WHAT IS
MONEY LAUNDERING?

Money laundering is a process of converting cash, funds or property derived from criminal activities to give it a legitimate appearance. It is a process to clean 'dirty' money in order to disguise its criminal origin.



How do criminals launder money ?

Under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), Paragraph 4(1) of the AMLA, a person commits money laundering when the person:



(a) engages directly or indirectly, in a transaction that involves proceeds of an unlawful activity or instrumentalities of an offence;



(b) acquires, receives, possesses, disguises, transfers, converts, exchanges, carries, disposes of, or uses proceeds of an unlawful activity or instrumentalities of an offence;



(c) removes from, or brings into Malaysia, proceeds of an unlawful activity or instrumentalities of an offence; or



(d) conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of an unlawful activity or instrumentalities of an offence.

There are three stages of the money laundering process commonly known;

01 PLACEMENT

Move the funds away from its source



Examples:

- Deposit money into bank accounts via tellers, ATMs, etc. (use of 'structuring' technique)
- Currency exchanges - purchase of foreign money using illegal funds via money changers
- Gambling - purchase of gambling chips

02 LAYERING

Disguising the trail or "layering" the illegal nature.



Examples:

- Multiple funds transfer to different onshore and offshore bank accounts
- Hiding funds in shell companies or trusts
- Transferring funds into multiple assets.

03 INTEGRATION

Making the funds available for enjoyment and appear 'legal'



Examples:

- Purchase / invest in property
- Purchase of luxury goods, e.g. jewelleries
- Engage in legal business via capital injection

- **Anti- Money Laundering and Countering Financing Of Terrorism (AML/CFT)** refers to any measures to prevent or combat money laundering and terrorism financing.



- For a country, this may include the **laws and regulations** that are enacted to prevent criminals from laundering/financing terrorism or, when they launder/ finance terrorism, to prosecute them in court.

- For reporting institutions, AML/CFT measures may refer to systems or programmes, or known as AML/CFT Compliance Programme which;

01 designed to assist the institutions in preventing themselves from being misused by criminals seeking to launder money through their businesses.

02 will cover many areas that help prevent and detect such abuse.

03 enable reporting institutions to report potential money laundering or terrorism financing activities to authorities. E.g. Suspicious Transaction Report (STR)

- Collectively, these measures are called **'preventive measures'** and the institutions which are designated by law to conduct these measures are called 'reporting institutions'