



Anti-money laundering and counter-terrorist financing measures - Australia

7. Legal persons and arrangements

Effectiveness and technical compliance



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7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings

Malaysia has assessed elements of ML/TF risk and vulnerabilities involving legal persons through the NRA and other processes, but a deeper assessment is required.

Malaysia has a system of registering the ownership of legal persons with the CCM (onshore) and LFSA (offshore). CCM registers are publicly available through online searches. The LFSA's registers only became easily accessible at the end of 2014. Companies are required to maintain basic ownership information. There are some gaps in the timeliness and accuracy at the Malaysian registry although it is clear that their significance is diminishing as there is an increasingly active process of oversight and compliance monitoring to ensure quality of returns included on the CCM register. The LFSA is also increasingly active in its oversight in relation to the Labuan register.

Malaysia relies on obligations on RIs, including TCSPs regulated under the AMLA, to identify the beneficial owners of legal persons and parties to a trust. The quality of implementation of the obligations on TCSPs and other FIs/DNFBPs is mixed (IO3 and IO4 refer). Challenges for RIs include that beneficial ownership information may not be available at the company or from other RIs to support CDD.

Malaysia requires all trustees opening or operating an account with a bank to declare their trustee status to the bank. Trustees transacting with RIs outside the banking sector face no such obligations.

Malaysia's policy decision to amend the Companies Act to require companies to obtain and register beneficial ownership information is welcome. Malaysia is urged to enact the revisions and make changes to relevant legislation for all legal persons, including Labuan entities, in order to achieve the same outcome.

7.1 Background and Context

7.1. Both legal persons (particularly companies) and legal arrangements (trusts) may be established in both Malaysia and Labuan. Although Malaysia has a considerable number of companies, neither jurisdiction is a major centre for the establishment of legal persons or legal arrangements. Professional trust and company service providers exist in both jurisdictions. Trust business is much smaller than company business. The Labuan business model includes the formation and administration of legal persons and trusts; target markets include both Malaysia and international markets.

(a) Overview of legal persons

7.2. There were 1 113 465 companies in Malaysia at 31 December 2014 and 3 744 limited liability partnerships. 454 227 of these were active companies, with 374 516 dissolved companies and 284 722 under strike-off processes. Of the active companies, 443 649 had 20 or fewer owners. 36 327 had legal persons as shareholders and 407 322 had only natural persons as shareholders. In addition, of the active companies, 2 654 were private companies with more than 20 shareholders comprising corporate entities and natural persons and 1,355 of these companies had more than 20 natural persons as shareholders. Some 1 972 companies were limited by guarantee. Nominees are used for 1.8% of active companies in Malaysia. Malaysian companies must have at least two directors who are ordinarily resident in Malaysia. Directors must be individuals.

7.3. Within Labuan, legal persons can be created as companies, limited partnerships, limited liability partnerships and foundations. There were 11 630 companies in Labuan at 31 December 2014, of which 5 881 were active companies, 4 379 were dissolved and 1 264 were in the process of winding up. Unlike Malaysia, companies are not divided into private and public companies. 11% of Labuan companies include use of nominees. There were also 45 limited partnerships (31 active) and 12 limited liability partnerships.

(b) Overview of legal arrangements

7.4. The only legal arrangements which may be established in Malaysia are trusts, which are created under common law. Malaysian law also recognises trusts created under statute. At 31 December 2014 the IRB identified 2 387 trusts, all formed under Malaysian law. In Labuan the LFSA has registered 52 Labuan trusts (of which 28 are active) and TCSPs have created 123 unregistered trusts. The number of foreign trusts subject to Malaysian law and/or using Malaysian RIs is not known. Persons who are not RIs may act as a trustee.

7.5. Malaysian trusts mostly hold passive assets, in particular real estate (houses and apartments); they also hold investments, companies and time share arrangements.

(c) International context for legal persons and arrangements

7.6. Malaysia has an open economy with significant levels of international trade and investment but is not an international centre for the creation and use of legal persons and arrangements for holding assets. A range of legal persons and arrangements created in other jurisdictions (or under the laws of other jurisdictions) hold assets or conduct transactions in Malaysia. Many of the customers of the Labuan IBFC are Malaysian corporate entities and foreign businesses structured as companies trading in or with Malaysia.

7.2 Technical Compliance (R.24, R.25)

- R.24 – Transparency and beneficial ownership of legal persons - **Malaysia is rated as partially compliant**
- R.25 – Transparency and beneficial ownership of legal arrangements-**Malaysia is rated partially compliant**

7.3 Effectiveness: Immediate Outcome 5 (Legal Persons and Arrangements)

(a) *Transparency and Risk– legal persons and arrangements*

7.7. There is adequate basic information on the creation, types and basic features of legal persons. There is public information available on Labuan but not Malaysian trusts, albeit the Labuan information publically available outside trust law does not cover all types of trust.

7.8. CCM maintains registers of companies and limited liability partnerships (and businesses). The public has access to the registers. The CCM has also issued guidance forms on the provision of information to it ranging from initial registration to various filings.

7.9. LFSA maintains a register of Labuan companies and other legal persons, which only became accessible to the public from November 2014. Available via the LFSA website, the register allows the public to find which TCSP holds company information. There is no publically available information in relation to partnerships outside the legislation itself.

7.10. Information on the creation and types of legal arrangements in Malaysia is not publicly available.

7.11. In contrast, Labuan has enacted the LTA1996 and the LFSA has placed a series of questions and answers in relation to the formation, conduct and regulation of trusts and foundations in Labuan.

7.12. The Malaysian authorities recognise that legal persons might be used for illegal purposes, including ML and TF but they have, only to a limited extent, identified and assessed the ML/TF risks associated with different types of legal persons. The understanding of vulnerabilities is, therefore, incomplete. Vulnerabilities posed by legal arrangements have not been well identified and assessed. While there appears to be an understanding that trusts pose a vulnerability, this view is not shared by all authorities.

7.13. NPO risks and their mitigation are considered at IO10.

7.14. The 2013 NRA key findings summarises the scope of foreign ownership of companies in Malaysia and very limited indicators of risk but it does not include all types of legal persons. Onshore, as at 30 June 2013 only 0.003% of companies were classified as foreign owned with Singapore (16 309), China (8 619), Pakistan (8 002), India (5 773) and Bangladesh (4 790) representing the largest shares of such ownership. At the same time, 58% of Labuan companies originated from South East Asia and the Asia Pacific. The highest proportions of ownership are British Virgin Islands (762), Singapore (611), Hong Kong (334), Indonesia (309) and Cayman Islands (300). Onshore, less than 7% of STRs involved companies. Offshore, less than 0.1% of STRs involved companies.

