

FREQUENTLY-ASKED-QUESTIONS

Issuance of the revised *Guidelines on Prevention of Money Laundering, Countering Financing of Terrorism, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Reporting Institutions in the Capital Market* ("SC's AML Guidelines") (effective on 13 June 2024)

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1. What are the SC's AML Guidelines about?

The SC's AML Guidelines consolidate the previous AML/CFT Guidelines with the SC's Guidelines on Implementation of Targeted Financial Sanctions Relating to Proliferation Financing ("**SC's PF Guidelines**"). This consolidation includes enhancements aligned with the revised Financial Action Task Force ("**FATF**") standards, particularly the incorporation of a Risk-Based Approach ("**RBA**") to address proliferation financing ("**PF**") risks under FATF Recommendation 1. The streamlined guidelines aim to improve clarity, reduce redundancy, and provide a comprehensive framework for reporting institutions to manage AML/CFT and PF obligations effectively.

2. What are the key FATF recommendations addressed in the SC's AML Guidelines?

The revised Guidelines address several updated FATF recommendations, including:

- i. Extending the RBA to PF risks (Recommendation 1);
- ii. Enhancing transparency for trustees and legal arrangements (Recommendation 25);
- iii. Strengthening traceability of digital asset transactions through enhanced wire transfer requirements (Recommendation 15); and
- iv. Improving record-keeping standards to enable reconstruction of evidence for prosecution (Recommendation 11).

3. How does the revised Guidelines address industry concerns and operational challenges?

The SC has introduced practical enhancements to address industry needs, including:

- i. Collecting customer income details for more effective risk profiling;

- ii. Clarifying requirements for obtaining supplemental CDD information; and
- iii. Implementing measures to ensure efficiency in the submission of suspicious transaction reports ("**STR**").

These changes aim to improve compliance effectiveness while minimizing operational disruptions for reporting institutions.

4. How are Digital Assets ("DA") addressed in the SC's AML Guidelines?

The SC's AML Guidelines place greater emphasis on the traceability of digital asset transactions, in line with FATF Recommendation 15. Reporting institutions are required to ensure compliance with enhanced wire transfer requirements and maintain robust transaction monitoring systems to detect suspicious activities involving digital assets.

5. What measures are included to improve beneficial ownership transparency?

The SC's AML Guidelines introduce enhanced measures to verify beneficial ownership information, including:

- i. Mandatory collection and verification of ownership data for legal entities and arrangements;
- ii. Ongoing due diligence to detect changes in ownership structures; and
- iii. Specific requirements for trustees to disclose their status and provide relevant information.

These measures aim to address FATF Recommendation 25 and reduce the risk of misuse of legal entities for illicit purposes.

6. What are the enhancements to Politically Exposed Persons ("PEP")?

The revised Guidelines strengthen measures for identifying and managing PEP risks by requiring:

- i. Enhanced Due Diligence ("**EDD**") for foreign and domestic PEPs, as well as their family members and close associates; and
- ii. Continuous monitoring of business relationships with PEPs to identify unusual or suspicious transactions.

These requirements align with FATF recommendations and aim to mitigate corruption and other associated risks.

7. How can stakeholders provide feedback or seek clarification?

Stakeholders can direct their inquiries or provide feedback to the SC via email at **aml@sc.gov.my** or through official channels outlined in the SC's AML Guidelines. The SC encourages proactive engagement to ensure smooth implementation of the new requirements.