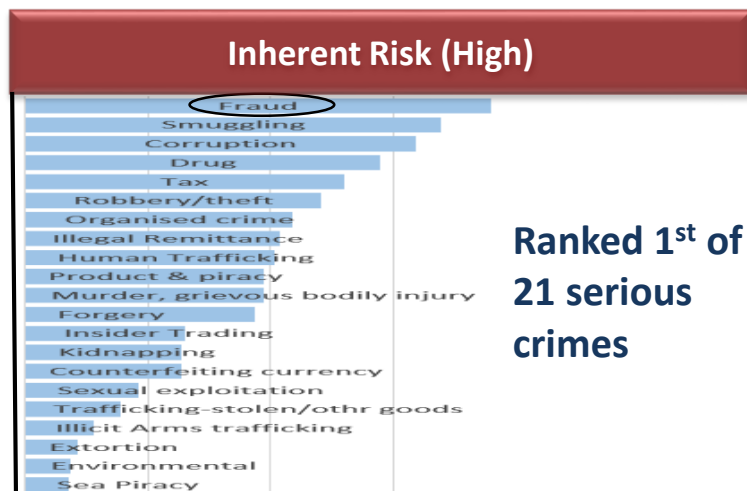|	Classification	No. of NPOs	Risk Ratings
Sub-sectors	**Religious** • Worshippers Society • Management Committee	9,035	**MH** MH M
	Charity • Members Welfare • Societal Welfare	9,075	**M** MH M
Sub-sets Characteristics	• Received TF intelligence • High cash intensity in asset • High cash transaction • Have operations in HiRA • Have transactions with HRA	10 2,924 3,545 26 42	

HRA : High Risk Area

High Risk Crimes, Terrorism & Terrorism Financing

High Risk Crime - Fraud

Inherent Risk (High)	Control Effectiveness (Marginal)
Fraud	Fraud
Smuggling	Illegal Remittance
Corruption	Corruption
Drug	Smuggling
Tax	Human Trafficking
Robbery/theft	Organised crime
Organised crime	Drug
Illegal Remittance	Trafficking-stolen/othr goods
Human Trafficking	Insider Trading
Product & piracy	Counterfeiting currency
Murder, grievous bodily injury	Robbery/theft
Forgery	Extortion
Insider Trading	Kidnapping
Kidnapping	Murder, grievous bodily injury
Counterfeiting currency	Forgery
Sexual exploitation	Illicit Arms trafficking
Trafficking-stolen/othr goods	Product & piracy
Illicit Arms trafficking	Sexual exploitation
Extortion	Environmental
Environmental	Sea Piracy
Sea Piracy	

Ranked 1st of 21 serious crimes

Ranked 1st of 21 serious crimes. However, not commensurate with high inherent risk
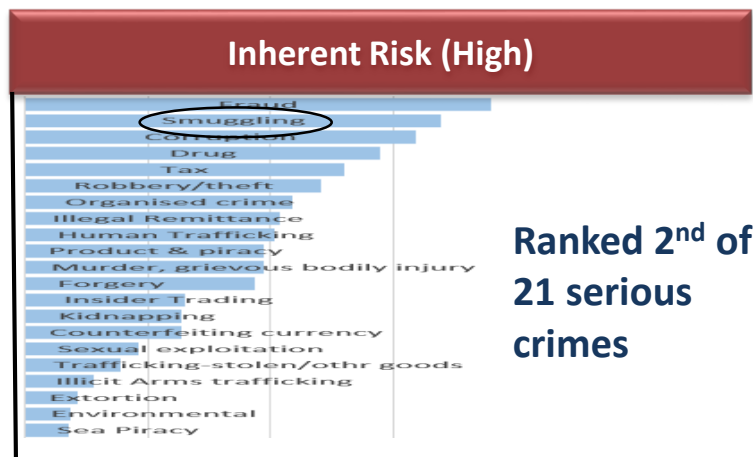
Main driving factors

- Ranked either 1st or 2nd in 11 out of 13 risk indicators involving:
  - Investigations
  - STRs
  - Foreign threats

- Ranked either 1st or 2nd in 10 out of 14 AML indicators involving:
  - Enforcement actions
  - Prosecutions
  - Judiciary
- Perceived to be relatively ineffective in combating the crime (10th)

Observations

- International nature of fraud cases – challenges for domestics and cross jurisdiction coordination

- Illegal financial scams operators exploit gap in enforcement – various legislations overseen by different law enforcers

- Abuse of financial systems – rampant use of bank accounts and mule account holders in committing fraud and laundering of proceeds

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High Risk Crime - Smuggling

Inherent Risk (High)	Control Effectiveness (Marginal)

Inherent Risk chart (ranked list):
Fraud, Smuggling, Corruption, Drug, Tax, Robbery/theft, Organised crime, Illegal Remittance, Human Trafficking, Product & piracy, Murder, grievous bodily injury, Forgery, Insider Trading, Kidnapping, Counterfeiting currency, Sexual exploitation, Trafficking-stolen/othr goods, Illicit Arms trafficking, Extortion, Environmental, Sea Piracy

Ranked 2nd of 21 serious crimes

Control Effectiveness chart (ranked list):
Fraud, Tax, Illegal Remittance, Corruption, Smuggling, Human trafficking, Organised crime, Drug, Trafficking-stolen/othr goods, Insider Trading, Counterfeiting currency, Robbery/theft, Extortion, Kidnapping, Murder, grievous bodily injury, Forgery, Illicit Arms trafficking, Product & piracy, Sexual exploitation, Environmental, Sea Piracy

Ranked 5th of 21 serious crimes.

