

**NATIONAL SEMINAR ON ANTI MONEY
LAUNDERING
AND COUNTER TERRORISM FINANCING 2014**

30 September 2014

**Importance of ML/TF awareness for
NPOs Sector**

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What is Money Laundering?

- **Money laundering is the process by which proceeds from a criminal activity are disguised to conceal their illicit origins.**
- **Money laundering involves the proceeds derived from the criminal activity.**



What is Terrorism Financing?



Terrorism financing is the process of financing terrorist activity either through **legitimate** or **illegitimate** source.



Money laundering is a serious global problem

- IMF estimates the scale of money laundering transactions at **2% - 5% of global GDP**.
- Based on **serious crime cases investigated in 2011 and 2012**, proceeds of crimes that possibly could be laundered is **RM13.1 billion**.
- International convention states that for every 10 crimes committed, only 1 will get reported.



Crimes and money laundering weakened the economy and increase reputational risks to the country...

- **Crimes are intrinsically damaging the economy and country**
- **Reduces productivity in the economy by diverting resources to combat crimes**
- **Increase reputational risk to the country and risk of being listed under FATF Public Statement**
- **Increase cost of doing business**

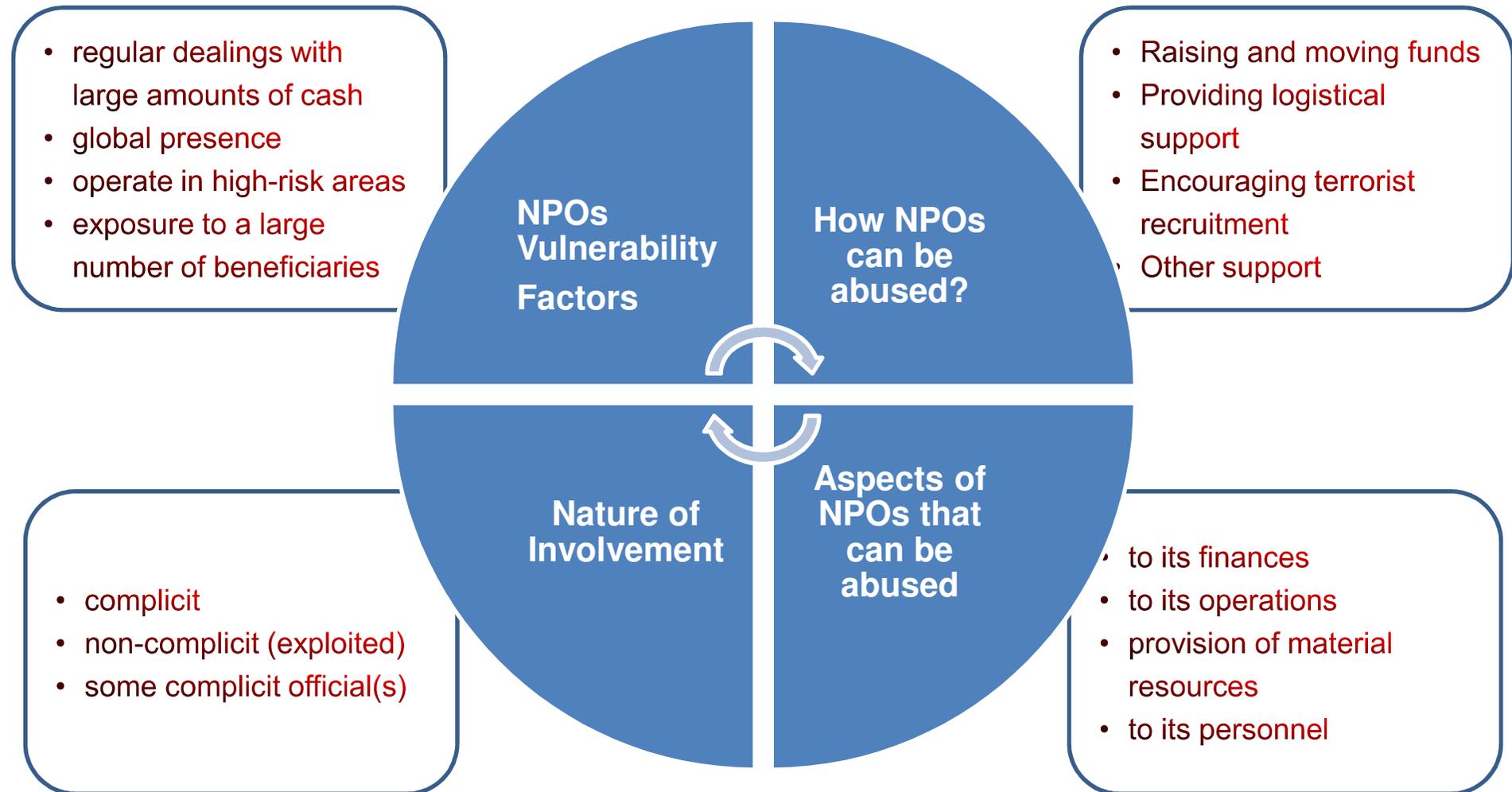


Why FATF developed standards on terrorism financing?

- With the conclusion of United Nations Security Council Resolution (UNSCR) 1373 in 2001 in response to the September 2001 attack, the international community put financial measures at the centre of its efforts to combat terrorism.
- In response to the UNSCR 1373, the FATF in October 2011, expanded its mandate beyond anti-money laundering to include countering the financing of terrorism and issued a set of special recommendations on terrorist financing to complement existing standards aimed at countering the laundering of the proceeds of crime.
- One of the special recommendations is Special Recommendation 8 on NPOs.

