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**Title : KEYNOTE ADDRESS AT THE OPENING CEREMONY OF "THE
BASIC ANALYSIS AND SUSPICIOUS TRANSACTION
REPORTING WORKSHOP"**

Dato' Mohd. Salleh Harun
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Excellencies, Distinguished Guests, Ladies and Gentlemen,

Assalamualaikum warahmatullahi wabarakatuh and Good Morning,

Let me begin by congratulating the Southeast Asia Regional Centre for Counter-Terrorism (SEARCCT) for organizing the "Basic Analysis and Suspicious Transaction Reporting Workshop" with Bank Negara and FinCen, the first programme organized by the Centre since its establishment several months back. This 'maiden' programme, I believe is a prelude to a number of programmes, in the pipeline that will be implemented in the near future. I am sure the Centre will be able to fulfill its objective by implementing relevant courses to equip officers or enforcement personnel from the various countries in our effort to stop terrorist activities.

2. This "Basic Analysis and Suspicious Transaction Reporting Workshop" is part of the ongoing war against terrorism and its murky world of financing. Clearly to me this underlines the need for exchange of views and trained personnel to detect and deter the problem from happening. The aggressive pursuit of suspicious money trails left by these terrorist criminals will go a long way in breaking the backbone of terrorism.

3. I understand that some of you are here for the first time. I do hope your first visit to Kuala Lumpur will not be the last. Whilst having busy days ahead, I hope you would spare time to discover and enjoy our beautiful country, Malaysia. As you will find, is indeed an oasis of tranquility in a world increasingly troubled by economic and political uncertainties.

Excellencies

Ladies and Gentlemen,

4. We are living today in a most challenging time. The events and developments, over the last decade and particularly during the last several years have thrust on us, if I may say, some kind of "new world order". A new world order that have

caught many nations and governments unprepared due to tremendous shift of power and political realignment at various levels. One of the contributing factors to this shift is the increasing acts of terrorism and the ongoing efforts currently undertaken to fight terrorism. Concomitant with this, we are also witnessing that the foreign policy orientation of a number of countries becoming increasingly different and sometime considered "militarised". This apparent shift could probably be understood as the war against terrorism is no longer localised. In practice, it is a war against an enemy that cannot be seen, a war without a readily identifiable end and without geographical limits. It has transcends state boundaries due to sophistication in electronic and communication technologies. The technological advancement has enable small groups of extremists or fanatics to inflict harm and damage to nation states "as they wish and like" without regard to the lost of innocent lives or properties. Actions by these groups have made our world today a very insecure place indeed.

Ladies and Gentlemen,

5. Terrorism like any other activity is dependent on finance. Without money, the terrorist has no means of buying explosives or financing their clandestine operations. But unlike a legitimate business, the terrorist cannot conduct his transactions upfront. Thus, he needs to find ways and means to raise and hide his finances within the international monetary system. Given this situation, terrorist's activities are likely linked to transnational organized crime such as money laundering. In addition, the prevalent of corrupt practices cannot be ruled out as there are also possibilities of "clean" money being utilized to finance terrorist activities. The financial world at large needs to be not only concerned but ready with an appropriate response or strategy to deal with the problem of terrorist financing and in particular money laundering and suspicious transactions. Unfortunately, there is no ready made blueprint available on how to beat the problem. We may need to draw up one that can be used to curb these illegal activities.

6. It should also be noted that criminals and terrorists may just transact small amounts of money at a time making detection of suspicious transactions difficult. This is why the collection and analysis of financial intelligence data is a critical aspect of the efforts to discover how criminal groups hide, disguise and move their illicit money. Therefore, vigilance amongst the financial regulatory authorities and those within the system is of utmost importance. Financial institutions must tighten even further the "Know your Customer" rule. This is the first line of defense in identifying not just money laundering but also terrorism financing and identifying not just money laundering but also suspicious transactions. It is an effective deterrent but often overlooked as financial institutions are keener on "keeping the business". This is no longer an acceptable norm in the context of the global terrorist threat and those who willfully ignore this rule should be subject to harsh penalties. Profit should not take priority over the lives of people or the security of a nation.

7. The intelligence agencies have to assist financial institutions in their task of suspicious transactions reporting. Extending information such as whom and what to look out for is fundamental to policing the financial system. We need to remember that unless there is good cooperation between all agencies concerned, we can never

hope to cut off the financial resources of terrorism. It should also be noted that as we take steps to beat terrorism financing, the terrorists' themselves are seeking creative ways to continue transacting their business.

8. While international cooperation is often highlighted as the basis for counter-terrorism strategies, it must also be stated that we must put in place laws that are suitable for countries, especially in the developing world. The requirements must take into consideration the different social and technological developments in those countries. Developing countries not only lack adequate resources as compared to the developed world, they often have bigger problems and must be helped in every way possible to ensure their own effectiveness in global cooperation. We have to also recognize that legislators, enforcement agencies and regulators in the developed world have taken a long time to get where they are.