7.15. There are several areas which create possible risks, the existence of corporate nominees being one of these. The Malaysian authorities had more information than is apparent from the NRA key findings alone. For example, as result of investigation of tax offences, the IRB had concluded that limited partnerships are not high risk for tax evasion or ML. In addition, the reviews of the NPO sector and the CA 1965 and the recent move by the LFSA to publish its register of Labuan companies reflect, in part, consideration of the risks arising from use of legal persons. The evaluation team noted that the CCM has identified vulnerabilities arising from shareholders and officers and from the source of funds. The LFSA has focused particularly on legal persons from high risk jurisdictions, in particular Iran and DPRK, which is an important risk mitigation measure (see IO11).

7.16. Malaysia has indicated that there are a high number of ML investigations involving legal persons (mostly sole proprietorships) compared with a low number of STRs involving companies. Discussions with LEAs indicate that the use of informal nominees is more common than using corporate structures to hide beneficial ownership/control of accounts or assets. In discussions, LEAs did not indicate general challenges in obtaining beneficial ownership information, but did raise the challenge of informal nominees undermining the accuracy of CDD processes. Use of nominees is not included in the NRA.

7.17. There has been no assessment of the risks that may exist in relation to trusts. The LFSA holds information on the number of trusts with Labuan trustees subject to the legislation of foreign jurisdictions and which jurisdictions. Outside this, the extent to which trustees and/or beneficiaries of foreign trusts or of Malaysian trusts subject to the laws of other jurisdictions is a feature in Malaysia is not known. STRs do not appear to have involved trusts and there have been no ML investigations which have involved trusts.

(b) Legal persons – basic and beneficial ownership

Basic information

7.18. Legislation and the supervisory guidelines contain a range of provisions which seek to ensure that there is access to basic information on legal persons. Legal persons are required to hold basic information and to provide it to the registrars in Malaysia and Labuan albeit within a period of one month between an event and having to file the change of information and annual returns. The registrars are now taking a more proactive approach to compliance. Action has been taken by both registrars, and by the CCM in particular, to ascertain to what degree information held by companies is complete and up to date, and to enforce compliance with the requirements. The CCM has taken great strides forward as an enforcement authority and in preventing misuse of companies albeit there are still some gaps in relation to the accuracy and timeliness of basic information it holds: this is important where RIs and others are relying on this information rather than approaching a company directly. The authorities noted that the information held by CCM is very useful. The authorities have suggested that Malaysian companies will have a bank account in Malaysia and that basic (and beneficial) owners are therefore subject to the CDD disciplines of banks.

Beneficial ownership

7.19. While some ownership information registered with the CCM and LFSA may include beneficial owners, the mechanism Malaysia uses to ensure that information on beneficial ownership can be obtained in a timely manner is through CDD and related information obtained by RIs.

7.20. There are detailed obligations on RIs to obtain beneficial ownership information. The best available information in Malaysia is information held by RIs; the CCM's register also allows a search of the various company records when Malaysian companies are registered as owners of companies. In particular, the obligations to conduct ongoing CDD (which are compliant with R.10) may not lead to an RI updating its CDD information whenever the beneficial ownership of a legal person in the business relationship changes unless this is triggered by another risk event or the periodic review of the customer which is part of the ongoing CDD requirement.

7.21. It is clear that identification and verification of beneficial owners is challenging (also see 104). Understanding of the beneficial ownership requirements by RIs is weaker than for other CDD obligations and there are gaps in the effectiveness of identifying and verifying beneficial ownership by FIs and DNFBPs. The position in relation to DNFBPs is distinctly weaker than for FIs; a more effective regime for DNFBPs will also enhance the effectiveness of the regime for FIs. Therefore, there are gaps in the adequacy, accuracy, and timeliness of beneficial ownership information available such as incorrect identification of beneficial owners as a result of the use of "mules". There is use of nominees and complex structures, and it is difficult for RIs to rely on other RIs to provide them with beneficial ownership information. A range of firms met by the evaluation team, including banks, considered that verification of beneficial ownership and identification of mule accounts are the key issues to be resolved.

7.22. The information on the banking sector provided by the authorities stated that there are challenges with regard to the identification and verification of the beneficial owner as the requirements for beneficial owners have recently been enforced and clarified, that understanding is still being developed and that implementation requires significant improvement. For the other high risk FI sector, the MSB sector (MVTS and money changers), conducting CDD on beneficial owners is also a challenge, particularly on legal persons and transactions conducted by a third party. This stems from lack of understanding by front line staff of CDD processes for beneficial owners especially at small MSBs. In cases where a customer does not declare that a transaction is being made on behalf of other individuals CDD is conducted on a best efforts basis although

it cannot be properly performed; the risk is mitigated when ongoing monitoring detects the trend of the customer's transactions, enabling CDD to be conducted on the beneficial owner.

7.23. The authorities have also advised that insurers face challenges in obtaining information in complex cases. Both the Bursa Malaysia and the SC indicated to the evaluation team that beneficial ownership information had been available when required in relation to securities accounts opened with the central depository and shareholdings of 5% or more in listed companies.

7.24. Labuan is not immune to these challenges. Trust companies are better at risk profiling than banks and appear to be better at obtaining beneficial ownership information. Some onsite inspections in 2014 found that banks had policies relating to the previous AML/CFT requirements, application forms were not completed and compliance officers lacked knowledge. This will have a detrimental effect on the adequacy of beneficial ownership information.

7.25. The BNM has not seen evidence of bearer shares or bearer warrants used in business relationships administered by banks, other FIs or DNFBPs. The same is true of the LFSA. This was borne out by the evaluation team's findings.

7.26. In light of the feedback from both authorities and RIs, the evaluation team can only conclude that the gaps in verifying beneficial owners cannot be characterised as minor. Nevertheless, as described in IO2, authorities have generally demonstrated that they are cooperating constructively and in a timely manner with their foreign counterparts. This includes cooperation in relation to the provision of beneficial ownership information.

7.27. Malaysia has effective mechanisms for quickly ensuring that beneficial ownership information held by RIs can be obtained in an investigation of TF, ML or related predicates. AMLA section 48 orders can be used to require all RIs (without a court order) to identify whether a particular legal person or legal arrangement is a customer; these were shown to have been sent regularly to the vast majority of FIs and some DNFBPs via FINS. LFSA, RMP and other LEAs have similar powers. The ability to issue these orders to all DNFBPs and ensure responses in a timely manner is more challenging. It is not clear that the mechanisms for RIs to share CDD information are well supported in all cases.

(c) Legal arrangements – disclosure obligations and beneficial ownership

7.28. Beneficial ownership information of trusts in Malaysian and Labuan declaring income is registered with the IRB. Settlers may choose to register Labuan trusts with the LFSA. Every Labuan trust must be administered by a Labuan trust company and one of the trustees must be a trust company.

