Implementation Guidance on AML/CFT Policies

Frequently Asked Questions and Answers (FAQs)

Introduction

The FAQs are intended to provide clarification to the provisions under the AML/CFT Policies and does not replace the provisions under the AML/CFT Policies. Any updates to the FAQs will be notified to the reporting institutions from time to time.

Should you have additional queries relating to the AML/CFT Policies, please submit your queries via any of the following means:

a) Mail : Director
Financial Intelligence and Enforcement Department
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

b) Email : fied@bnm.gov.my

No.	Questions	Answers
All Sectors		
Applicability to Foreign Branches and Subsidiaries		
1.	Is the requirement to submit Suspicious Transaction Report (STR) extended to foreign branches and subsidiaries in the host country?	Foreign branches and subsidiaries are required to comply with the STR requirements imposed by laws of the host country. Foreign branches and subsidiaries are only required to submit the STR to the FIED of BNM if permitted by the host country.
Risk Based Approach (RBA)		
2.	How frequent must the RIs conduct risk assessment?	The RIs are expected to conduct risk assessment on a periodic basis and increase the frequency when there is change in the level of risks that they faced. RIs may refer to guidance documents issued by Financial Action Task Force (FATF) on the RBA which is available on the FATF website http://www.fatf-gafi.org/.
3.	What is the National Risk Assessment (NRA)?	NRA is an assessment of the country's ML/TF risks arising from threats related to prevailing crimes

No.	Questions	Answers
		(domestic and foreign crimes) and vulnerabilities of various sectors to ML/TF risks. In addition, the NRA also analyse the threats of TF to the country and its vulnerabilities to TF activities. It is an initiative driven by the National Coordination Committee to Counter Money Laundering (NCC). The assessment methodology is based on sources such as statistics and reports from various agencies, surveys conducted among law enforcement agencies and RIs and credible external reports. The findings are validated by the NCC. Results of NRA will be communicated to the RIs, supervisors, regulators and law enforcement agencies to assist in prioritising the deployment of resources to tackle high-impact risks in a more effective and targeted manner. The NRA will be reviewed periodically to reflect changes in the environment and future ML/TF threats and vulnerabilities.
4.	Do we need to assess the ML/TF risks based on all the criteria specified in Paragraph 12.4.2?	In profiling the customers, RIs are required to consider only relevant factors under Paragraph 12.4.2. In cases where some of the criteria are irrelevant to the RI's business, those criteria need not be taken into consideration in profiling and assessing the risks of the customers.
Customer Due Diligence (CDD)		
5.	What are the processes involved in conducting CDD?	Pursuant to Section 16 of the AMLA, CDD is a process of identifying, verifying and monitoring the customers to identify and assess potential ML/TF risks associated with them and/or their transactions. CDD is carried out at the following stages:

No.	Questions	Answers
		1) On-boarding stages (for new customers) 2) Throughout business relationship after the customers have been on-boarded (for existing customers) 3) At the point of transaction (for occasional transaction, transactions exceeding certain threshold imposed or when there is suspicion of ML/TF) CDD involves three processes: 1) Identification of the customer and Beneficial Owner (BO) so that the RIs know who they are dealing with. 2) Verification of the customer (and BO) to ensure that the customer (and BO) is the person who claims to be the person as per the identification document(s). 3) Continuously monitor the customer based on the patterns of transactions conducted to identify and detect potential changes or anomalies that could indicate the need for further review of the customer's ML/TF risks.
6.	Who are "persons conducting the transactions"?	"Persons conducting the transactions" refer to any person conducting transaction such as person depositing into another customer's account or person undertaking transaction on behalf of another person.
7.	In relation to the opening of account, are foreign central banks included under the list of exempted legal persons?	Foreign central banks are not included as part of the exempted legal persons. Therefore, RIs are required to obtain the necessary statutory documents relating to the incorporation of the foreign central bank including identifying and verifying the person authorized to act on behalf of or conduct transactions on behalf of the foreign central bank.
8.	In the event that the authorized person and the Director is the same person, can the RIs rely on Form 49?	Yes, the RIs may rely on Form 49 if the authorized person and Director is the same person.