9. For example, in March 2000, the Secretary-General of the United Nations Financial Action Task Force was interviewed and asked about hawala, the age old system of remitting money based on trust through brokers. The question was really why the FAFT paid so little regard to it. His answer was illuminating as he said, " those alternative remittance systems do not necessarily exist in member countries". Yet, within a matter of weeks after September 11, hawala type systems were being blamed for permitting substantial funding of that event.

10. In October 2002, the FATF addressed these systems in its eight-page recommendations on Terrorist Financing. Strange as it may seem, hawala had been identified as a means of money laundering by experts for over forty years.

11. The issue we must address particularly within our financial institutions is how to identify these risks and take steps to detect and deter it. Again, financial institutions must have access to the best available information. They must be told precisely who or what they are looking for in the most accurate manner. In the days after September 11, the Royal Bank of Scotland in the UK ran a check of its existing accounts against names it was provided with. One name produced 750 "hits". The bank was left in the impossible position of trying to decide which of those 750 accounts were related to the suspected terrorist and which belonged to innocent people. This is an intolerable burden to place on banks.

Ladies and Gentlemen,

12. Malaysia has long sought to cooperate fully with countries in the region in respect of suspicious transactions. We have duly signed a Memorandum of Understanding in January this year for the sharing of financial intelligence with the Australian FIU and the Australian Transaction Reports and Analysis Centre. A similar MOU was signed with the Indonesian FIU or Pusat Pelaporan Dan Analisis Transaksi Keuangan. Discussions are ongoing to sign similar MOU's with other countries such as the Republic of Korea, the United Kingdom and the United States. The Financial Intelligence Unit of Malaysia was admitted as a member of the Egmont Group of

FIU's at its plenary meeting on 23rd July 2003. This paved the way for enhanced international cooperation in the sharing of financial intelligence.

13. Equally important are bilateral or multilateral government-to-government arrangements for cooperation as well as communications protocols in the sharing of information and mutual legal assistance relating to law enforcement. Malaysia is a party to the trilateral agreement on information exchange with Indonesia and the Philippines. Cambodia and Thailand have since acceded to the same agreement.

14. In addition, appropriate legislative provisions are being considered to enable us to accede to the UN Convention for the Suppression of Terrorist Financing. The ability to detect cash movements across borders that facilitate money laundering and terrorist financing ought to be emphasized. We look forward to the International Symposium on Money Laundering which Malaysia will co-host with Germany in Berlin from October 30-31, 2003. The Seminar will throw much light on the alternative remittance system, its origin, purpose and associated risk of being abused by criminals.

15. As a member of the Asia-Pacific Group on Money laundering (APG), Malaysia actively participates in its initiatives. This includes giving feedback and comments on FAFT standards.

16. In December 2002, the Asia Europe Meeting (ASEM) consultants visited Malaysia to carry out an assessment of the training needs to address the technical assistance activities. The overall impression of the consultants was that the Malaysian anti-money laundering capacity is well developed, integrated and supported by capable and professional staffs across a number of agencies.

17. While the appropriate laws and standards are being established, the effective implementation of these requirements necessitates skills and expertise. Certainly, there are areas where technical assistance and training are needed. Essentially, these relate to the methodology of investigations, technical expertise, and the development of skills of investigators, prosecutors and judges. It may be impossible to have expert trainers to continually train a large number of personnel from the various agencies involved in this area. There is therefore a need to train a pool of trainers to ensure lasting benefits.

18. The legal and administrative structures are in place. It is timely for us to move into practical cooperation in suspicious transaction reporting by financial institutions which will generate a large source of financial data that may not be easily usable by the competent law enforcement authorities unless they are further analysed.

Ladies and Gentlemen,

19. It is imperative that concerted efforts are undertaken on a multilateral basis as no one country can afford to do it alone. As it is a war against an enemy that is not seen and readily identifiable, our actions must be properly coordinated and we have to be serious in putting a stop to this global menace. The sooner we put rhetoric behind us the better will be our chances of success. An adequate emphasis must be given to sharing of intelligence, diplomacy and expertise in our efforts to curb money laundering and illegal transfer of funds across borders. I am glad that participants in this Workshop are coming from various professional background and expertise. This certainly will contribute immensely to the enrichment of the discussions and outcome of the Workshop.

20. In conclusion, let me take this opportunity to thank the organisers for their efforts to organize this Workshop and also to Bank Negara and the Finance Crimes Enforcement Network (FinCEN) for the support to the South East Asia Regional Centre for Counter-Terrorism (SEARCCT) in organizing the Workshop.

21. I wish you all a successful Workshop.

Thank you.