Main driving factors

- High investigation:
  - 3rd in both number and amount involved in cases
- Large amount involved in STRs reported by RIs (2nd)
- Perceived to be high risk (4th), high connection with other crimes (3rd) and foreign threat (3rd)
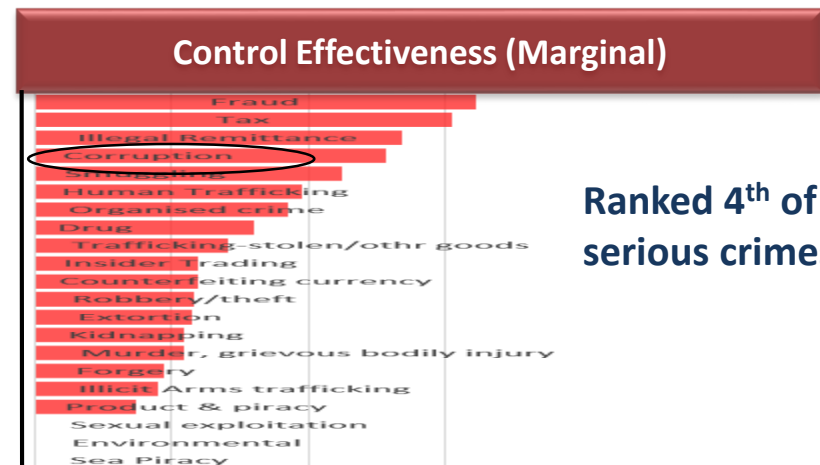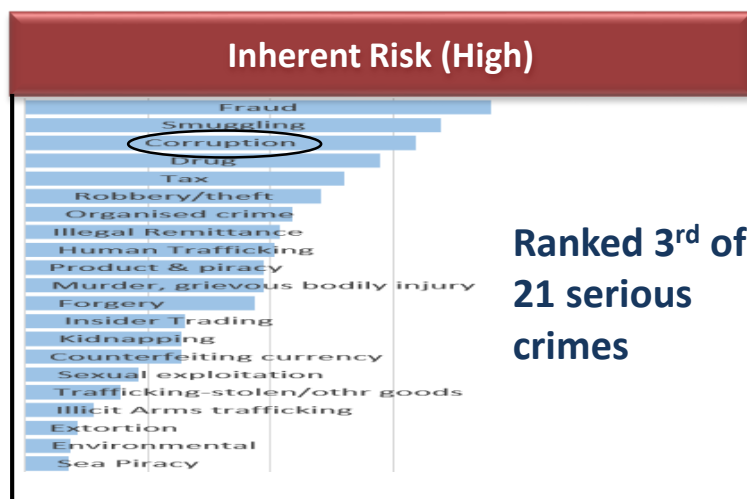
- High ML enforcement actions:
  - 5th in amount involved in ML cases
  - 6th in ML investigation
- High ML prosecution actions (4th)
- Perceived to be relatively ineffective (11th)

Observations

- Common items being smuggled:
  - Into Malaysia – consumables & electronic goods, alcohol, tobacco, mobile phones, firecrackers, rice
  - Out of Malaysia – electronic products, rubber tyres
- Mostly perpetrated by crime syndicates – abused the long and porous border & possibly assisted by complicit officials

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High Risk Crime - Corruption

Inherent Risk (High)

Ranked 3rd of 21 serious crimes

Control Effectiveness (Marginal)

Ranked 4th of 21 serious crimes.

Main driving factors

- High investigation:
  - 6th in number and 5th in amount involved in cases
- High STRs reported by RIs
  - 4th in number and 5th in amount involved
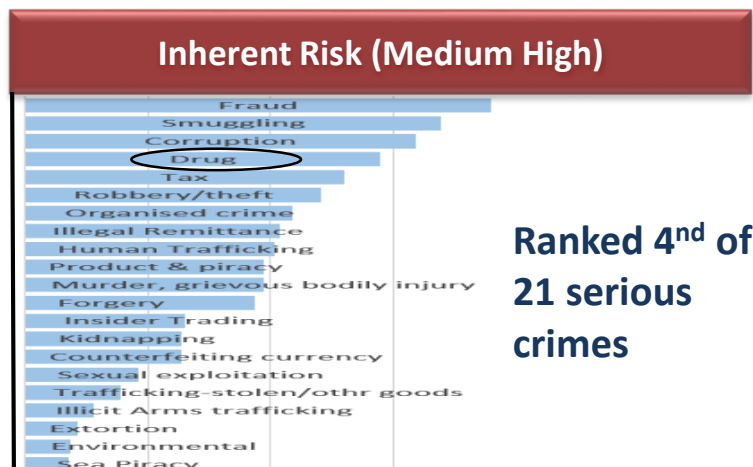- Perceived to be the highest risk crime & most connected with other crimes

- High ML enforcement actions:
  - 1st in amount seized & 3rd in amount frozen
  - 2nd in amount involved in ML cases
  - 5th in ML investigation
- High ML prosecution actions (2nd)
- Perceived to be 2nd most ineffective

Observations

- Offenders of corruption crime (2014-2017) : proportional ratio between public officials (48%) and civilians (52%)
- 2014 – 2016 : Approximately 50% of arrested civil servant below 40 year-old
- Weakening perception of corruption in the country – Transparency International : 2014 (51st), 2015 (54th), 2016 (55th), 2017 (62nd)

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High Risk Crime – Illicit Drug Trafficking

Inherent Risk (Medium High)	Control Effectiveness (Weak)