7.29. As with legal persons, the primary mechanism to seek to ensure transparency of beneficial ownership information of trusts is CDD and related information obtained by RIs and access to that information by LEAs and other authorities. In addition, IRB holds beneficial ownership information for trusts. There are detailed obligations on RIs providing services to trusts to obtain comprehensive beneficial ownership information relating to legal arrangements. The same issues identified above on identifying and verifying beneficial owners mean that the same limitations on what is available in practice to be obtained by RIs and the gaps in beneficial ownership information will also apply in relation to trusts. No deficiencies in relation to basic or beneficial ownership specific to trusts as compared with legal persons have been identified.

7.30. Natural or legal persons which are not RIs under the AMLA may act as settlor, trustee or protector of a trust (excluding Labuan trusts) or equivalent or similar positions for other types of legal arrangements. In such cases AMLA obligations to identify and verify parties to the trust or other legal arrangements do not apply directly although it is likely that non-professional trustees need to establish a bank account or deal with a lawyer to prepare a deed of trust as well as being subject to taxation legislation. It is likely that a lawyer will prepare a deed of trust for a non-professional trustee. However, it is possible that there might be no ongoing relationship with the trust by a lawyer or other RI such as an accountant in relation to filing tax returns, thereby resulting in very little possibility of updating information on the parties to a trust except where a bank holds information as a result of a bank account having been established.

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7.31. There is a requirement for domestic and foreign trustees using banks in Malaysia to declare their trusteeship. The relationships are subject to banks' CDD disciplines. Compliance with the provisions is monitored by the BNM and some RIs noted that trusteeship is declared in practice. In their capacity as trustee, trust companies in Labuan open separate accounts with banks for trust relationships and acknowledge to the banks that they are acting as trustees.

7.32. Registration of trusts with the LFSA has not been widely taken up. Provision of the trust deed to the LFSA and Labuan TCSPs is a mandatory part of the registration process. Trust deeds contain at least some beneficial ownership information. When a trustee registers a trust deed with LFSA there is no obligation to submit details of beneficial owners of the trust. However, the beneficial ownership information is still available at Labuan TSCPs.

7.33. On an annual basis trust companies must advise the LFSA of the number of trusts for which they are trustees and, for registered trusts, the identity of the trustees. The compliance rate for the provision of returns to the LFSA in relation to active registered trusts is uneven with 8% compliance in 2010 and 32% compliance in 2014. There is no data on the compliance rate by the 123 Labuan trusts not registered with the LFSA.

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7.34. With reference to the IRB, information on settlors, protectors and beneficiaries can be obtained from trust deeds lodged with it. The IRB indicates that the information on the ultimate beneficiary is available from the audited accounts combined with the trust deed which must be provided. The IRB considers that, if a party to the trust is another trust, the ultimate beneficiary can be traced based on the information available in the IRB's database and, if it involves an overseas trust, by making a request for information using a Double Taxation Agreement or a Tax Information Exchange Agreement where these agreements are in place. While the IRB has experience of obtaining beneficial ownership information under TIEAs, it is not clear that foreign tax authorities would be able to obtain information on settlors, protectors and beneficiaries of a foreign trust. Trusts are monitored by the IRB to the same extent as any other category of tax payer.

(d) Preventing Misuse/Adequacy of Information

7.35. Malaysia and Labuan have sought to prevent the misuse of legal persons and legal arrangements and ensure high quality basic and beneficial ownership information is obtained by RIs and available to competent authorities by taking steps to improve transparency by the registrars of legal persons and through the supervision of CDD obligations.

7.36. The adequacy of supervision of FIs and DNFBPs in preventing misuse of legal persons and legal arrangements is analysed in IO3. Supervision of the banking and MSB (MVTS and money changers) sectors is sound but there are gaps in relation to the supervision of DNFBPs in particular; supervision of DNFBPs in relation to the misuse of legal persons and legal arrangements has not been meaningful except in relation to the casino and Labuan trust companies. While measures to prevent abuse have been implemented, the outcomes are behind the level of supervision (see above overview of beneficial ownership and IO4).

CCM

7.37. The accuracy of the information on the company register is monitored by the CCM and it has taken measures to improve the timely updating of records. Between 25,000 and 42,000 companies per annum have failed to lodge annual returns with the CCM or have failed to lodge them in a timely manner over the last five years. The pattern of the CCM's desk based monitoring and onsite inspections is demonstrated in the table below.

Table 7.1. CCM supervision activities from 2010 to 2014

Type of Inspection	2010	2011	2012	2013	2014
Number of database inspections (desk based monitoring)	431 986	555 360	434 353	528 559	546 849
Number of onsite inspections	23 968	12 948	11 317	7 911	6 784
Number of inspections of illegal investment schemes	151	140	214	173	87
The CCM has undertaken database inspections of 843 LLPs and 30 onsite inspections of LLPs.					

7.38. The CCM's activities have resulted in an increase in the compliance rate by companies from 80% in 2008 to 93% in 2013, based on the submission of annual returns and financial statements. The figures do not include non-filings where the CCM does not know that there has been a change of information (for example, dormant companies). For these companies and, in addition, in case of non-filing of annual returns (i.e. 7% of companies in 2013), some of the information at the registry is not up to date for those persons using the registry to undertake CCD rather than the company. Basic ownership information is required at the company level but access to a company may not always be a convenient gateway for third parties.

7.39. The following case study shows how basic and beneficial ownership information can be combined with supervision to ascertain the identity of a person with ultimate effective control of fraud schemes.

Box 7.1. Case study: CCM's identification of beneficial owners of fraudulent schemes

The CCM was contacted by the Ministry of Domestic Trade Consumers and Co-operative and received multiple complaints from the public about an illegal scheme involving bird's nest cultivation. The scheme had been aggressively marketed by a company through public promotion and by enticing potential investors with incentives. High investment returns were suggested, including a structure which indicated higher investment would produce higher return.

CCM identified two separate unapproved schemes which triggered an in-depth investigation. The companies shared common directors and promoters. A combination of documentary intelligence and oral statements meant that CCM was able to ascertain that these persons were acting as nominees for the true beneficial owner. CDD information from RIs assisted CCM to follow financial trails and identify the beneficial owners of the fraudulent schemes.

7.40. The CCM has met all requests for information made to it by other authorities. In total, requests made amounted to 284 in 2011, 343 in 2012 and 552 in 2013. The CCM has not been directly requested by a foreign counterpart or foreign LEA to provide information, although such information has been required through other domestic LEAs.

7.41. The CCM is a robust registrar and is to be commended for the structured approach to prevention of misuse of legal persons by monitoring and enforcement it has taken, particularly during the last year. The evaluation team noted that the CCM was perceived in Malaysia as having become a serious regulatory body.