No.	Questions	Answers
Enhanced CDD (ECDD)		
9.	What does it mean by "obtaining additional information on the customer and beneficial owner" during the ECDD?	Obtaining additional information during the ECDD means that the RIs are required to obtain other information that can demonstrate or support the type of transactions or volume that the customers are carrying out. The information may be in the form of size and sources of assets, sources of wealth or other information obtained through either commercially or publicly available databases such as websites and news report. For example: (1) An international trading company that is actively involved in export and import of goods is expected to have a high volume of cross-border payments and receipts. Information on the volume of trade and destinations may be inferred from the company's financial statement and accounts published (for listed company) or lodged with the Suruhanjaya Syarikat Malaysia. (2) For a domestic PEP, in determining the sources or wealth or assets, RI may take into consideration information that may indicate the level of salary earned by Malaysian public servant of a similar position and businesses carried out by the domestic PEP before he/she is appointed for that position or currently undertaking.
10.	For ECDD, can the Branch Manager approve transactions with higher risk customers?	If within the context of the reporting institution, the Branch Manager of a branch is considered as a "Senior management", then the Branch Manager can approve transaction with higher risk customers.
11.	Is the factors listed under 'higher risk' exhaustive for the purpose of ascertaining the level of ML/TF risks?	The factors are not exhaustive. RIs may incorporate other factors relating to the customer risks, country or geographical risks and product/service or transaction risks.

No.	Questions	Answers
12.	Why do RIs need to ensure that the documents/ data/ information remain updated and relevant?	The requirement to ensure that customer's information is updated and relevant is to ensure that the RI know who they are dealing with, whether they still exist and whether their ML/TF risks remain the same or has changed due to changes in their profile. This knowledge is also required in the event that there are investigations carried out on the customer by law enforcement authorities in Malaysia or overseas, and the information is needed to facilitate the investigation.
13.	What does the requirement of CDD on existing customers based on materiality and risk means?	It means that CDD requirements need to be applied to those customers that were on-board prior to the coming into force of the AMLA which is 15 January 2002, based on their materiality and level of risks posed. Guidance in assessing the materiality and risks of the customer is provided under Paragraph 13.7 of the AML/CFT Policies – Sector 1, Paragraph 13.9 of the AML/CFT Policies – Sector 2, Paragraph 13.7 of the AML/CFT Policies – Sector 3, Sector 4 and Sector 5.
Politically Exposed Persons (PEPs)		
14.	Will BNM be providing the list of PEPs? If no, then do we need to have a complete list of PEPs?	BNM will not be providing the list of PEPs. RIs are required to establish their own list of PEPs based on broad parameters provided in the AML/CFT policies taking into consideration RIs' own risk appetite. RIs may work with their associations to develop the parameters for the PEPs list.
15.	Do members of the Royal Families fall under the category of PEPs?	The definition of domestic PEPs includes individuals who are entrusted with prominent public function. Therefore if a royal family member falls under this category, they are included under the definition of domestic PEPs.

No.	Questions	Answers
16.	How do we assess the ML/TF risk level of a domestic PEP or a person entrusted with a prominent function by an international organisation?	In assessing the ML/TF risks posed by domestic PEPs, RIs need to take into consideration the position/role of the person, known businesses activities that they are currently involved in or carried out prior to being appointed to that position. This should be compared to the amount, frequency and type of transactions that they intend to conduct. For example: (1) A *high risk domestic PEP* is a person who has substantial authority over or access to state assets and funds, policies and operations, including control over regulatory approvals and awarding licences and concessions. (2) A *low risk domestic PEP* is a retiree or spouse of a PEP who carries out transactions expected of a person in a similar position in terms of volume and frequencies of transactions.
17.	If a RI has an overseas branch, can the Country Head / Country Manager of that branch approve transaction / business relationship with a PEP?	The key principle behind the requirement that a transaction / business relationship with PEPs is required to be approved by Senior Management at the Head Office is to ensure that the Senior Management is aware of the transaction / business relationship that the RI is having with the PEPs and ML/TF risks associated with that transaction / business relationship. If based on the RI's internal policies, the Country Head / Country Manager is considered as Senior Management, the Country Head / Country Manager may approve transaction / business relationship with PEPs. However, the RI must put in place monitoring and reporting mechanism to ensure that the Senior Management at the Head Office is aware of the ML/TF risks exposures arising from transaction / business relationship with that PEP.

No.	Questions	Answers
18.	Should legal person / legal arrangements (LPLA) be classified as high risk if the beneficial owner is a foreign PEP or domestic PEP / person entrusted with a prominent function by an international organisation which is assessed as high risk.	If the beneficial owner is a foreign PEP, the LPLA should be classified as high risk throughout the relationship. If the beneficial owner is a domestic PEP / person entrusted with a prominent function by an international organization, during the on-boarding stage, the LPLA should be assessed as high risk. However, throughout the relationship, the LPLA may be re-rated as lower risk taking into consideration factors such as type of activities, sources of funds, type of transaction, amount of transaction and beneficiaries of the fund. In the case where the domestic PEP is a shareholder/director of an exempt legal person, RI need not identify/verify the domestic PEP in assessing the risk of the LP. Therefore, the risk rating for the exempt LP is dependent on LP's businesses and activities.
High Risk Jurisdictions		
19.	What are countries that are listed by FATF as having on-going or substantial ML/TF risks or countries with strategic AML/CFT deficiencies that pose a risk to the international financial system?	Please refer to the FATF website http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/ which publishes the Public Statement three times a year.
20.	Are customers from countries having on-going / substantial ML/TF risks should be treated as high risk throughout the duration of business relationship with the RIs?	At the on-boarding stage, all customers / transactions from countries having on-going / substantial ML/TF risks must be classified as high risk and ECDD must be conducted on those customers / transactions. After on-boarding, ML/TF risks of that customer may be adjusted to a lower risk taking into consideration factors such as pattern of transactions conducted throughout the business relationship, volumes and type of transactions