Inherent Risk (Medium High)

Fraud
Smuggling
Corruption
Drug
Tax
Robbery/theft
Organised crime
Illegal Remittance
Human Trafficking
Product & piracy
Murder, grievous bodily injury
Forgery
Insider Trading
Kidnapping
Counterfeiting currency
Sexual exploitation
Trafficking-stolen/othr goods
Illicit Arms trafficking
Extortion
Environmental
Sea Piracy

Ranked 4nd of 21 serious crimes

Control Effectiveness (Weak)

Fraud
Tax
Illegal Remittance
Corruption
Smuggling
Human Trafficking
Organised crime
Drug
Trafficking-stolen/othr goods
Insider Trading
Counterfeiting currency
Robbery/theft
Extortion
Kidnapping
Murder, grievous bodily injury
Forgery
Illicit Arms trafficking
Product & piracy
Sexual exploitation
Environmental
Sea Piracy

Ranked 8th of 21 serious crimes.
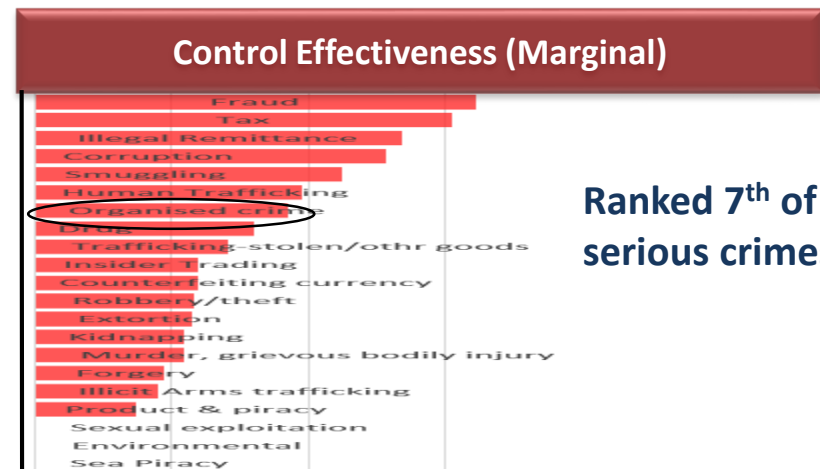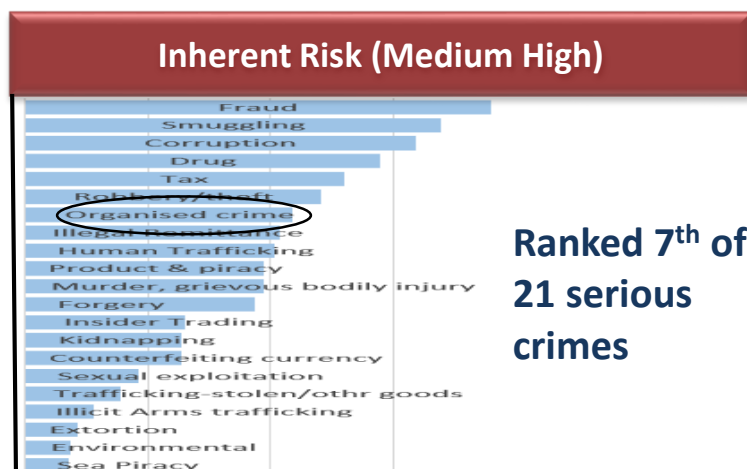
Main driving factors

- High amount involved in cases investigated (6th)
- Perceived to be high risk (5th) and foreign threat (1st)

- High ML investigation (1st)
- Absence of ML prosecution and conviction
- Perceived to be most effective

Observations

- Geographical location of Malaysia - foreign source of drugs transiting into and/or from the country
- Expanding drugs market in Malaysia – number of new users detected daily: 2016 (64), 2017 (49)
- Perpetrated by domestic or international organised crime syndicates

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High Risk Crime – Organised Crime

Inherent Risk (Medium High)	Control Effectiveness (Marginal)

Ranked 7th of 21 serious crimes

Ranked 7th of 21 serious crimes.

Main driving factors

- Relatively high investigations (5th) and amount involved in STRs (7th)

- High ML enforcement actions:
  - 4th in ML investigations
  - 2nd in IP with freezing & 6th in amount frozen

Net risk qualitatively raised from Medium High to High due to:
- Most of the serious crimes are perpetrated by organised crime groups.
- Lower data indicators which do not reflect actual risk level due to enforcement actions taken against individuals within an organized crime syndicate for their corresponding predicate crimes instead of the relevant regulation on organized crimes.

Observations

- Main challenges faced in combating the crime:

  - Enforcement scope limited by definition of law: Serious offence of organised crime = offence punishable by imprisonment of 10 years or above (international standard is 4 years)

  - Complicity of public officials : case of senior police officers offering protecting racket to crime groups

  - Fear instilled in law enforcers : burning of property/vehicles, shootings

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Terrorism & Terrorism Financing – Medium High Risk

Inherent Risk (Medium High)

No. of IP (predicate)	76
No. of attempted attacks	15
Value of STRs	RM643m
No. of STR; No. of STR foreign	534 ; 80

Control Effectiveness (Acceptable)

No. of arrests	260
No. of designations	45
No. of IP (TF)	25
No. of prosecution	20
No. of conviction	6

Main driving factors

- Porous land and sea border enable transiting of value and terrorists between Malaysia and neighboring countries.
- Large and potentially sympathetic Muslim population
- Increased IS threat due to affiliation of Malaysia's militants with the Salafi Jihadi/Wahhabi ideology

- Intense enforcement by PDRM's Special Branch
- Success in preventing terrorist attacks and dismantling terrorist groups

Observations

- No evidence of terrorist financing being linked to extortion, robbery, smuggling, fraud or drugs
- Pew Research Centre : 11% Malaysian show favourable attitude towards IS (Lebanon 1%, Jordan 3%, Palestinian 6%, Turkey 5%, Indonesia 9%).
- 95-98% of Malaysians recruited via social media and online messaging apps.
- Malaysian response to the ideological threat posed by jihadist-Salafism has not been as equally vigorous or successful as its operational responses. (The evolution of jihadist-Salafism in Indonesia, Malaysia and The Philippines, and its impact on security in Southeast Asia, 2016).