LFSA

7.42. The AML/CFT supervision of Labuan RIs, including TCSPs, is set out at IO3.

7.43. Trust companies (which are subject to the AML/CFT obligations for RIs) are required to provide an annual return to the LFSA for each company they administer one month prior to the anniversary of the

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incorporation of the company. This means that information at the registry, except with regard to directors is potentially only accurate or current once a year – assuming returns are presented in a timely manner. An online registration system was introduced in 2014 by the LFSA in order to provide more effective surveillance of companies. The LFSA monitors compliance and directors are checked by the LFSA against an external data base. A penalty is always applied if the change of director notification is late. During the period 2010 to 2014 the compliance rate for the returns received by the LFSA's registration department has been consistent at over 97%.

7.44. Labuan trust companies provide nominees shareholders and/or directors for 604 of the 5 529 active companies in Labuan. Shareholders or directors who are nominees are required to disclose the fact of their being nominees to the LFSA in a declaration form.

7.45. The LFSA provided responses to the 15 requests for basic company information which were made to it in 2013 from a combination of international agencies, government agencies and private organisations.

IRB

7.46. Names of directors and the five main shareholders are provided to the IRB on the annual tax return for companies. The IRB matches its data to the CCM's database. Returns from companies must be provided to the IRB within seven months of the end of the accounting period. Even if every return is made in a timely manner, there is a potential gap of nineteen months between the beneficial ownership information held at the end of one accounting period (assuming the accounting period has not changed).

7.47. The IRB's IT systems have been significantly upgraded so as to be able to provide timely information to third parties such as LEAs. It has been able to provide information on beneficial owners to the CCM for investigation purposes. The IRB has also successfully provided ownership information to foreign counterparts under DTAs and TIEAs, with 25 of 61 responses to requests for information in 2012, including beneficial ownership information. None of the 21 responses to requests in 2013 included such information. With regard to Labuan, the IRB has not used the powers to obtain information.

Sanctions

7.48. IO3 describes the application of the sanctions framework by the supervisory authorities of RIs. The BNM relies more on remedial measures though continuous engagement, particularly with the banking and insurance sectors; this approach appears to be working effectively. The SC and the LFSA have imposed more of a mix of penalties. It is recommended in IO3 that LFSA should respond to regulatory violations with proportionate and dissuasive sanctions.

7.49. Table 7.2 below demonstrate the range and number of sanctions applied by the CCM, the degree of non-compliance by companies and the need for the CCM to maintain and enhance its current approach to the imposition of sanctions.

7.50. The CCM's general rule is that a late filing will lead to a financial penalty, the norm being for a compound to be 10% of the maximum statutory penalty available. The evaluation team agrees with the CCM's view that this level is too low and does not serve as a deterrent. The proposed changes to the CA 1965 include increases in the level of penalties.

7.51. Most of the CCM's repressive actions are taken against companies and directors although it has also taken action against company secretaries. The CCM has successfully prosecuted four company secretaries for lodging false statements. It has not to date applied sanctions in relation to limited partnerships. Most of CCM's 550 investigations since 2010 and prosecutions are made into the making of false and misleading statements (90 in 2010, 62 in 2011, 33 in 2012, 112 in 2013, and 136 in 2014 prior to the evaluation).

7.52. The LFSA applies penalties for submission to it of late forms and documents, and strikes off companies when a resident secretary has not been appointed or for non-payment of annual fees. The number of companies struck off each year (mostly for non-payment of annual fees) since 2010 has remained steady with 466 struck off in 2010 and 438 in 2013.

Table 7.2. CCM monitoring and enforcement actions from 2010 to 2014

CCM Monitoring & Enforcement Actions	2010	2011	2012	2013	2014
Show cause letters or letters of reprimand	396	395	396	5	21
Compound fines for late lodgement of documents (other compound fines were issued)	255 235	148 091	72 319	114 598	69 621
Of the total compound fines, number of fines for late submission of annual returns	254 725	147 134	71 071	113 691	65 518
Total value of compound fines for failure to lodge annual returns (RM)	22.41M (USD 6.7M)	4.3M (USD 1.3M)	15.63M (USD 4.7M)	17.99M (USD 5.4M)	19.96M (USD 6M)
Number of black listings	1	2	1	18	485
Number of companies struck-off	24 098	130 823	25 261	17 092	29 496
*The 2010 CCM data monitoring project resulted in a higher number of companies being issued notices.					

7.53. The IRB imposes a significant number of compound fines for late returns, including approximately 750 per annum for Labuan entities and from 14 to 62 per annum for onshore trust entities from 2010 to 2013.

7.54. The Malaysian authorities have indicated that the CA 1965 will be revised in 2015 by requiring Malaysian companies to obtain and hold up-to-date information on beneficial ownership, and reporting that information to a registry within a relatively short period of time. The revisions to the CA 1965 will include changes which will strengthen the ability of all companies to obtain information from third parties (as opposed to just company members on the beneficial ownership of voting shares or holding such shares as trustee) and an increase in the penalty.

Overall conclusions on Immediate Outcome 5

7.55. The number, importance, materiality and ML/TF risk of companies in Malaysia and Labuan has led the evaluation team to ascribe greater weight to legal persons than to legal arrangements when considering the rating of this IO. Malaysia has assessed elements of ML/TF risk and vulnerabilities involving legal persons through the NRA and other processes but understanding of the range of threats and vulnerabilities needs to be deepened and risks of legal arrangements should be fully assessed.

7.56. Basic information held by companies is accessible to the public; registered information is publically accessible from the two registrars. While there are some gaps in the information held by company registrars, regulators are enforcing compliance with reporting requirements. The mechanism Malaysia uses to ensure that information on beneficial ownership of legal persons and arrangements can be obtained in a timely manner is through the use of CDD and related information obtained by RIs. As such, many of the relevant findings at IO3 and IO4 on the strengths and weaknesses of CDD and its supervision and enforcement apply to IO5. The quality of supervision is ahead of market outcomes for CDD.

7.57. Implementation in relation to beneficial owners is mixed. In light of the feedback from both authorities and RIs, the evaluation team concludes that the gaps in verifying beneficial owners cannot be characterised as minor. In addition, compliance with the R.10 obligation to conduct ongoing due diligence and the distinction between the R.10 obligations and the R.24 obligation that beneficial ownership information should be as up to date and accurate as possible might not lead to a RI updating its CDD information whenever a legal person which is part of a business relationship changes its beneficial ownership.

7.58. Malaysia is enforcing the obligation on all trustees of domestic and foreign trusts opening or operating an account with a bank to declare their trustee status to the bank. The bank is then obliged to identify the parties to the trust under AMLA. Customers of other FIs face no such obligations.

7.59. Malaysia makes regular use of mechanisms for quickly ensuring that beneficial ownership information held by RIs can be obtained in an investigation of TF, ML or related predicates through AMLA orders to identify whether a particular legal person or legal arrangement is a customer of any RI. These are shown to be regularly circulated to the vast majority of FIs and some DNFBPs via FINS.

7.60. The authorities have generally demonstrated that they are cooperating constructively and in a timely manner with their foreign counterparts, including the provision of beneficial ownership information.