No.	Questions	Answers
		conducted. However, the risk level should not be at the same level with other regular customers who are not from countries having on-going / substantial ML/TF risks. For example, the level of risks posed by a customer from Iran should not be at the same level with the risks posed by a Malaysian customer with similar type of transactions/business relationship. Please refer to **Appendix A**.
Failure to Complete CDD		
21.	In the case of existing customer / potential customer, can the RI proceed with the transaction without completing the CDD?	In principle, RIs should terminate the business relation with the existing customer / should not commence the on-boarding of potential customer if the RIs are unable to comply with the CDD requirement. Therefore, if the customer refuses to provide his ID, this can constitute as failure to complete CDD and the RI shall not continue dealing with the customer. However, in the case where there is a suspicion of ML/TF activities and the RI believes that by completing the CDD would tip off the customer, RIs may proceed with the transaction without completing the CDD and must immediately lodge an STR.
Record Keeping		
22.	What are the forms of records that should be kept?	Records must be kept in a form that is admissible under section 3 of the Evidence Act 1950.
Board of Directors / Senior Management		
23.	What is the rationale of conducting the screening of employee's financial history?	The purpose of employee screening is to ensure that the employee does not abuse his position or be vulnerable / used as a conduit to facilitate ML/TF activities. Therefore, RIs are expected to assess their employees' vulnerability to money laundering, fraud and bribery risks, and use the various sources of information to assist in the screening process.

No.	Questions	Answers
24.	What is the difference between the appointment of a compliance officer at management level at the Head Office and designation of a compliance officer at management level at each branch or subsidiary or business unit?	Compliance officer at the Head Office is the appointed reference point for AML/CFT matters within the RI and with the regulator/supervisor. The CO must be at a senior management level with access to the Board so that matters relating to AML/CFT can be easily escalated and brought to the attention of the Board members. A designated compliance officer refers to any person designated within the branch / subsidiary / business unit to facilitate the functions performed by the compliance officer at the Head Office. They generally do not deal with the regulator/supervisor.
25.	For the designation of a compliance officer at management level at each branch or subsidiary, does it need to be done formally (i.e. appointment letter etc)?	Designation of a compliance officer at each branch / subsidiary level can be made formally or informally, depending on the practice of the RIs as long as they are aware and understand their roles and accountability as a designated compliance officer. Where the RI adopts a formal practice, then a letter of appointment must be given to the designated CO. If informal, the RI needs to incorporate the designated CO's roles within the person's job scope / description.
26.	When does screening procedures for employees takes place?	Screening procedures shall take place at the initial hiring of the employees and during the duration of their employment in order to ensure the most updated profile and information of the employee.
Independent Audit Functions		
27.	With regard to Board's roles and responsibilities for audit function, is the expectation imposed on full Board? Can it be delegated to other Board level committees (i.e. audit or risk)?	The function may be delegated to other Board level committees (i.e. audit or risk) so long as the committee is independent and the AML/CFT findings or issues relating to the adequacy and implementation of the AML/CFT policies and procedures are ultimately tabled to the Board.

No.	Questions	Answers
Suspicious Transaction Report		
28.	Must the RI file a STR when there is an investigation order issued under section 48 of the AMLA?	An investigation order under section 48 must be incorporated as a red flag that will trigger the need for the RI to review the customer and/or transactions. Based on the results of the review, RI may decide whether or not to lodge an STR. Rationales for the decision taken must be clearly documented.
29.	Can internal STR be discussed by an internal committee?	It is the discretion of the CO to establish mechanism to evaluate internal STR which can include internal committee or other means. However, the ultimate decision to submit the STR still remains with the Compliance Officer. The committee must have proper controls to mitigate the risk of leakage of information and must be subject to the terms of confidentiality/secrecy provision.
Countering Financing of Terrorism		
30.	When is the RI required to conduct checks on the names of customer against the 1267 Consolidated List database?	Checks should be conducted during every CDD process. RI should be aware that the 1267 Consolidated List database is updated regularly by the United Nations Security Council (UNSC). RIs are advised to subscribe to RSS feed of the UNSC 1267 website http://www.un.org/sc/committees/1267/ or at minimum, RIs are expected to check the website every 2 weeks for any updates.
31.	What are the United Nations Security Council Resolutions (UNSCR) 1267 (1999), UNSCR 1373 (2001) and orders issued under sections 66B and 66C of the AMLA?	Please refer to BNM's AML/CFT microsite which provides detailed explanation on the UNSCRs.