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Main Sectors

Sectoral Summary Report: Banking

Inherent Risk

	ML	TF
Conv LO	H	H
Conv FO	H	MH
Islamic LO	H	H
Investment	MH	MH
DFI	MH	MH
Islamic FO	M	M
Labuan Banks	L	L
Int Islamic	L	L

Control Measures

Conv FO	A
Islamic FO	A
Islamic LO	A
Conv LO	A
Investment	A
DFI	A
Int Islamic	A
Labuan Banks	M

Net Risk

	ML	TF
Conv LO	H	H
Conv FO	H	MH
Islamic LO	H	H
Investment	MH	MH
DFI	MH	MH
Islamic FO	M	M
Labuan Banks	M	M
Int Islamic	L	L

Observations:

1. Highest number and value involved in relation to both ML and TF investigations and prosecutions:
   - ML: Current and savings accounts most commonly frozen & seized in investigations.
   - TF: Noticeable increase in the usage of bank accounts to raise and move funds.
2. As at 2016, losses involving mule accounts = RM500 million (>13,500 cases investigated)
3. Associated with fraud, corruption, tax evasion, illicit drug trafficking, smuggling, and insider trading/market manipulation.

Key Contributors (Inherent Risk):

1. **Highest value of transactions** (188 billion transactions amounting to RM356 quadrillion).
2. **Highest cash transactions** (737 million transaction valued at RM260 trillion).
3. **Provides high risk products/ services** (e.g. CASA, trade finance, IFT, foreign exchange).
4. **Highest number of customers** (72 million).

Note:
- Banking sector has the **largest asset size** (RM2.9 trillion) across all sectors
- TF risk rated at **Medium High** due to lower score on 'likelihood of TF occurring" compared to ML

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Acceptable** level of market entry control and procedures.
2. **Acceptable** level of RIs' Internal Controls i.e. improved **quality and quantity of STRs** and **minor gaps** in compliance and risk management functions for some RIs

Source: 2014 – 2016 data from Supervisors and FIED

Inherent ML Risk	**Medium High**	
Inherent TF Risk	**Medium**	

Control	**Acceptable**

Net ML Risk	**Medium High**
Net TF Risk	**Medium**

Inherent Risk

	ML	TF
FMUTC	MH	M
Stockbroking	MH	M
Derivative Broking	M	M

Control Measures

FMUTC	A
Stockbroking	A
Derivative Broking	A

Net Risk

	ML	TF
FMUTC	MH	M
Stockbroking	MH	M
Derivative Broking	M	M

FMUTC: Fund Management and Unit Trust Companies

Observations:

1. ML threats generally lower than other financial sectors.
2. Mostly associated with insider trading/market manipulation and fraud. Isolated case of corruption proceeds laundered through stockbroking firm.

Key Contributors (Inherent Risk):

1. **All products** offered by capital market intermediaries are assessed as higher ML/TF risk exposure.
2. Access to capital market products via **non-face-to-face channels** i.e agents and electronic delivery channels increase ML / TF vulnerabilities
3. **High** number of transactions facilitated (82% of total transactions) by capital market intermediaries to both local and global clients.
4. **Relatively high** number of customers identified as higher ML risk; while TF risk is assessed as low.

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Acceptable** level of market entry control and procedures.
2. **Acceptable** level of internal controls by RIs reflected by **minor gaps** in established AML/CFT compliance programme for some RIs in subsector

Source: 2014 – 2016 data from Supervisors and FIED

Sectoral Summary Report: Insurance and Takaful Operators (ITO)

Inherent Risk

	ML	TF
Life	MH	MH
Family T	M	M
Comp T	M	M
Comp Ins	M	M
Comp Re	L	L
Comp ReT	L	L
Labuan ITO	L	L
Life Re	L	L
General	L	M
Gen Re	L	L
Gen ReT	L	L

Control Measures

Life	A
Comp Ins	A
Comp T	A
Family T	A
Gen ReT	A
Comp ReT	A
Gen Re	A
General	A
Life Re	A
Comp Re	A
Labuan ITO	M

Net Risk

	ML	TF
Life	MH	MH
Family T	M	M
Comp T	M	M
Comp Ins	M	M
Labuan ITO	M	M
Comp Re	L	L
Comp ReT	L	L
Gen ReT	L	L
Gen Re	L	L
General	L	L
Life Re	L	L

Observations:

1. Generally lower threat as compared with other financial sectors.
   - Mainly ML risks rather than TF risks.

2. Several cases of civil servants purchasing insurance policies using proceeds from corruption.

3. Also associated with fraud and tax evasion.

Key Contributors (Inherent Risk):

1. **Lower** number of transactions as compared to banks at 102.2 mil. transactions amounting to RM91.48 billion.
2. Extensive local network i.e. **highest number of agents at 215,552.**
3. **Lowest value of cash transactions** at 12.3 million transactions amounting to RM4.4 billion;
4. **Low number of higher risk customers** (less than 1% of total customer).
5. **High number of ML-related STRs reported on** life and composite insurer, but low for other sub-sectors

Key Contributors (Controls):

1. **Acceptable** level of market entry control and procedures.
2. **Acceptable** level of RIs' internal controls i.e. **minor gaps** in established AML/CFT compliance programme for some RIs in subsector.

