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To Members of the Malaysian Bar

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Anti-Money Laundering / Counter Financing of Terrorism On-Site Examination

Bank Negara Malaysia ("BNM") has informed us that it will be conducting the Anti-Money Laundering / Counter Financing of Terrorism ("AML/CFT") on-site examination on lawyers from selected law firms, pursuant to section 25 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLA"), between 14 May to 6 July 2018.

We were also informed about the good practices and common lapses identified by BNM during the previous on-site examination.

The good practices were:

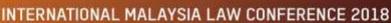
- (1) maintenance and centralisation of customer database at the law firm level;
- (2) adequate management information system ("MIS") using both manual records and a simple system to capture customer due diligence ("CDD") and transaction records, commensurate with the firm's size and complexity; and
- (3) retention of basic CDD and transaction records for at least six years.

The lapses identified were:

- (1) lapses in enhanced customer due diligence ("EDD") on higher-risk customers due to the absence of / inadequate customer risk profiling;
- (2) absence of transaction monitoring on clients;
- (3) gaps in establishing internal criteria ("red flags") to detect suspicious transactions and reporting mechanisms for suspicious transactions;
- (4) lapses in maintaining a database of names and details of sanctioned individuals and entities:
- (5) lapses in conducting checks on the names of new and existing clients against the list of sanctioned entities:
- (6) lapses in money laundering / terrorism financing ("ML/TF") risk assessment in relation to the firm's customers, products, and services, transactions or delivery channels and geographical presence;
- (7) absence of / inadequate risk profiling of clients;
- (8) absence of written AML/CFT policies and procedures on key areas of AML/CFT requirements;
- (9) absence of senior management oversight on AML/CFT matters;









- (10) gaps in appointing a compliance officer to undertake compliance function for AML/CFT matters; and
- (11) gaps in conducting AML/CFT awareness and training programmes for employees.

BNM will contact the relevant law firms directly to schedule the on-site examination.

Members are advised to refer to the "AML/CFT Guide for DNFBPs and Other Non-Bank Financial Institutions", which contains a concise summary of the salient parts of the overall requirements of AMLA. The AML/CFT Guide is available at BNM's AML/CFT microsite here, and the general information on the relevant guidelines and resources can be found here.

Members are also advised to pay particular attention to the lapses identified by BNM.

Should you have any enquiries, please contact Dr Sarah Azlina Che Rohim (03-2698 8044 ext 8430; sarahlina@bnm.gov.my) or Tee Suat Hong (03-2698 8044 ext 8618; suathong@bnm.gov.my).

Thank you.

Andrew Khoo Chin Hock and Karen Cheah Yee Lynn Co-Chairpersons Subcommittee on AMLA of the Legal Profession Committee