No.	Questions	Answers
32.	Are RIs required to check listing by other countries for the purposes of conducting CDD for example the OFAC list issued by the U.S. Department of Treasury?	In relation to a unilateral sanction such as those by the US Department of Treasury, RIs may refer to those lists when conducting CDD. However, decision on whether to conduct transaction with person listed under the unilateral list should be based on RI's own assessment and its risk appetite.
Declaration of Specified Entities and Reporting Requirements (Order) 2014		
33.	What is the Anti-Money Laundering and Anti-Terrorism Financing (Declaration of Specified Entities and Reporting Requirements) Order 2014 (Order 2014)?	The Order is issued under section 66B and 66D of the AMLA where the Minister of Home Affairs declared the listed entities as "specified entities" after finding that the entity has knowingly committed, attempted to commit, participated in committing or facilitating the commission of a terrorist act. For further details, please refer to BNM's AML/CFT microsite.
34.	Is the RI required to submit periodic reporting form even there is no match with the specified entity?	Yes, the RIs are required to submit periodic reporting form even there is no match at every six months interval period.
35.	If the RI does not have an account opening services such as money services business licencee, are they still required to submit the period reporting form?	The obligation to submit the periodic reporting only applies to RIs who are in possession / control of the funds.
36.	Where can I get the periodic reporting form?	Please refer to BNM's AML/CFT microsite http://amlcft.bnm.gov.my/ which provides the periodic reporting form.

No.	Questions	Answers
Sector 1 & 2		
Risk Based Approach (RBA)		
37.	Who should conduct independent control testing for the purpose of monitoring the implementation of risk control and mitigation?	Independent control testing may be conducted by any party within the RIs that is not involved in operationalisation and implementation of the risk controls.
38.	For banks and insurance, can the reporting of ML/TF risks be submitted to other committees (i.e. Audit or Risk Committee) and not the full Board?	Yes, it can be delegated to a board committee level.
39.	What type of "exposures" must be reported to BNM? Is there a template to submit a report on exposure to customers and beneficial owners from high risk countries?	Reporting of the exposures to customers and BO from higher risk countries is meant to provide understanding on the extent of the RI's exposures to higher risk countries at the industry level. The exposures could be based on the type of transactions conducted, type of currencies exchanged, originating and destination countries for wire transfers. BNM has provided a template to the RIs for reporting on exposures to customers and BO from high risk jurisdictions (Refer **Appendix B**).
40.	Is AML/CFT Sector 2 still applicable to general insurance and general *takaful*? **(FOR SECTOR 2 ONLY)**	No, general insurance and general *takaful* have been excluded as reporting institutions under the AMLA. The only requirements that are still applicable on them are requirements under Part VIA of the AMLA.
Customer Due Diligence (CDD)		
41.	What are 'occasional transactions'?	'Occasional transactions' refer to transactions carried out by the following: (1) non-account holders (for example walk-in customers

No.	Questions	Answers
		conducting remittance via Bureau de Change) (2) account holders who conducts transactions that is not normal and customary to the account profile of the customer
42.	Who are covered as authorised signatories? What are the documents that the bank must obtain during treasury related transactions? **(FOR SECTOR 1 ONLY)**	In normal circumstances, when a legal person open the account and authorize another person to conduct transactions on the customer's behalf, the bank shall obtain documentary evidence pertaining to the appointment of such person and the specimen signatories and recognized digital signature of the person appointed. For treasury related transactions, the bank shall obtain name of the authorized dealer, documentary evidence authorizing the person to act on behalf of the legal person & authorized telephone number to carry out the transaction.
Financial Group		
43.	Who can be appointed as the Group Compliance Officer?	Any person within the financial group who is able to fulfill the requirements of a Group CO under paragraph 26.2 Sector 1 can be appointed.
Sector 3		
Risk Based Approach (RBA)		
44.	Is there a template to conduct risk assessment? (sector 3 and 5)	There is no specific template provided. However, a guidance is attached as **Appendix I** of the AML/CFT – Sector 3 to assist MSB licencees to conduct risk assessment, in particular to assess the level of the ML/TF risks and the application of ML/TF risk controls. **Appendix I** is meant to facilitate MSB's understanding and should not be treated as the sole reference in conducting the ML/TF risk assessment as the list of factors/examples/parameters is not exhaustive.