7.61. **Overall, Malaysia has demonstrated a moderate level of effectiveness for Immediate Outcome 5.**

7.4 Recommendations on Legal Persons and Arrangements

- Undertake more detailed assessments of the risks of legal persons in both Malaysia and Labuan and carry out an assessment of the risks of legal arrangements in both jurisdictions, and use these assessments to inform the application of appropriate mitigation measures.
- Review the legislation for legal arrangements, including the direct and indirect requirements in relation to transparency, in the review.
- Amend the CA 1965 as planned to require companies to obtain and hold up-to-date and accurate beneficial ownership information and report that information in a timely manner to the registry, and revise legislation governing other legal persons in order to achieve similar outcomes. The Malaysian authorities should cover the FATF definition of beneficial owner in the law so that the law goes beyond the holding of voting shares. Also, any company should be able to obtain information on its beneficial ownership and for sanctions to be available for failure to provide this information.
- Extend existing obligations to trustees which are RIs to obtain and hold accurate and current information on beneficial owners of trusts and introduce such obligations for non-professional trustees.
- Extend the existing obligations to trustees to disclose their status to all RIs, not only banks, when forming a business relationship or carrying out an occasional transaction above the threshold.

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Recommendation 24 – Transparency and beneficial ownership of legal persons

a7.1. Malaysia was rated PC with R.33 in the 2007 MER. R.24 substantially changed the standards relating to the transparency of legal persons have. See IO5 for details of the numbers of types of legal persons registered in Malaysia and details of the legal framework.

a7.2. **Criterion 24.1** - The following types of legal persons can be created in Malaysia: (a) Companies – unlimited companies (onshore and offshore), limited companies, public limited companies; (b) limited liability partnerships (offshore and onshore, domestic and foreign); (c) societies ; and (d) foundations (offshore). The CCM and LFSA websites include guides on the different types, forms and basic feature of legal persons and the formation of such legal persons under the statutes and administrative processes of each regulator. Together with the various AML/CFT guidelines these generally extend to how to obtain basic and beneficial ownership information of legal persons.

a7.3. **Criterion 24.2** - Malaysia has assessed the ML/TF risks associated with different types of legal persons to some extent. The NRA (2013) considered some of the vulnerabilities, but did not consider the difficulties of determining beneficial ownership of legal persons or the threats posed by the different types of legal persons.

a7.4. **Criterion 24.3** – For both onshore (CCM) and offshore (LFSA) companies, there are registers recording the company name, proof of incorporation, legal form and status, the address of the registered office, basic regulating powers, and a list of directors. In the case of the CCM, this information is available to the public for a fee. In the case of Labuan, the name and formation agent (TCSP) of IBCs is publicly available on the LFSA website. Information can be obtained from TCSPs via LFSA, so it technically publicly available. There is no list of Labuan Foundations available to the public. Malaysian partnerships are required to register basic information with the CCM with the details available to the public.

a7.5. **Criterion 24.4** - Malaysia requires all Malaysian private and public limited companies to establish and maintain a registered office within Malaysia (for Labuan companies, within Labuan) and maintain a register of all shareholders, including their name (or for legal persons: business name, organisation number), date of birth and address.

a7.6. For onshore companies, the CA 1965 requires companies to maintain information relating to shareholders including directors' shareholdings, instruments and certificates of share transfer. The nature of the associated shareholder voting rights and categories of share are required to be kept by the company on its register.

a7.7. Labuan Companies and foundations are required to maintain a resident secretary (trust company) and keep information relating to shareholders, transfers of shares, annual returns, etc. at the office (s.93(3) LCA 1990). The nature of the associated shareholder voting rights and categories of shares are required to be kept as part of the company register.

a7.8. Foreign companies registered in Malaysia and Labuan are required to keep branch registers of the shares of the company's members resident in Malaysia who apply to have the shares registered therein (s.342 CA 1965). Foreign companies' domestic share holdings, but not foreign share holdings are included in the branch registry under the CA 1965.

a7.9. Malaysian partnerships and limited liability partnerships are not required to maintain the additional registration information in 24.4. For Malaysian companies, s.158 of the CA 1965 requires categories of share, including voting rights, to be kept on registries with a company whose location is notified to the company registry. Under s.159 the company must advise the registrar within one month of the company's incorporation where the company's register is kept. Under s.159 the registrar must be notified within fourteen days if the

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company register is held at a place other than the registered office. The register may be closed under s.160 for up to thirty days a year.

a7.10. Labuan foundations are required to maintain the additional information in 24.4. Section 9 of the LLPLPA 2010 meets the additional registration requirements of 24.3 for limited partnerships regarding the number of units and the categories. Voting rights are covered at s.58. For companies, the LCA 1990 requires categories of shares, including voting rights, to be registered. Under s.106 the company must advise the registrar within one month of the company's incorporation where the company's register is kept.

a7.11. **Criterion 24.5** – Generally, companies are required to provide information to the registrar albeit with some delay and/or in the annual return. In other areas the requirements are less clear. The CCM and LFSA undertake outreach, compliance and enforcement programs, including offsite and onsite inspections aimed at ensuring the quality of information held on legal persons regulated by the CCM and LFSA is accurate and up to date.

a7.12. **Criterion 24.6** – Malaysia uses a combination of mechanisms to seek to ensure that beneficial ownership information is available: legal ownership information held by companies and beneficial ownership information to be collected and maintained by RIs in the course of company formation and ongoing CDD; information held by the IRB; information disclosed by companies listed on the stock exchange relevant to beneficial ownership.

a7.13. Malaysia has indicated that the CA 1965 will be amended in 2015 and is expected to require companies to obtain and hold up-to-date information on beneficial ownership and report that information to a registry within a set period. While this cannot be considered for purposes of ratings, this is a welcome development. Malaysia indicated that it will consider similar amendments to the LCA and other legal persons in Labuan in their next review of the legislation.

a7.14. The CCM register for onshore companies contains publicly available information, including information on persons exercising control over the company (e.g. the board of directors, the general manager and company resolutions authorising persons to sign documents on behalf of the company). For the natural persons serving as directors, the register includes the national identity number of Malaysian.

a7.15. Where only Malaysian companies with Malaysian ownership are involved, authorities are generally able to follow the chain of ownership to a natural person who has an identity in the national identify card database. There may be situations where this is not possible, for example where natural person is a trustee holding propriety rights for beneficiaries.

a7.16. Where foreign legal persons or arrangements are involved in owning shares in Malaysian companies or registered foreign companies, beneficial ownership information is not contained in the CCM register. Foreign companies registered in Malaysia do not hold beneficial ownership information on their own shareholders, but just maintain the ownership information of the direct shareholder. The public registers and the register of shareholders will reflect the name, registration number and address of the foreign company. Competent authorities accessing beneficial ownership information on Malaysian companies owned by foreign entities rely on the CDD undertaken by RIs.

a7.17. Competent authorities in Malaysia also have access to beneficial ownership information held by RIs. The 2013 Guidelines requires RIs to identify and take reasonable measures to verify the identity of the beneficial owner, including through ongoing CDD (see R.10 above). This includes and TCSPs (see R.22 above).

a7.18. Competent authorities also have access to the information that companies provide in their annual accounts and which is made available in the Register of Company Accounts.

a7.19. Onshore companies which meet the definition of 'controlled companies' under s.2 of the ITA 1967 must submit annual tax returns which include some information relevant to beneficial ownership, including identity information of directors and shareholders. Controlled companies are those having not more than 50 members/shareholders and controlled (as defined s.139 of the ITA 1967) by not more than five persons (s.2 ITA 1967). More than 90% of private companies registered with CCM qualify as controlled companies.