Source: 2016 data from RIs, Supervisors and FIED

Source: 2014 – 2016 data from Supervisors and FIED

	Inherent ML Risk	Medium High		Control		Net ML Risk	Medium High
	Inherent TF Risk	Medium High		Acceptable		Net TF Risk	Medium High

Inherent Risk

	ML	TF
Money Changing	MH	MH
Remittance	MH	MH
MC&R, MC&R&W	MH	MH
MC&W	M	M

Control Measures

Remittance	A
Money Changing	A
MC&R, MC&R&W	M
MC&W	M

Net Risk

	ML	TF
Money Changing	MH	MH
Remittance	MH	MH
MC&R, MC&R&W	H	H
MC&W	MH	MH

Observations:

1. Some licensed MSB involved in illegal remittance activities.

2. Some delicensed MSB continued to carry on illegal remittance activities.
   - Facilitating cross border funds transfer related to fraud, tax and smuggling.

3. Investigations also revealed MSB being abused to transfer funds in TF activities.

Key Contributors (Inherent Risk):

1. Approx **99%** of its transactions are **cash-based**.
2. **All products** offered by MSB sectors are identified as **high** risk for ML and TF
3. At-risk local network is **relatively high** for ML and TF
4. **Relatively high** number and value of STRs reported on the sector:
   - ML (220): amounting to RM2,214 million
   - TF (1): amounting to RM254 million in **'14**
5. **2** incidences of TF investigations.

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Acceptable** level of market entry control and procedures
2. RIs' internal control assessed as **Marginal** i.e. reflected by **major gaps** in established AML/CFT compliance programme for most RIs in subsector i.e. Quality of STR

Source: 2014 – 2016 data from Supervisors and FIED

Inherent ML Risk	Medium	
Inherent TF Risk	Medium	

Control	
	Marginal

Net ML Risk	Medium High
Net TF Risk	Medium High

Inherent Risk

	ML	TF
E-money (Large)	MH	MH
Non-bank Credit Card	M	M
Charge Card	M	M
E-money (Small)	M	L

Control Measures

E-money (Large)	M
Non-bank Credit Card	W
Charge Card	W
E-money (Small)	W

Net Risk

	ML	TF
E-money (Large)	H	H
Non-bank Credit Card	H	H
Charge Card	H	H
E-money (Small)	H	MH

Observations:

1. E-money accounts created using fictitious identification.
   - Used for criminal activities, e.g. selling counterfeit goods & pornographic materials.

2. Peer to peer fund transfer can be abused for ML & TF
   - Terrorist received funds transfer through e-money account.

Key Contributors (Inherent Risk):

1. Types of products offered are identified as **high** risk for ML and TF
2. **Products are offered through higher risk delivery channels** via agents and electronic channels.
3. **Less than 1% of customers** in 2016 identified as higher risk (7,600 customers).
4. **Relatively low** number and value of STR reported on the sector:
   - ML: 31 STRs amounting to RM240 million
   - TF: None
5. **1** case of ML investigations; none for TF.

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Marginal** level of market entry control and procedures.
2. **Marginal** internal controls by RIs due to **poor** quality of STR reported by sector and **major gaps** in AML/CFT compliance programme for most of the RIs' in subsector.

Source: 2014 – 2016 data from Supervisors and FIED

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Inherent ML Risk	Low	
Inherent TF Risk	Low	
Control	Marginal	
Net ML Risk	Medium	
Net TF Risk	Medium	

Inherent Risk

	ML	TF
Banks	H	MH
Labuan Com Banks	M	M
L Islamic Inv Bank	L	L
L Islamic Bank	L	L
L Conv Inv Bank	L	L

Control Measures

Banks	A
L Conv Inv Bank	M
L Islamic Bank	M
Labuan Com Banks	M
L Islamic Inv Bank	M

Net Risk

	ML	TF
Banks	H	MH
Labuan Com Banks	MH	MH
L Islamic Inv Bank	M	M
L Islamic Bank	M	M
L Conv Inv Bank	M	M

Observations:

1. Pose lower ML and TF risks compared with onshore counterparts, mainly due to
   - Low volume of transactions facilitated (< 1% of that for onshore banking sector)
   - Prohibition of cash transactions
   - Low occurrence of ML and TF activities

2. No TF threat observed during period under review.

3. Proceeds from fraud in several investigations flew through Labuan Banks.

Key Contributors (Inherent Risk):

Despite having high product and delivery channel risks, inherent risks remain low due to:

1. **Prohibition on cash transactions (LFSSA 2010)**
   - Total transactions less than 1% of the Malaysian banking sector.
2. **Low number of higher ML/TF risk customers**
   - Less than 1% of Malaysian banking sector.
3. **Low number of at-risk ML/TF global networks**
   - 1% for ML; 5% for TF due to corresponding banking relationships in higher risk countries.
4. **Low incidences** of ML cases and none for TF.

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Marginal** level of market entry control and procedures
2. **Marginal** internal controls by RIs reflected by low number of STRs and **major gaps** in established AML/CFT compliance programme for most RIs in subsector.