<table>
<tr><th>No.</th><th>Questions</th><th>Answers</th></tr>
<tr><td></td><td></td><td>Alternatively, since the type of products and services offered by MSB licencees are quite generic, MSB licencees may wish to take up the issue at the association level to formulate a common set of parameters/factors to assess the ML/TF risks for the MSB Sector.

Please refer to Appendix C.</td></tr>
<tr><td>45.</td><td>As the requirement for RBA is new, does this requirement take effect immediately? Can MSB licencees request for a delay in implementation?</td><td>BNM is aware of the existing data limitation in the MSB industry. Taking this into consideration and to facilitate data gathering for the purpose of risk assessment, MSB licencees are given until 31 December 2014 to collect data from its customers / transactions. Please see Appendix II of the AML/CFT policy – Sector 3 for guidance on the type of information to be collected.

Beginning 1 January 2015, MSB licencees are required to conduct risk assessment based on the information collected during the year 2014.</td></tr>
<tr><td colspan="3">Customer Due Diligence (CDD)</td></tr>
<tr><td>46.</td><td>What are the thresholds in conducting CDD to our customers? Can we conduct CDD to all our customers regardless of the thresholds specified by BNM? Are we allowed to make a photocopy of the identification information to facilitate subsequent data capturing?</td><td>• Pursuant to paragraph 13.2.3 of the AML/CFT – Sector 3, the following CDD threshold is applicable to money changing and wholesale currency transaction:

<table>
<tr><th>Threshold</th><th>CDD Requirements</th></tr>
<tr><td>RM3,000 to RM10,000</td><td>Identify the customer/beneficial owner by sighting and keying-in their identification information.</td></tr>
<tr><td>More than RM10,000</td><td>Identify and verify the identity of the customer/beneficial owner by sighting, keying-in and making a copy of their identification documents.</td></tr>
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<tr><th>No.</th><th>Questions</th><th>Answers</th></tr>
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Pursuant to paragraph 13.2.4, the following CDD threshold is applicable to remittance transaction:
<table>
<tr><th>Threshold</th><th>CDD Requirements</th></tr>
<tr><td>Below RM3,000</td><td>Identify the customer/beneficial owner by sighting and keying-in their identification information.</td></tr>
<tr><td>RM3,000 and above</td><td>Identify and verify the identity of the customer/beneficial owner by sighting, keying-in and making a copy of their identification documents.</td></tr>
</table>
Over and above what is prescribed under the AML/CFT – Sector 3, MSB licencees are allowed to adopt a more stringent approach in conducting CDD for their customers. This may include conducting CDD on all customers / transactions irrespective of the threshold and making a copy of all customers' identification documents.
</td></tr>
<tr><td>47.</td><td>What are the expectations of conducting CDD on beneficial owners especially when most of the customers are walk-in customers?</td><td>MSB licencees are required to take reasonable measures to identify and verify beneficial owners especially when they have knowledge based on previous transactions or publicly available information that the customer (i.e. person conducting the transaction) is acting on behalf of the beneficial owner.

(a) Exchange transactions with the representative of BO (e.g. a domestic PEP) are allowed if MSB licencees are able to comply with the CDD requirements on beneficial owners and his/her representative.
(b) Where there is a partial disclosure of the identity i.e. name of the beneficial owner by the representative, MSB licencees are allowed to perform the exchange transactions with the</td></tr>
</table>