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a7.20. For Labuan registered companies, the IRB Director General may call for any information required by him (including information to beneficial ownership) from any person for compliance with: s.22 LBTA 1990.

a7.21. For listed companies, the particulars of the beneficial owner of the securities deposited in central depository accounts are to be disclosed to the depository, including for authorised nominees (s.25A SICDA 1991 & Rule 25.02B(2) RBMD. Disclosure obligations on substantial shareholders (shareholders holding 5% or more) of listed companies, upon acquisition or disposal of shares, to Bursa Malaysia and the SC adds to information on beneficial ownership. See Securities Industry (Reporting of Substantial Shareholding) Regulation 1998 & Division 3A of Part IV CA 1965.

a7.22. For Labuan listed companies, exchange rules and controls on issuing sponsor and issuers of listings provide only limited additional information relevant to beneficial ownership.

a7.23. **Criterion 24.7** - Beneficial ownership information held by RIs through CDD obligations under the AMLA is required to be up to date and relevant.

a7.24. **Criterion 24.8** - Malaysia requires that DNFBP are accountable to competent authorities for providing all basic information and available beneficial ownership information, and giving further assistance to the authorities in relation to beneficial ownership information. All companies are required to have a company secretary who is a natural person. It is an offence for a company not to have a company secretary for a period of more than one month. Company secretaries must either be licensed by the CCM or be members of professional bodies, such as the MAICSA, MIA and the Malaysian Bar Council. For Labuan IBCs the resident DNFBP must be a licensed trust company. In each case, as regulated entities, they have obligations for ongoing CDD and cooperation with authorities.

a7.25. **Criterion 24.9** - AMLA and guidelines' record keeping requirements for company secretaries and trust companies are mostly in keeping with the standard. See R.11 above.

a7.26. **Criterion 24.10** - Competent authorities, including LEAs, have the necessary powers under the AMLA and legislation governing the SC, Bursa Malaysia, LFSA and CCM to obtain timely access to the basic and beneficial ownership information held by the RIs.

a7.27. **Criterion 24.11** - Malaysia has prohibited share warrants under the CA 1965 (s 57) and bearer shares for offshore companies under the LCA since 1990. Due to the requirement to register all shares with the CCM, bearer shares cannot be a feature of onshore companies. Share warrants for Labuan companies are not prohibited but controls on their use include s.43(1) of the LCA 1990 requiring details on the allotment of shares to be lodged with LFSA and s. 105 requiring all Labuan companies to keep a register of its members. It is not clear that Labuan companies are prohibited from issuing a share warrant with shares transferable by delivery of the warrant (in essence a negotiable instrument), which would be the point of allotment.

a7.28. **Criterion 24.12** - Malaysian legal persons are able to have nominee shares and nominee directors. Authorities rely on the powers of the registrars (both CCM and LFSA) to require any company or person to furnish all necessary information and particulars of any share acquired or held directly or indirectly either for his own benefit or for any other person. Company's shares are held by a nominee on behalf of the company's directors and s. 169(6) CA 1965 requires the identity of the beneficial owners to be disclosed with the balance sheets prepared by the company. Sections 134 and 135 of the CA 1965 impose an obligation on all directors (including nominee directors) to disclose particulars of shares in which the directors has interest and the nature and extent of the interest.

a7.29. **Criterion 24.13** - There are only limited fines for breaches of the requirements for reporting and updating the registrar of ownership and beneficial ownership information under the companies act and LCA. There are greater fines and other sanctions available for failure to respond to a regulatory instruction or hindering supervision by the regulator, but these are only available after supervisory action has commenced, and may still not be dissuasive. Sanctions in the AMLA for failure to conduct CDD, including on beneficial ownership, show some gaps with their persuasiveness.

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a7.30. **Criterion 24.14** - Malaysia's ability to provide international co-operation in relation to information on legal persons is described at R.37 and R.40. The scope of the available information covers access by foreign competent authorities to basic information held by domestic authorities and using competent authorities' investigative powers under the AMLA and other regulatory instruments to obtain beneficial ownership information on behalf of foreign counterparts.

a7.31. Malaysia is able to rapidly provide international co-operation in relation to basic and beneficial ownership information, where it can be obtained from RIs (see R.9 and R.40). This includes (a) facilitating access by foreign competent authorities to basic information held by company registries; (b) exchanging information on shareholders; and (c) using their competent authorities' investigative powers, in accordance with the AMLA, to obtain beneficial ownership information on behalf of foreign counterparts. CCM is an active member of the Corporate Registers Forum (CRF).

a7.32. **Criterion 24.15** - The relevant agencies (CCM, LFSA, the SC, IRB and LEA) monitor the quality of assistance received from other countries in response to requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad.

Weighting and Conclusion

a7.33. Compliant CDD obligations for RIs to conduct ongoing due diligence may not result in RIs having timely CDD information when the beneficial ownership of a legal person changes. There are gaps in relation to sanctions for non-compliance with transparency obligations and the ML/TF risks associated with all types of legal persons have not been fully assessed.

a7.34. **Malaysia is rated partially compliant with R.24.**

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

a7.35. Malaysia was rated PC for R.34 in the 2007 MER. The situation in relation to the coverage of trusts and other legal arrangements is largely in keeping with the previous MER. There are substantial new requirements in relation to legal arrangements in R.25.

a7.36. Malaysia has a system of trust law that includes express and discretionary trusts similar to other jurisdictions which apply common law. Trusts and other legal arrangements formed overseas can and do operate in Malaysia. If the trustee is a corporate entity it must be registered with the CCM, or with LFSA if the trust is formed under the Labuan Trusts Act 1996 (LTA 1996). Trust companies must provide the CCM with an annual statement containing a list of its members, a summary of its activities and a statement of its liabilities and holdings on trust. A trust company may in addition register itself with the CCM as a trust company. There is no requirement for registered trustee companies to provide CCM details of the beneficial owners of the trusts they administer. Such information as the CCM holds on a trustee company is publicly accessible.