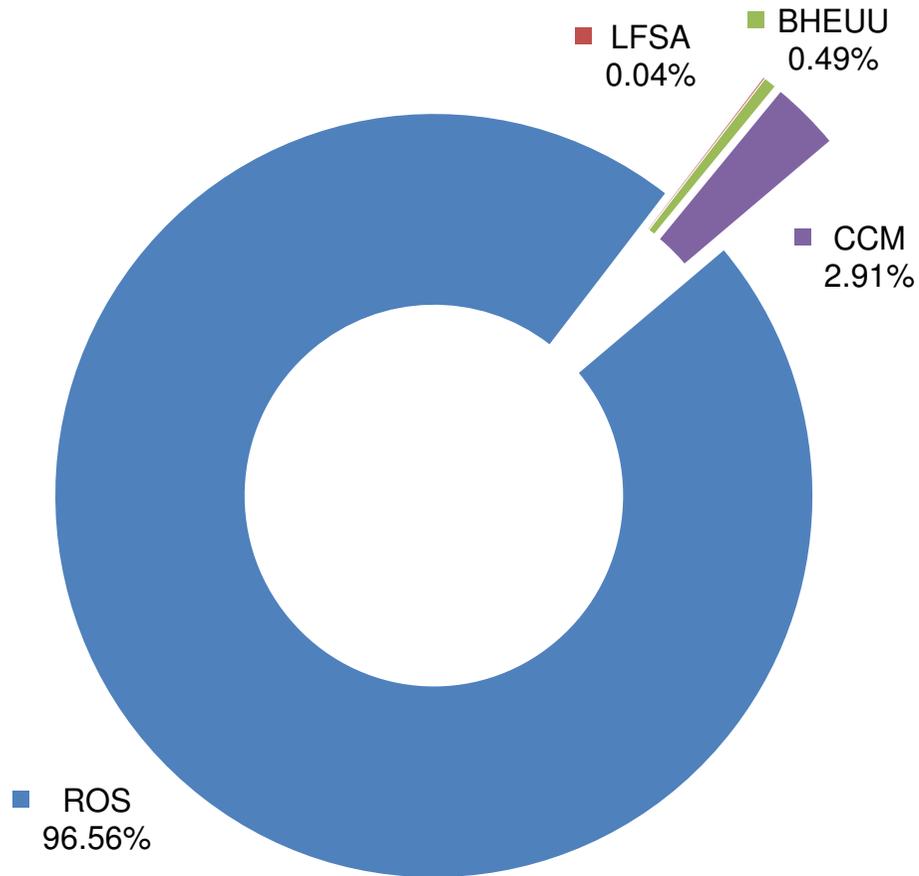


Why and how NPOs can be abused for terrorism financing



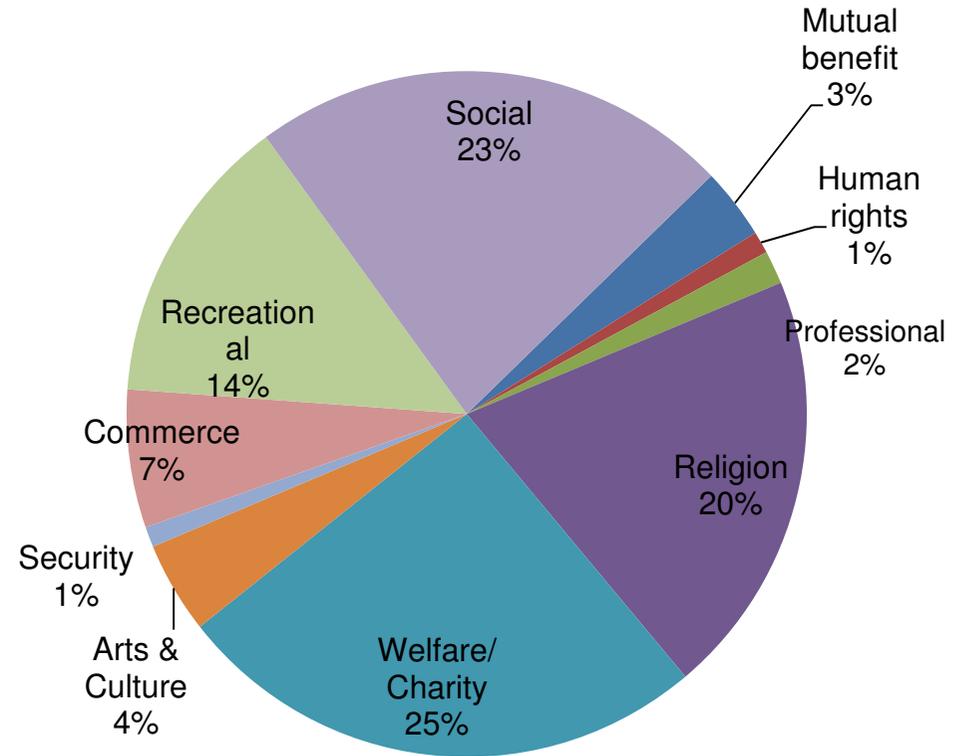
Profiles of NPOs in Malaysia

Distribution of NPOs according to regulators



TOTAL NO. OF NPOs : 54,811

Types of NPOs registered under RoS



TOTAL NO. OF NPOs under RoS : 52,925



How to protect the NPOs from being abused for TF

NPOs

1. Establish proper governance to ensure transparency in the administration and management of NPOs.
2. Know your beneficiaries and associated NPOs that you are dealing with.
3. Keep proper financial records.



Roles of Government, regulators and law enforcement agencies

Government	Regulators	Law enforcement agencies
<ol style="list-style-type: none"> 1. Conduct National Risk Assessment (NRA) including areas relating to TF and NPOs. 2. Conduct interagency outreach and discussion within the government on the issue of terrorist financing. 3. Terrorist financing experts should work with NPOs regulators to raise awareness of the problem, and share the specific characteristics of terrorism financing. 	<ol style="list-style-type: none"> 1. Increase transparency in supervising and monitoring of NPOs. 2. Increase outreach/awareness to NPOs. 3. Increase international co-operation and exchange information. 	<ol style="list-style-type: none"> 1. Law enforcement agencies (LEAs) must play a key role in the combat against the abuse of NPOs by terrorist groups, including by continuing their ongoing activities with regard to NPOs. 2. Provide general feedback to NPOs on how NPOs may be abused by terrorists, to allow NPOs to take measures to prevent this abuse.





Thank You



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