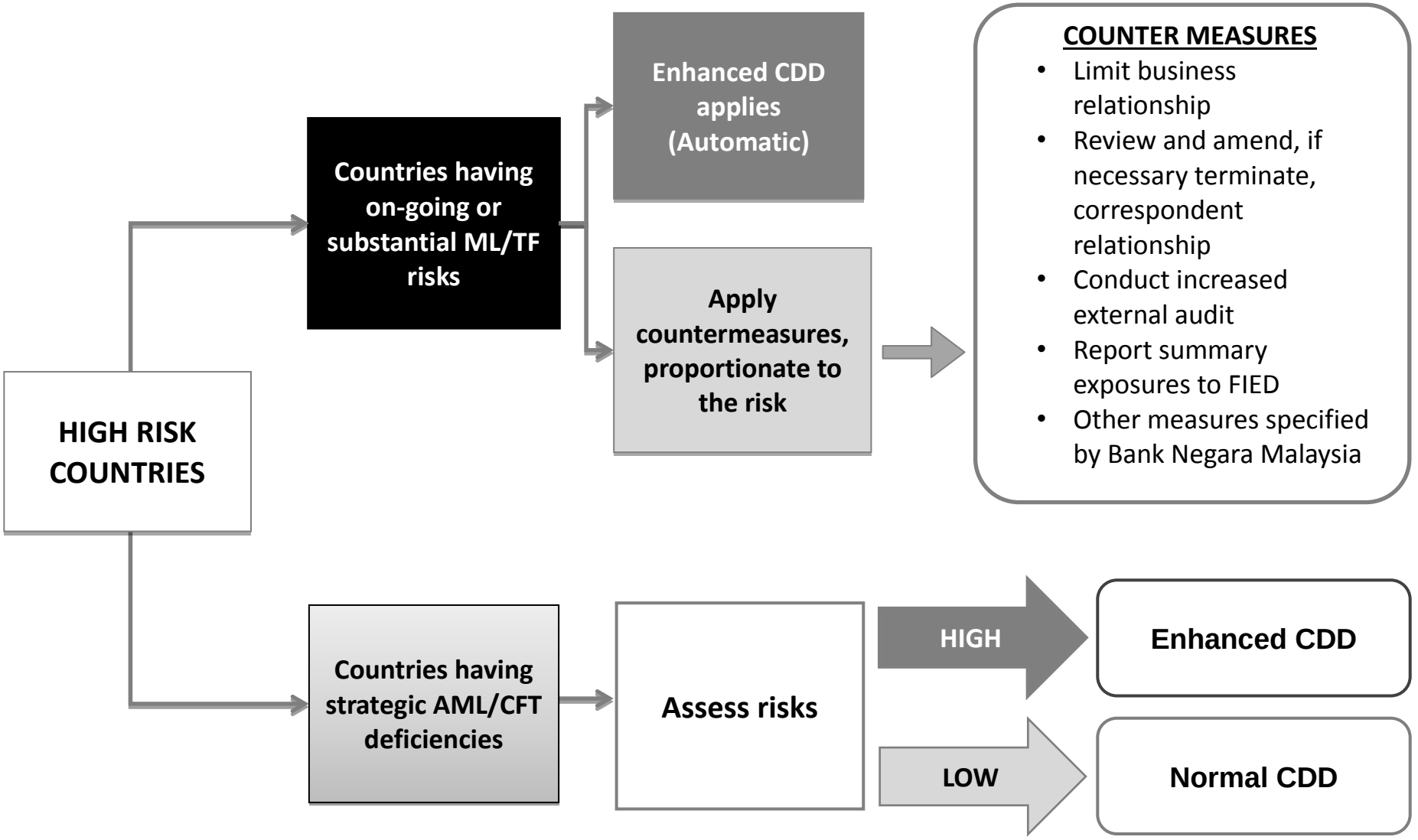
No.	Questions	Answers
		representative; and must consider lodging a STR on the representative including information on the BO to the FIED. (c) Where there is no disclosure of the identity i.e. name of the beneficial owner by the representative, MSB licencees are allowed to perform the exchange transactions with the representative; and must lodge a STR on the representative to the FIED. If the customer is unable to provide or refuse to provide the information and/or documents, MSB licencee must not perform the transaction for the customer.
48.	What identification is allowed to verify the identity of customers conducting remittance transaction? Can we accept certified true copy of an identification document?	To verify the identity of the customers, the following identification documents are allowed: (a) For remittance transaction <RM3,000 - Photocopies of identification documents are allowed (b) For remittance transaction >RM3,000 by foreign workers and the funds are remitted to their home country - Photocopies of identification documents with words "Original ID sighted by (employer's name)" are allowed (c) For other remittance transaction >RM3,000 - Only original identification documents are allowed
49.	Does the requirement to conduct CDD apply to money services business licencees who are sourcing or clearing foreign currencies?	Yes, wholesale money changers are required to conduct CDD on their customers i.e. other MSB licencees.

No.	Questions	Answers
50.	What are the expectations of conducting CDD for remittance transacted by a third party on behalf of a group of foreign workers?	If the customer of a MSB licencee is conducting a transaction on behalf of a group of foreign workers, the MSB licencees may: a. Obtain some form of declaration from the representative (in lieu of a letter of authority) to confirm that he/she is conducting remittance transactions on their behalf. b. Obtain a list of foreign worker names, their remittance amounts as well as a photocopy of their identification documents. Based on the RI's risks assessment of the customer, RIs may consider setting a limit for the amount remitted and restrict the remittance only for the home country.
Others		
Applicability – Applicable to Sector 5		
51.	Does the definition of reporting institution include in-house lawyers and accountants?	No. Lawyer and accountant refer to sole practitioners, partners or employed professional within professional firms. It is not meant to refer to "internal" professionals that are employees of other types of business, or professionals working for government agencies.
CDD – Applicable to Sector 1 and 3		
52.	How are BDCs and MSB licencees required to conduct CDD on legal person?	To identify and verify the identity of legal person, MSB licencees can rely on information obtained from the SSM. For this purpose MSB licencees can use either the corporate profiles obtained from SSM or other documents such as Form 49 and 24.
Wire Transfer – Applicable to Sector 1, 3 and 4		
53.	What is the expectation for the CDD to be conducted on existing and walk-in customers during a wire transfer?	If the customer is an existing customer of the RI, then the CDD information that has been collected needs to be updated (for example, purpose of transaction) to reflect the wire transfer transaction. However, there is no need

