Targeted Financial Sanctions on Terrorism Financing, Proliferation Financing and Other UN-Sanctions Regimes Guide

Targeted financial sanctions are measures for asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of specified entities/ designated persons who are being sanctioned.

Terrorism financing is the act of providing financing for terrorist acts, and for terrorists and terrorist organisations, through legitimate or illegitimate sources.

Proliferation financing is the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.

Other UN-Sanctions Regimes refer to any other United Nations Sanctions Committee (UNSC) sanctions regimes in relation to upholding of peace and security, and prevention of armed conflicts and human right violations.

WHAT DO YOU NEED TO DO?

1 MAINTAIN & UPDATE SANCTIONS LISTS

You are required to maintain a sanctions database on the United Nations Security Council Resolutions (UNSCR) List and Domestic List.

The UNSCR List and Domestic List contain names and particulars of persons designated as specified entities/ designated persons by the UNSC and the Minister of Home Affairs (MOHA), respectively.

You may refer to the lists from the following websites:

- **Consolidated UNSCR List:** https://www.un.org
- **Domestic List**: http://www.federalgazette.agc.gov.my

You are required to update the database upon publication of designation or specification by the UNSC or MOHA

2 NAME SCREENING & DUE DILIGENCE

You are required to conduct sanctions screening on **existing, potential or new customers** (including beneficial owners and beneficiary) against the sanctions lists.

- Ensure that potential matches are true matches and not false positives

Conduct due diligence on **related parties** (refer FAQ)

3 FREEZE/ REJECT

In the event of positive name match, you are required to, immediately and without delay:

- Reject transactions for **new/ potential** customers
- Freeze funds/ properties for **existing** customers
- Block transactions (where applicable)

4 REPORT

In the event of positive name match, you are required to immediately:

- Report to the Financial Intelligence and Enforcement Department (FIED), Bank Negara Malaysia and Inspector-General of Police (where relevant)
- Submit Suspicious Transaction Report (STR) to FIED

You should also submit STRs when suspecting that an account or transaction (including attempted transaction) is linked to a specified entity / designated person / related party

WHAT TO DO WITH FUNDS/ PROPERTIES BELONGING TO SANCTIONED INDIVIDUALS?

The funds and properties may continue receiving deposits, dividends, interests, bonuses or other benefits. However, such funds and benefits must remain frozen as long as the specified entities / designated persons continue to be listed under the UNSCR List and Domestic List.

Where the freezing is made in relation to **terrorism financing**,

- Any dealings with the frozen funds or properties, whether by the specified entity, related parties or any interested party, requires prior written authorisation from the Minister of Home Affairs.
- You may advise the customer, a related party or any interested party of the frozen funds or properties to make an application to the Minister of Home Affairs to allow exemption for basic and extraordinary expenditures e.g. rent, medicine, etc.
- You shall only proceed with the payments upon receiving written authorisation from the Minister of Home Affairs.

Where the freezing is made in relation to **proliferation financing and other UN-sanctions**,

- Any dealings with frozen funds, other financial assets, or economic resources, whether by the designated country, person, identified related parties or interested parties, require prior written authorisation from the Strategic Trade Controller (STC) under the Strategic Trade Act (STA)
- You may advise the customer, a related party or any interested party of the frozen funds, other financial assets or economic resources, or to the blocked or rejected transaction, to make an application to the STC under the STA to allow exemptions on basic and extraordinary expenditures and to allow payments due under contracts entered into prior to the designation.
- You shall only proceed with the payment only upon receiving the prior written authorisation and confirmation of the STC under the STA.

WHO SHOULD YOU REPORT TO AND HOW?

Terrorism Financing

(Upon determination of name match against **Domestic List, UNSCR 1988 and 1267 lists**)

	1 Upon Determination	2 Periodic Reporting
Frequency	Immediately after determination of a positive name match	For positive name match against: • ***UNSCR Lists*** Every 5 January and 5 July • ***Domestic List*** Every 15 May and 15 Nov Not required for customers who conduct one-off transactions and where the customers do not maintain an account with the reporting institution
Recipient	FIED, Bank Negara Malaysia & Inspector-General of Police	FIED, Bank Negara Malaysia
Form	Appendix 6A or 6B, where applicable	Appendix 7A or 7B, where applicable

Proliferation Financing and Other UN-Sanctions Regimes

(Upon determination of name match against **UNSCR 1718 and 2231 lists**)

	1 Upon Determination	2 Periodic Reporting
Frequency	Immediately after determination of a positive name match	Only if there is any changes to the frozen funds (after first time reporting on positive name match) and latest by 15 January of the following calendar year Not required for customers who conduct one-off transactions and where the customers do not maintain an account with the reporting institution
Recipient	FIED, Bank Negara Malaysia	FIED, Bank Negara Malaysia
Form	Appendix 6A or 6B, where applicable	Appendix 7A or 7B, where applicable

FREQUENTLY ASKED QUESTIONS (FAQ)

1 Who are "related parties"?

- Persons related to the properties and funds that are wholly or jointly owned or controlled, directly or indirectly, by specified entities/ designated persons; and
- Persons acting on behalf or at the direction of specified entities/ designated persons

2 Can the RI accept loan repayments from specified entities/ designated persons?

If the loan agreement was made prior to the listing of the specified entity/ designated person on the sanction lists, you may continue to receive the loan repayments on the agreement

Note: Please refer to paragraphs 23 and 24 of the Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions (DNFBPs) & Non-Bank Financial Institutions (NBFIs) (AML/CFT and TFS for DNFBPs & NBFIs Policy Document)

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