

Malaysia urged to tighten curbs on money-laundering

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An anti-corruption campaigner has urged Malaysia to tighten its curbs against money-laundering, following allegations that RM2.6 billion had been deposited in Prime Minister Najib Abdul Razak personal bank accounts.

“If the allegations are true that the prime minister received US\$700 million in his personal accounts, this raises serious questions about what due diligence checks the banks did,” Global Witness senior campaigner Stuart McWilliam said yesterday.

Speaking to Malaysiakini on the sidelines of the International Anti-Corruption Conference in Putrajaya, McWilliam pointed out that banks are required to identify politically exposed persons (PEP) among their clients under international anti-money-laundering standards, which have also been adopted by Malaysia,.

The banks are required to perform extra checks on the accounts of PEP and their transactions to ensure that these are above board.

A PEP is a person who holds public office and may have access to a government budget, their relatives and their close associates.

“It would be very bad practice for a bank not to check on accounts that have over a million, certainly over 10 million or 100 million (in US dollars).

“One of the Financial Action Taskforce (FATF) recommendations is that transactions over US\$15,000 should have checks done. But in this case we are talking about a lot more than that,” he said.

The FATF is an intergovernmental body that had made recommendations on anti-money laundering and terrorism financing efforts in 2012. Malaysia is an observer in the group.

While people such as campaigners and journalists cannot inquire about what checks have been done because such information is confidential, McWilliam said common sense would suggest that there can't have been many checks done.

Asked about how PEPs are identified, he said there are some commercial databases of PEPs available on the market, but sometimes it can be as simple as checking on a client through an Internet search engine.

Banks can inquire source and purpose of funds

When checks are warranted, banks can inquire into the source and purpose of the funds - and if necessary - refuse the transaction and report it to the authorities.

McWilliam also called for laws to be enacted to hold senior bank executives personally accountable in cases of wrongdoing.

He said sanctions can be imposed on errant executives depending on the severity of the wrongdoing, ranging from criminal prosecution and termination of their employment, to having their bonuses withheld.

Earlier, during a workshop at the IACC where McWilliam was a panellist, one of the concerns raised was the the difficult in determining who in a bank's chain of command should be held responsible for non-compliance with regulations.

In the case of an offence, the bank is then charged in court as a whole and pays a fine that it treats as merely "a of doing business".

Speaking to Malaysiakini afterwards, McWilliam said this situation is starting to change in the Britain, with new regulations due to come into force in March next year.

"The new system in the UK will require the senior manager to be held responsible, unless the bank can show that it has done everything possible to prevent that from happening..

"It may be the case that the bank has a really good process, but someone lower down the ranks didn't follow the process.

"There will be sometimes when a bank takes corrupt money and it's not its fault. It slipped through the net and the bank can't catch every example.

"I would say that for something like US\$100 million, the bank should be on top of that, really," McWilliam added.