a7.37. Trust companies are required to maintain separate bank accounts for their own money and money under their care as trustee. Where a trustee holds deposits in trust at a bank, pursuant to s.42 of the Malaysia Deposit Insurance Corporation (MDIC) Act 2011 the bank is required to maintain records of that fact and the names of those for whom the deposits are held.

a7.38. The LTA 1996 provides for the creation and recognition of offshore trusts. An offshore trust may register with LFSA, and may furnish LFSA with a copy of its trust instrument. However this is not mandatory. A Labuan trust company must register itself as a trust company with LFSA, but does not have to submit information as to the beneficial ownership of the trusts it administers. The ITA 1967 covers taxation obligations on trusts and similar legal arrangements.

a7.39. **Criterion 25.1** - All DNFBPs and FIs are required under the guidelines (s.13.4) to identify and take reasonable measures to verify the identity of the settlor, the trustee(s), the protector (if any), the beneficiary or class of beneficiaries, and any other natural person exercising ultimate effective control over

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the trust, including through the chain of control/ownership. The obligations extend to identifying persons in equivalent or similar positions for other types of legal arrangements. In Malaysia this would include *karta* (Hindu joint families), *waqf* (inalienable religious endowments in Islamic law), Labuan foundations, etc. The LFSA Guideline goes further and obliges trust companies to obtain sufficient information concerning the beneficiary in order to be satisfied that it would be able to establish the identity of the beneficiary at the time of the payout or when the beneficiary intends to exercise vested rights.

a7.40. Professional trustees are required under the guidelines to maintain the information on parties to the trust for at least six years after their involvement with the trust ceases. Similar record keeping obligations are derived from CCM and LFSA regulations.

a7.41. Natural or legal persons who are not obliged RIs under the AMLA may act as settlor, trustees or protector of a trust (excluding Labuan trusts) or equivalent or similar positions for other types of legal arrangements in Malaysia. In such cases AMLA obligations do not apply.

a7.42. For all natural or legal persons there are indirect obligations to capture some of the relevant information on those exercising control over a trust and beneficiaries of a trust through taxation obligations for annual returns to IRB with respect of income of a domestic or foreign trust accruing in, derived from or received in Malaysia (s.77A ITA 1967). Obligations cover the particulars of all beneficiaries (including their share of income). While the obligation is on the direct beneficiary rather, IRB indicates that trustees obtain and maintain information on ultimate beneficiaries through the audited accounts and the trust deed which are provided to IRB and the IRB can trace the ultimate beneficiary based on the information available in its database than an obligation to determine the ultimate beneficiary (e.g. in a situation where the beneficiary is another trust or a legal person). Trustees must submit tax returns each year regardless of whether income was generated or actively accrued.

a7.43. All trustee holding deposits in trust at a bank must disclose their status and the name and address of all beneficiaries of the trust account to the institution at the outset of the relationship and make an annual declaration (s.42 MDIC Act 2011). The bank is required to maintain records of that fact and the names of those for whom the deposits are held. AMLA obligations require the bank to determine the ultimate beneficial owners of the customer, in this case the trust.

a7.44. There are no explicit requirements that trustees of any trust are required to hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors. However, Malaysian authorities indicate that controls on various trustees to keep proper records would, in effect, ensure that these details are captured for trust companies, Labuan trust companies and solicitors.

a7.45. **Criterion 25.2** - RIs under the AMLTFA are required to keep relevant information accurate and as up to date as possible. Obligation on trustees who are not RIs under the AMLA are limited to annual updates on in cases where the trust realises revenue is realised pursuant to taxation obligations.

a7.46. **Criterion 25.3** - Pursuant to s.42 of the MDIC Act 2011 bank are required to maintain records of deposits made by a trust and the names of those for whom the deposits are held. There are no other obligations on trustees to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold.

a7.47. **Criterion 25.4** - There are no prohibitions in law on trustees providing trust-related information to competent authorities.

a7.48. **Criterion 25.5** - Competent authorities including LEA, IRB, and the FIU have powers to obtain information relating to trustees, beneficiaries, trustee residence and assets managed under a trust, but there are gaps. Provisions provided in relation to the AMLA are to do with investigations. However, there does not appear to be an offence and penalty attached to failure to comply with the routine information gathering power at s.25 of the AMLA (unless s.86 applies, in which case the fine is not proportionate and dissuasive). The Malaysian authorities refer to the TCA 1949 but the investigation powers of s.22 of this law apply to the affairs and management of the trust company and are therefore potentially limited. The powers of the IBR

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to require information to be provided to it in relation to Labuan under s.22 of the LBATA 1990 are extensive. BNM and SC have extensive powers under a range of statutes to obtain relevant information.

a7.49. **Criterion 25.6** - Malaysia's ability to provide international co-operation in relation to trusts and other legal arrangements is described at R.40. The scope of the available information covers access by foreign competent authorities to basic information held by domestic authorities and using competent authorities' investigative powers under the AMLA and other regulatory instruments to obtain beneficial ownership information on behalf of foreign counterparts.

a7.50. **Criterion 25.7** - There are limited sanctions for trustees which are not RIs. AMLA includes sanctions for failure by RIs, including TCSPs, to conduct CDD and ongoing CDD on the identity of trusts and trustees, however there are some gaps with their proportionality and dissuasiveness. The sanctions available to the IRB and other regulators are not proportionate and dissuasive, in particular: TCA 1949 penalties (s.30) and a general absence of fines; CA 1965 penalties of RM 2 000 (USD 597) under s.165; and LFSA penalties of RM 10 000 (USD 2 987) for late notifications.

a7.51. Under the MDIC Act sanctions are available for trustees (both RIs and non-RIs) who fail to disclose to the bank that they are acting as a trustee when establishing a trust account and when providing annual updates to the bank on their trustee status. Section 195 of the MDIC Act 2011 makes such breaches an offence and provides sanctions for natural persons (fines up to RM 500 000 or imprisonment not exceeding six months) and for legal persons (a fine not exceeding RM 1 million).

a7.52. The Trustees (incorporation) act of 1952 does not provide for fines or other civil or administrative measures to address breaches of trustees' obligations. Trustees who commit fraud on beneficiaries may be liable under criminal law. Measures applicable to trustees include the restoration of loss, the account of profit or the liability for legal costs. Injunctive relief is also available against trustees.

a7.53. **Criterion 25.8** - Sanctions for trustees who are not RIs under AMLA only apply for failing to cooperate with an ML investigation. AMLA (s.32) provides sanctions against RIs for failing to grant competent authorities timely access to information regarding trusts. This includes imprisonment for a term not exceeding one year and/or RM 1 million (USD 298 748), and RM 100 000 (USD 29 875) per day for continuing offence. Both CCM and LFSA have proportionate sanctions available for similar failings, including imprisonment for up to three years or fine up to RM 1 million (USD 276 625) or both in the context of an investigation. The maximum fines available to the IRB (s.112 and 120 of the ITA 1967) and LFSA (s.54 of the LFSA) are not proportionate and dissuasive outside of a criminal investigation. The IRB has a range of sanctions available for failure to grant timely access to information.

