



**Badan Peguam Malaysia
Malaysian Bar**

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To Members of the Malaysian Bar

Strengthening AML/CFT/CPF Compliance Frameworks Within Legal Practices

The Malaysian Bar refers to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities (Amendment) Act 2025 (“AMLA Amendments”), which came into force on 1 Mar 2026, as well as recent regulatory developments and enforcement actions communicated by Bank Negara Malaysia (“BNM”) concerning reporting institutions (“RIs”) within the Designated Non-Financial Businesses and Professions (“DNFBPs”) sector.

Members are reminded that advocates and solicitors, as well as law firms, continue to fall within the scope of RIs under the AMLA framework and are therefore required to maintain adequate and effective Anti-Money Laundering, Countering Financing of Terrorism, and Countering Proliferation Financing (“AML/CFT/CPF”) compliance systems, controls, procedures and record-keeping mechanisms.

The Malaysian Bar further notes BNM’s recent enforcement actions against entities within the DNFBP sector, including the issuance of Directive Orders and monetary penalties arising from significant compliance deficiencies identified during supervisory engagements and reviews.

In the light of the evolving regulatory landscape and the expanded scope of obligations under AMLA, Members are strongly advised to review and strengthen their existing compliance frameworks, policies and operational practices.

The Bar Council wishes to highlight the following areas requiring immediate attention by legal practices:

(1) Appointment of Compliance Officer (“CO”)

Members are reminded to ensure that a CO has been formally appointed within the firm and that any required notification to BNM has been duly made and updated where necessary. The CO should possess sufficient authority, independence and access to information necessary to discharge the role effectively. Firms are encouraged to clearly document the CO’s functions, responsibilities and reporting structure.

(2) Review and Enhancement of Client Onboarding Procedures

Members should review existing client onboarding and know-your-client (“KYC”) procedures to ensure that they remain aligned with the expanded statutory obligations under AMLA.

Particular attention should be given to the:

- (a) verification of client identity;
- (b) verification of persons acting on behalf of clients;
- (c) identification of beneficial ownership and control structures;
- (d) source of funds and source of wealth assessments where appropriate; and
- (e) enhanced due diligence for higher-risk matters or clients.

Members are reminded that compliance obligations may extend beyond traditional financial transactions and may also arise in relation to Gazetted Activities (“GA”) falling within the scope of AMLA.

(3) Beneficial Ownership and Control Verification

Law firms should ensure that adequate procedures are implemented to identify and verify the beneficial owners of corporate or structured clients, including circumstances involving nominee arrangements, layered shareholding structures, trusts or foreign ownership components.

Appropriate documentation evidencing authority to act should also be obtained and retained where instructions are provided through representatives, agents, intermediaries or authorised signatories.

(4) Matter Risk Assessment

Members are encouraged to adopt a risk-based approach in assessing matters and clients. Legal practices should consider implementing internal risk-rating mechanisms to categorise files based on factors such as:

- (a) client profile;
- (b) jurisdictional exposure;
- (c) transaction complexity;
- (d) cash intensity;
- (e) foreign participation;
- (f) politically exposed person (“PEP”) exposure; and
- (g) unusual transaction patterns.

Higher-risk matters should be subject to enhanced internal review and supervision.

(5) Record-Keeping and Documentation

Members are reminded that AMLA imposes extensive record-keeping obligations upon reporting institutions.

Law firms should maintain proper and retrievable records relating to:

- (a) customer due diligence (“CDD”) and client identification documents;
- (b) beneficial ownership information;
- (c) source of funds documentation;
- (d) risk assessments;

- (e) client account transactions;
- (f) internal approvals and escalations; and
- (g) ongoing monitoring records.

Such records should be maintained in an organised and accessible manner to facilitate internal review and regulatory inspection where required.

(6) Ongoing Monitoring and Escalation Procedures

Compliance obligations are continuous in nature and do not end upon file opening. Members should therefore implement appropriate procedures for ongoing monitoring of client conduct, transaction patterns and unusual instructions throughout the duration of the retainer. Firms are encouraged to establish clear internal escalation procedures for suspicious or high-risk matters, including reporting channels to the CO and senior management.

(7) Client Account Controls

Given the heightened regulatory scrutiny surrounding the movement of funds and misuse of professional accounts, Members should review existing client account controls and internal approval processes.

Practices are encouraged to implement stricter controls concerning:

- (a) third-party payments;
- (b) cash transactions;
- (c) unusual payment structures;
- (d) unexplained urgency; and
- (e) unsupported transfer instructions.

Appropriate supporting documentation should be maintained for all client account movements.

(8) Staff Training and Awareness

Law firms should ensure that partners, legal practitioners, pupils in chambers, clerks, accounts personnel and relevant administrative staff receive periodic AML/CFT/CPF training appropriate to their respective functions and exposure levels.

Training should include practical guidance on:

- (a) identification of suspicious indicators;
- (b) onboarding procedures;
- (c) escalation obligations;
- (d) record-keeping requirements; and
- (e) client account risk management.

Firms are encouraged to maintain attendance records and training materials as part of their compliance documentation.

(9) Internal Review and Compliance Testing

Members are encouraged to conduct periodic internal reviews or audits of compliance practices to identify operational gaps and areas requiring remediation. Such reviews may include random file audits, client account reviews, onboarding compliance checks and testing of escalation procedures.

The Malaysian Bar emphasises that compliance frameworks should not exist merely as formal documentation, but must be effectively implemented, operationalised and understood throughout the practice. We will continue to engage with the relevant stakeholders and authorities concerning AML/CFT/CPF obligations affecting the legal profession and will provide further updates and guidance where appropriate. Members are strongly encouraged to take proactive measures to strengthen internal governance, documentation standards and compliance culture within their respective practices.

For enquiries, please contact Malathi Mohan, Assistant Director, by telephone at 03-2050 2150 or by email at amla@malaysianbar.org.my.

Thank you.

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