No.	Questions	Answers
		to obtain documents to support the customer's purpose of transaction. However, in the case of a walk-in customer, the RI needs to conduct the full CDD, and depending on the threshold, these information needs to be transmitted together with the wire transfer in accordance with the requirements under this provision.
54.	What is the meaning of "Money or Value Transfer Service" (MVTS)?	MVTS comprises electronic money provider which offer funds transfer facility or remittance services. Examples of MVTS include PayPal, Western Union and MoneyGram.
Third Party Reliance – Applicable to Sector 1, 2, 4 and 5		
55.	Can RIs rely on third parties to conduct CDD on beneficiary's account?	In principle, RI must conduct CDD on its customers. However, in circumstances where a third party (such as lawyers, fund managers, accountants) was appointed to act on the customer's behalf, RIs may rely on the third party to conduct CDD on their customers. However, the reliance must be based on a relationship that is governed by an arrangement that clearly specifies the rights, responsibilities and expectations of all parties and satisfies the requirements stated under Paragraph 21 of the AML/CFT policies – Sector 1, Paragraph 16 of the AML/CFT Policies – Sector 2, Paragraph 18 of the AML/CFT Policies – Sector 4 and Paragraph 16 of the AML/CFT Policies –Sector 5. Notwithstanding the reliance, accountability shall remain with the RIs.
56.	Who is a "third party"?	Please see the definition of "third parties" under the respective AML/CFT policies. Generally, third parties are parties that RI relies on in conducting CDD and meet the requirements under the policy. Examples of third parties are:

No.	Questions	Answers
		i. Banking institutions ii. Insurers iii. Lawyers and accountants that carry out activities related to buying and selling of properties and business entities, managing funds / money for the clients, creating and operating companies. Please see P.U. (A) 340/2004 and P.U. (A) 293/2006 for details. For banking institutions which are part of a financial group, they may rely on a third party which is part of the same financial group provided that the conditions stated under paragraph 21.8 Sector 1 are met. Third parties do not include agents, outsourcing parties or foreign entities providing services to the RI.
Cash Threshold Report (CTR) – Applicable to Sector 1 and 5 (RIs that have been invoked under Section 14(a) of the AMLA)		
57.	Can a CTR be submitted by the operations side of the RI and not the compliance officer (CO)?	It is the discretion of the CO to establish mechanism to submit CTR, including leveraging on other functions of the RI. It is the duty of the CO to ensure RI's compliance with regard to RI's obligation to submit CTR as ultimate accountability still rests with the CO.
58.	For RI who submits CTR via the FINET, can the CTR considered to have been submitted once uploaded in the FINET?	RI must submit CTR within 5 working days of the transactions. The CTR must be successfully submitted and received by BNM. Mere uploading of the CTR in the FINET is not considered as submission to BNM. The CO must monitor to ensure that the submission process has been completed.

Appendix A


HIGH RISK COUNTRIES
Countries having on-going or substantial ML/TF risks
Enhanced CDD applies (Automatic)
Apply countermeasures, proportionate to the risk
COUNTER MEASURES
• Limit business relationship
• Review and amend, if necessary terminate, correspondent relationship
• Conduct increased external audit
• Report summary exposures to FIED
• Other measures specified by Bank Negara Malaysia
Countries having strategic AML/CFT deficiencies
Assess risks
HIGH
Enhanced CDD
LOW
Normal CDD

Appendix B

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Telephone 60(3) 2698 8044 Jalan Dato' Onn
Facsimile 60(3) 2698 7467 50480 Kuala Lumpur
60(3) 2691 6108 Malaysia
Web www.bnm.gov.my

Our Reference:

29 January 2014

To:
All Commercial Banks,
All Islamic Banks,
All Investment Banks, and
All Development Financial Institutions

Tuan/Puan,

Summary Report on Exposure to Customers and Beneficial Owners from High Risk Countries

Reference is made to the above matter.

2. Pursuant to paragraph 23.3 (d) of Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) for Banking and Deposit-Taking Institutions (Sector 1), reporting institutions are required to submit a report with a summary of exposure to customers and beneficial owners from countries identified by The Financial Action Task Force (FATF) or the Government of Malaysia as having on-going or substantial money laundering and terrorist financing (ML/TF) risks on an annual basis.

