

Why Malaysia's good grades in an anti-money laundering report don't matter

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ANALYSIS, Sept 22 — Malaysia received good grades in an international report on its fight against money laundering, but the news barely caused a ripple and public perception of corruption remains negative.

International newswire Reuters reported last Wednesday a draft report by Paris-based Financial Action Task Force (FATF), an international organisation that monitors how countries combat illicit financial flows, as saying that Malaysia has a “robust policy framework” as well as a “strong political commitment and well-functioning coordination structures” to fight money laundering.

“Improving anti-money laundering laws is only one part of good governance. Equally important, if not more so, is improving accountability of public finances and the management of domestic resources. There is a perception that the former may have improved; the latter has not,” Asian Development Bank lead economist (trade and regional cooperation) Jayant Menon told *Malay Mail Online*.

The FATF draft report on Malaysia, which Reuters said could be subject to changes, was reportedly circulated to members in June, shortly before US-based daily the *Wall Street Journal* (WSJ) reported that almost US\$700 million (RM2.6 billion) was moved around companies linked to state investment firm 1Malaysia Development Berhad (1MDB) and ended up in Prime Minister Datuk Seri Najib Razak's personal accounts.

Politicians from both sides of the divide have urged the prime minister to explain the controversial deposit, which the Malaysian Anti-Corruption Commission (MACC) termed as a donation from the Middle East. Ordinary Malaysians were largely unconvinced with MACC's explanation, according to a Politweet survey, even as memes scorning the RM2.6 billion donation ran for months.

WSJ's latest report on a second missing transfer amounting to nearly US\$1 billion from the debt-laden 1MDB to a Middle Eastern sovereign fund, International Petroleum Investment Co, also appears to gain more traction than news about the positive FATF draft report.

Despite Bank Negara Malaysia upgrading the Anti-Money Laundering and Anti-Terrorism Financing Act (AMLATFA) to strengthen anti-money laundering measures, Malaysians generally seem unaware of the intricacies of the legal framework against money laundering, focusing instead on authorities' apparent inaction against the RM2.6 billion donation to Najib.

PKR lawmaker Rafizi Ramli, who has been highlighting exposés on 1MDB's alleged financial mismanagement, said the public generally does not pay much attention to legal frameworks combatting money laundering.

“It’s not in their interest to go around comparing legal frameworks of different countries. The public will only judge when those public agencies are put to the test when they have to stand up to the high and mighty,” Rafizi told *Malay Mail Online*.

The Pandan MP said Malaysia’s money laundering and corruption laws were of international standards, but noted that ordinary citizens were only concerned about high-profile cases.

“Unfortunately, over and over again, in light with what happened in 1MDB, it’s very clear that in spite of sweeping powers given under [AMLATFA] and the MACC Act, these powers are useless when it concerns allegations against connected and powerful people in this country, for example the prime minister himself,” he said.

When questioned about the RM2.6 billion donation, Bank Negara deputy governor Datuk Nor Shamsiah Mohd Yunus told an international anti-corruption conference earlier this month that the central bank has a limited role in money-laundering investigations.

Political analyst James Chin from the University of Tasmania said Malaysia’s “excellent” money-laundering and terrorism laws were “enforced selectively”.

Transparency-International Malaysia president Datuk Akhbar Satar similarly noted that it was pointless having good laws without enforcement, saying: “The institutions concerned must carry out its duties without fear or favour”.

Compared to a money laundering law whose name itself is a mouthful, a sum like RM2.6 billion in a public official’s private accounts easily captures the imagination.

As Twitter user @JamesJSChai tweeted amid the slew of parodies and memes of 1MDB, which is facing a huge debt burden of RM42 billion, following the WSJ July report on the RM2.6 billion: “Ok, fine, let's get serious then, where the f*** was the money?”

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