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**Circular No 119/2018
Dated 8 May 2018**

To Members of the Malaysian Bar

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;



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- (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