Source: 2014 – 2016 data from Supervisors and FIED

Inherent ML Risk	**Medium High**	
Inherent TF Risk	**Medium**	

Control		Net ML Risk	**High**
	Weak	Net TF Risk	**High**

Inherent Risk

	ML	TF
DPMS	MH	M

Control Measures

DPMS		W

Net Risk

	ML	TF
DPMS	H	H

Observations:

1. Jewelleries are one of the most commonly seized or frozen assets in investigations, mainly fraud & illicit drug trafficking.

2. No TF activities associated with DPMS during the period under review. However, there was past case where sanctioned individual used gold products as collateral for loans.

Key Contributors (Inherent Risk):

1. Unable to determine number of higher risk customers due to absence of data.
2. **Higher risk products identified**, i.e. gold and diamond are of high value, easily transferrable and non-traceable.
3. Large local presence with **high number of firms at local higher risk areas** (77%).
4. **High number of STR reported on** – 2nd highest within the DNFBPs sector.
5. No STR reported on the sector involving TF.

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Weak** level of market entry control and procedures.
2. **Weak** internal controls by RIs reflected by absence of STRs reported and **significant gaps** in established AML/CFT compliance programme for all RIs' in subsector.

Source: 2014 – 2016 data from Supervisors and FIED

	Inherent ML Risk	Medium High		Control	Net ML Risk	Medium
	Inherent TF Risk	Medium		Strong	Net TF Risk	Low

Inherent Risk

	ML	TF
CASINO	MH	M

Control Measures

CASINO		S

Net Risk

	ML	TF
CASINO	M	L

Observations:

1. Limited case studies related to ML activities during the period under review.

2. Minimal likelihood of casino being abused for TF activities.

3. Junket operators utilised over 90% of higher risk facilities.

Key Contributors (Inherent Risk):

1. Total **cash transaction** value made by casino account for **24% of total cash transactions value** transacted by DNFBPs (2nd highest)
2. **Higher risk delivery channels**, i.e. use of agents (junkets from various jurisdictions) and offering of external advice electronically (provides anonymity to the sources of funds)
3. **Higher risk products and services** identified, i.e. 4 out of 16 products/ services
4. **Higher risk customers** account for 0.37% out of total customer.
5. No investigation / prosecution on casino
6. No STR reported on the casino for TF.

Source: 2016 data from RIs, Supervisors and FIED

Key Contributors (Controls):

1. **Acceptable** level of market entry control and procedures.
2. **Acceptable** internal control observed in Casino reflected by **minor gaps** in established AML/CFT compliance programme i.e. Quality of STR
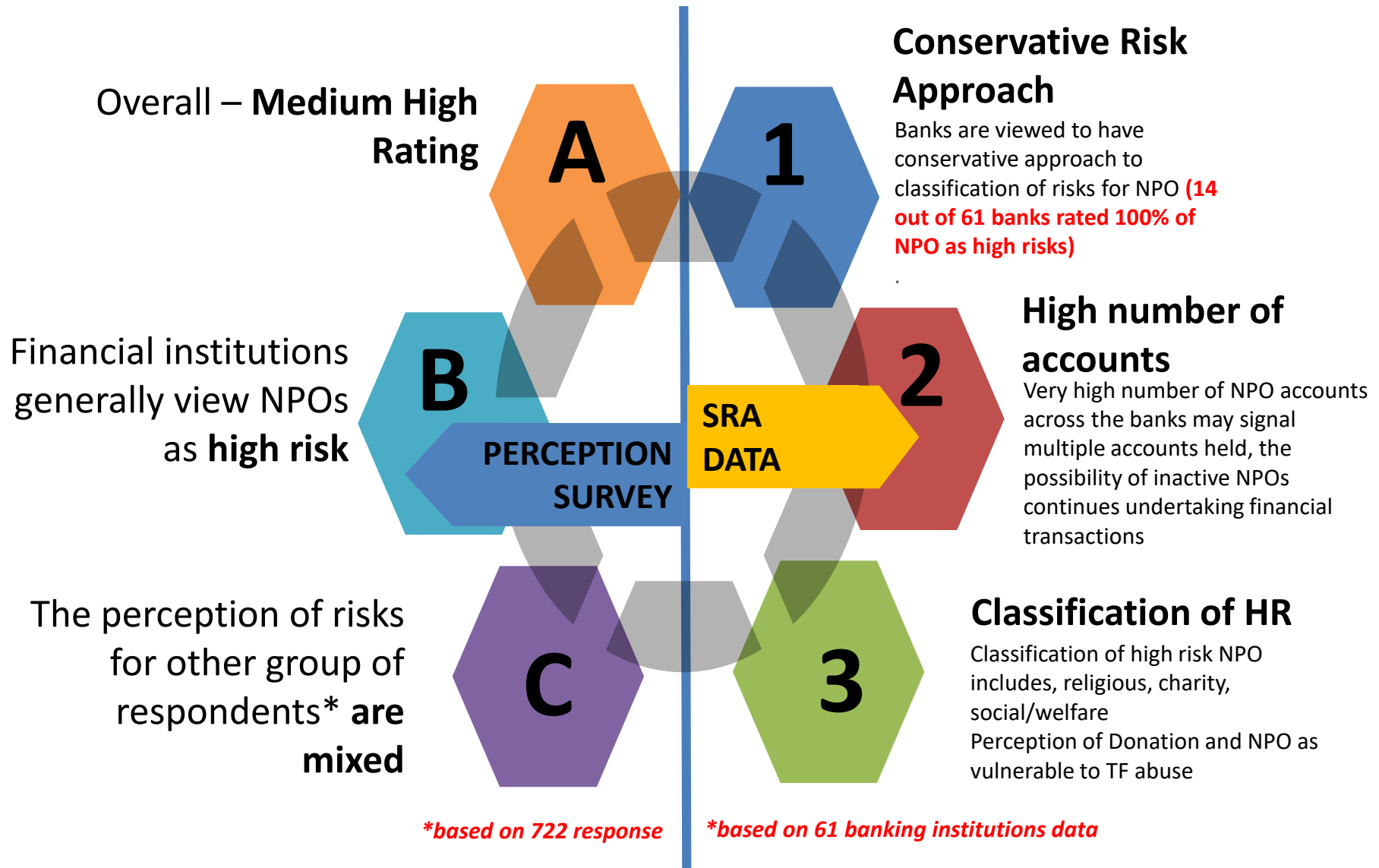
Source: 2014 – 2016 data from Supervisors and FIED