3. A public statement issued by FATF on 18 October 2013 has identified several countries as having strategic AML/CFT deficiencies based on the following category:

a. Jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial ML/TF risks emanating from the jurisdictions.

b. Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies.

4. In this regard, reporting institutions are required to submit a summary report in relation to transactions with customers and beneficial owners from the countries concerned. Kindly complete the summary report (attached as Appendix) and submit via email to hazrool@bnm.gov.my, 03- 26988044 ext. 7367) and asraf@bnm.gov.my, 03-26988044 ext. 8095) before 28 February 2014.

Thank you.

Yang benar,

(Abd. Rahman Abu Bakar)
Pengarah

5/03/5

SULIT

Appendix 1 of 2

Reporting Institution : _____
Officer's Name : _____
Designation : _____
E-mail : _____
Telephone : _____

Guides to complete the survey

- This survey is divided into Part 1 and Part 2
- Please answer all questions below with mandatory fields marked in **yellow**
- Please provide amount as at 31 December 2013 (except for Question 3 & 4 which require full year data)
- Please input **"n/a"** for unused text field and **"0"** for unused number field
- For any inquiries, kindly contact Muhammad Hazrool bin Haidzir (ext 7367) or Asraf Mohd Hafizi (ext 8095)

PART 1

Customers and beneficial owners from jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/TF) risks emanating from the jurisdictions.

QUESTION 1: No. of customer and account balance by: - product/services used, & - customer profile		Iran		North Korea	
		No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)
1. Savings Account					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
2. Current Account					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
3. Fixed Deposit Account					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
4. Foreign Currency Account					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				

	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
5. Housing Loan					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
6. Personal Loan					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
7. Hire Purchase					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
8. Credit Card					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
9. CDS Account					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
10. Investment Account					
Individual	Expatriate				
	Foreign Labour				

	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
11. Debit Card					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
12. Safe Deposit Box					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				
13. Others					
Individual	Expatriate				
	Foreign Labour				
	Government Representative				
	PEP				
	Student				
	Businessman / Businesswoman				
	Housewife				
	Retiree				
	Others (please specify)				
Legal Person	Resident Company/Business				
	Foreign Company/Business				
	NGOs				

QUESTION 2: Funds transferred to/received from in 2013	**Iran**	**North Korea**
Total funds transferred to (in RM)		
Total funds received from (in RM)		

QUESTION 3: Transactions with correspondent bank (operating in these countries) in 2013 (in RM)		**Iran**	**North Korea**
Bank 1:			
Bank 2:			
Bank 3:			
Bank 4:			
Bank 5:			
Bank 6:			
Bank 7:			
Bank 8:			
Bank 9:			
Bank 10:			

PART 2

Customes and beneficial owners from jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies.

No. of customer and account balance by: - product/services used	Algeria		Ecuador		Ethiopia		Indonesia		Kenya		Myanmar	
	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)
1. Savings Account												
2. Current Account												
3. Fixed Deposit Account												
4. Foreign Currency Account												
5. Housing Loan												
6. Personal Loan												
7. Hire Purchase												
8. Credit Card												
9. CDS Account												
10. Investment Account												
11. Debit Card												
12. Safe Deposit Box												
13. Others												

No. of customer and account balance by: - product/services used Remark: Details of breakdown are drawn from FINS	Pakistan		Syria		Tanzania		Turkey		Yemen	
	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)	No. of customers	Account balance @ 31 Dec 2013 (RM)
1. Savings Account										
2. Current Account										
3. Fixed Deposit Account										
4. Foreign Currency Account										
5. Housing Loan										
6. Personal Loan										
7. Hire Purchase										
8. Credit Card										
9. CDS Account										
10. Investment Account										
11. Debit Card										
12. Safe Deposit Box										
13. Others										

Appendix C

Examples of Risk Assessment Factors

1. Type of Customer

Individual	Legal person / legal arrangement
Resident	Non-Resident
Non-Higher Risk Countries	Higher Risk Countries
Non-PEP	Higher Risk Domestic PEP / Foreign PEP



2. Type of transaction relative to customer

Normal frequency / value	High frequency & high value or value kept to <RM3K



3. Mode of delivery

Over the counter / face-to-face	Internet based / phone based



4. Destination country (for remittance)

Non-Higher Risk Countries	Higher Risk Countries
Own country	Other country that appear unrelated



5. Sender / Country of origin

Same sender / same country	Different senders / different countries



6. Conduct of transaction

Normal amount / transaction	Large amount broken into small transactions High number of inward transactions, followed by immediate withdrawal