Weighting and Conclusion

a7.54. Compliant CDD obligations for RIs to conduct ongoing due diligence may not result in RIs having timely CDD information when there are changes to the trustees of a legal arrangement. Relatively little weight is given to the fact that trust services may be undertaken by non-professionals who are not RIs and not obliged to conduct CDD. Obligations to declare trustee status does not apply beyond deposit taking institutions. There are gaps in relation to sanctions for non-compliance with transparency obligations.

a7.55. **Malaysia is rated partially compliant with R.25.**

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Table of Acronyms

AGC	Attorney General’s Chambers
ALB	Association of Labuan Banks
ALTC	Association of Labuan Trust Companies
AML/CFT	Anti-Money Laundering and Counter Financing of Terrorism
AMLA	Anti-Money Laundering and Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001
AMLA	Regulations -Anti-Money Laundering and Anti-Terrorism Financing (Reporting Obligations) Regulations 2006
AMLDD	Anti-Money Laundering Division (IRB)
APG	Asia/Pacific Group on Money Laundering
ARIN-AP	Asset Recovery Interagency Network – Asia Pacific
ASC	Association of Stockbroking Companies Malaysia
ASEAN	Association of Southeast Asian Nations
BHEUU	Legal Affairs Division, Prime Minister’s Department
BNI	bearer negotiable instrument
BNM	Bank Negara Malaysia
BO	beneficial owner
BVAEA	Board of Valuers, Appraisers and Estate Agents Malaysia
CA	Companies Act 1965
CADS	cash declaration system (BNM FIED database)
CBA	Central Bank of Malaysia Act 2009
CCID	Commercial Crime Investigation Department, Royal Malaysian Police
CCM	Companies Commission of Malaysia (also known as SSM)
CID	Crime Investigation Division, Royal Malaysian Police
CLBG	Companies Limited by Guarantee
CONG	Compliance Officers Networking Group
CMSA	Capital Market and Services Act 2012
CMSL	Capital Market Services Licence
CPC	Criminal Procedure Code
CT	counter terrorism
CTR	cash threshold report
DDFOPA	Dangerous Drugs (Forfeiture of Property) Act 1988
DFI	development financial institution
DNFBPs	designated non-financial businesses and professions
DPP	Deputy Public Prosecutor
DTA	double taxation agreement
EA	Extradition Act 1992

TABLE OF ACRONYMS

Egmont	The Egmont Group of Financial Intelligence Units
ETP	Economic Transformation Programme
FGJAM	Federation of Goldsmiths and Jewellers Associations of Malaysia
FI	financial institution
FIED	Financial Intelligence and Enforcement Division (The FIU)
FINS	FIED's online reporting system allowing two way secure communication with RIs
FSA	Financial Services Act 2013
GIFCS	The Group of International Finance Centre Supervisors
GTP	Government Transformation Programme
IBC	International Business Company
IBFC	International Business and Finance Centre
IC	Identity Card
IFC	International Financial Centre
IFSA	Islamic Financial Services Act 2013
INTERPOL	International Criminal Police Organisation
IOSCO	International Organisation of Securities Commissions
IRB	Inland Revenue Board
ISA	Internal Security Act 1960
ISIL	Islamic State of Iraq and the Levant
ISP	Interim Strategic Plan
ITA	Income Tax Act 1967
JAT	Jemaah Anshorut Tauhid
JI	Jemaah Islamiyah
LCA	Labuan Companies Act 1990
LEA	Law Enforcement Agency
LFSA	Labuan Financial Services Authority
LFSAA	Labuan Financial Services Authority Act 2010
LFSSA	Labuan Financial Services and Securities Act 2010
LIBG	Labuan Investment Banks Group
LIIA	Labuan International Insurance Associations
LIFSA	Labuan Islamic Financial Services Act 2010LLP – Limited Liability Partnership
LLPA	Limited Liability Partnership Act 2012
LLPLLPA	Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 LTA - Labuan Trust Act 1996
LTCA	Labuan Trust Companies Act 1990
LTTE	Liberation Tigers of Tamil Ealam
MACC	Malaysian Anti-Corruption Commission
MACCA	Malaysian Anti-Corruption Commission Act 2009
MACMA	Mutual Assistance in Criminal Matters Act 2003

MACS	Malaysian Association of Company Secretaries
MAICSA	Malaysian Institute of Chartered Secretaries and Administrators
MBC	Malaysian Bar Council
MDIC	Malaysia Deposit Insurance Corporation Act 2011
MDTCC	Ministry of Domestic Trade, Cooperatives and Consumerism
MER	Mutual Evaluation Report
MIA	Malaysian Institute of Accountants
MIBA	Malaysian Investment Banking Association
MICPA	Malaysia Institute of Public Accountants
MITI	Ministry of International Trade and Industry
ML/TF	Money Laundering and Terrorism Financing
MoF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MMoU	Multilateral Memorandum of Understanding
MSB	money services business (comprising MVTs and money changers)
MVTs	money or value transfer service
NCC	National Co-ordination Committee to Counter Money Laundering
NCID	Narcotics Crime Investigation Department, Royal Malaysian Police
NPO	non-profit organisation
NRA	national risk assessment
NTP	National Transformation Policy
OGBS	Offshore Group of Banking Supervisors (now GIFCS)
PEP	politically exposed person
PF	proliferation financing
RBA	risk-based approach
RSF	Risk-Based Supervisory Framework
RI	reporting institutions
RM	Malaysian Ringgit
RMC	Royal Malaysian Customs Department
RMP	Royal Malaysia Police
RMP AMLA Unit	Anti-Money Laundering Unit, Royal Malaysian Police
RoS	Registrar of Societies
SA	Societies Act 1966
SB	Special Branch, Royal Malaysian Police
SC	Securities Commission of Malaysia
SCA	Securities Commission Act 1993
SCONPO	Sub-Committee on Non-Profit Organisations
SOP	standard operating procedure

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SOSMA	Security Offences (Special Measures) Act 2012
SRB	self-regulatory body
SRO	self-regulatory organisation
STA	Strategic Trace Act 2010
STS	Strategic Trade Secretariat
SuRF	Supervisory Risk-Based Framework
TA	Trustee Act 1949
TC	technical compliance
TCA	Trust Companies Act 1949
TCSP	trust and company service provider
TF	terrorist financing
TFS	targeted financial sanctions
TIA	Trustee (Incorporation) Act 1952
TIEA	Tax Information Exchange Agreement
UBO	ultimate beneficial owner
UNSCR	United Nations Security Council Resolution
VAEAA	Valuers Appraisers and Estate Agents Act 1981
WCO	World Customs Organisation
WMD	weapons of mass destruction