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NPO Assessment

Observations – Inherent Risks (Perception Survey and SRA 2017 Data)

Overall – **Medium High Rating**

A

Financial institutions generally view NPOs as **high risk**

B

The perception of risks for other group of respondents* **are mixed**

C

PERCEPTION SURVEY

SRA DATA

1

Conservative Risk Approach

Banks are viewed to have conservative approach to classification of risks for NPO **(14 out of 61 banks rated 100% of NPO as high risks)**

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2

High number of accounts

Very high number of NPO accounts across the banks may signal multiple accounts held, the possibility of inactive NPOs continues undertaking financial transactions

3

Classification of HR

Classification of high risk NPO includes, religious, charity, social/welfare
Perception of Donation and NPO as vulnerable to TF abuse

based on 722 response   *based on 61 banking institutions data*

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Other group of respondents: DNFBPs, LEAs, prosecutor, supervisors/regulators, judge/magistrate, others

Observation – Control Measures

ADEQUACY OF LAWS

- Most international standards requirements met
- Rectification of gaps from MER 2015 necessary
- The need to comply with the new revision of Recommendation 8 of FATF Standards

STRENGTH OF MONITORING/SUPERVISON

- No of supervisors over no of higher risk NPOs/ NPO population varies across regulators
- No of onsite/ of site monitoring varies
- Based on current no of supervisors, coverage on higher risk NPOs may have been met by certain regulator

LEVEL OF COMPLIANCE

- Spectrum of annual compliance (50-100%)

EFFECTIVENESS OF ENFORCEMENT

- Level of enforcement actions vis-à-vis non compliance varies across regulators, depending on agencies' approach
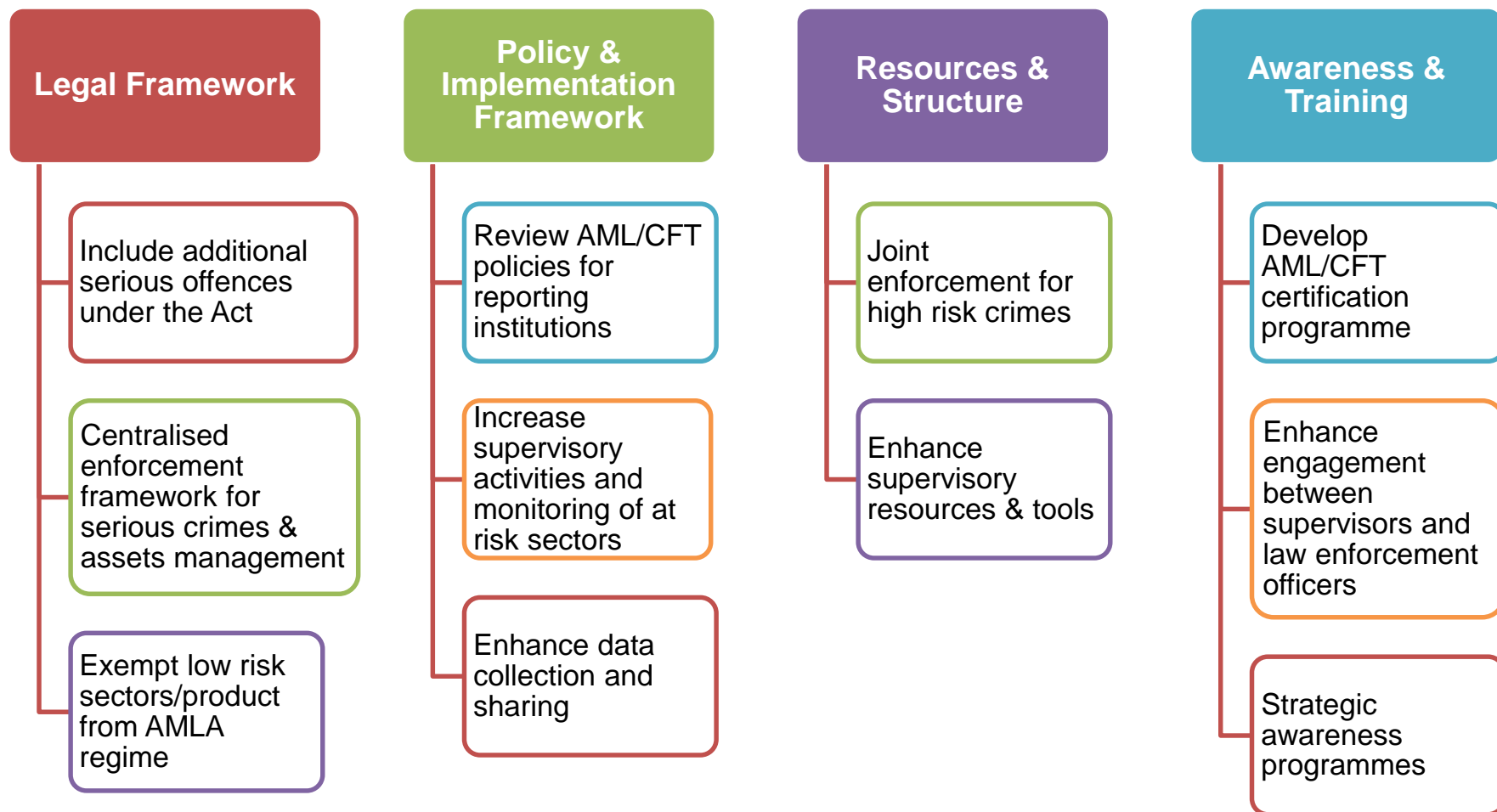
Post NRA
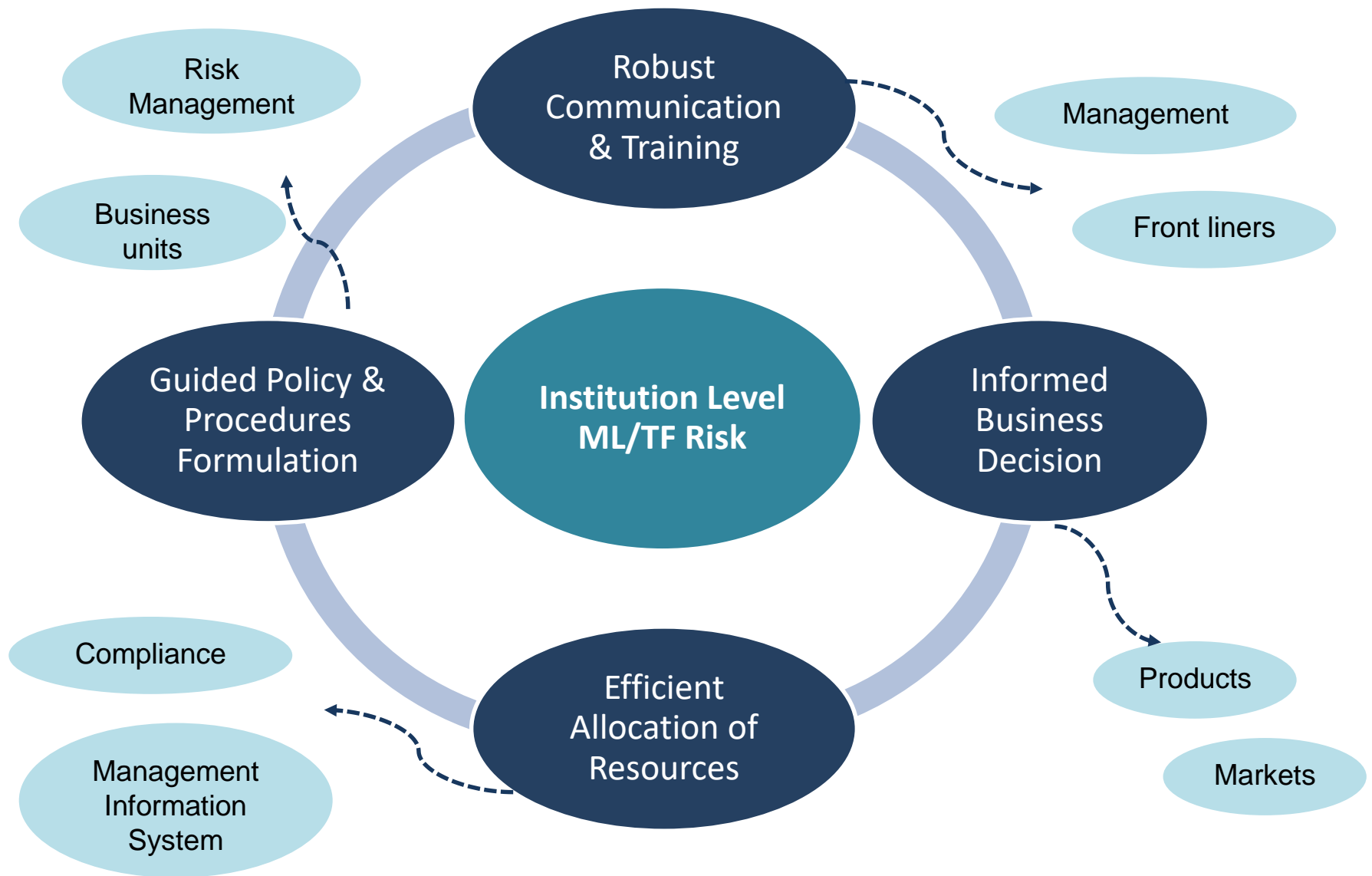# – Recalibration of National Strategic Plan

Post NRA 2017 : Recalibration of NSP

Potential initiatives – examples

Legal Framework

- Include additional serious offences under the Act
- Centralised enforcement framework for serious crimes & assets management
- Exempt low risk sectors/product from AMLA regime

Policy & Implementation Framework

- Review AML/CFT policies for reporting institutions
- Increase supervisory activities and monitoring of at risk sectors
- Enhance data collection and sharing

Resources & Structure

- Joint enforcement for high risk crimes
- Enhance supervisory resources & tools

Awareness & Training

- Develop AML/CFT certification programme
- Enhance engagement between supervisors and law enforcement officers
- Strategic awareness programmes

NRA & The Industry

Thank You