Investigations and Charges of Money Laundering Cases under AMLATFA: Enforcement of Malaysia Central Bank

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ABSTRACT

Bank Negara Malaysia, as the central agency for the enforcement of the Anti-Money Laundering and Terrorist Financing Act (AMLATFA) 2001, has investigated many cases involving individuals and businesses, which have violated the Act. Although many anti-money laundering initiatives have been carried out by the regulators, the number of investigations and charges has risen over the years and some of the cases have been left unsettled. This study focuses on the examination of cases and chargers under AMLATFA 2001 by Bank Negara Malaysia. The data were collected from the Enforcement Action reports of Bank Negara Malaysia on the investigated cases charged under the AMLATFA. 80 cases were reported in the Bank Negara Malaysia website and were classified into industries, sources of cases, status of the cases, and the amount of money laundered. The findings provide an insight to the money laundering cases investigated by BNM and the seriousness of the money laundering issue in the country.

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Keywords: Compliance on Money Laundering, AMLATFA 2001, Financial Act, Money Laundering Cases, AML

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INTRODUCTION

Money laundering has been perceived as a complicated and highly-intelligent crime and deemed as a deliberate act of manipulation carried out to fulfill a personal advantage (Abdul-Rahman, 2014). The International Monetary Fund (1998) estimated the combined size of global money laundering to be between 2% and 5% of the world's gross domestic product. These percentages indicate money laundering ranged around USD 590 billion to USD 1.6 trillion. However, the commonly cited figure is for media consumption alone as stated by The Business Insider (2011). The Financial Action Task Force (FATF) as the leading inter-governmental body in the fight against money laundering firmly states that it is absolutely impossible to produce a precise estimate of the amount of money being laundered due to the degree of complexity of its operations (www.fatf-gafi.org). Hence, the body does not produce any statistics regarding money laundering.

Malaysia on its own has certainly affirmed that US$ 150 billion (RM 482.92 billion) of illicit money has flown out of the country in the past 10 years from 2002-2012 (The Malaysian Reserve, 2014). Based on the latest statistics, Malaysia now stands at No. 5 in the world with an illicit funds outflow of USD 291 billion (Global Financial Integrity Report of Washington, 2013). In addition, around RM25 million of illicit money is estimated to depart Malaysia every week through money laundering (Dhillon, Rusniah, and Aspalela, 2013).

The growing number of money laundering activities in Malaysia was to some degree caused by loopholes in the current laws alongside with a lack of awareness of the relevant legal institutions in the battle against money laundering (The Star, 2009). About 94 money laundering cases involving both companies and individuals were prosecuted in Malaysia at various stages involving proceeds amounting to RM1.2 billion (Malaysian Insider, 2010). The Minister of Finance has appointed Bank Negara Malaysia (BNM) as the competent authority in combating money laundering activities. Based on the statistics by BNM, from 2011 to 2013, the amount investigated for money laundering offences by Malaysian law enforcement authorities stood at RM13.1 billion (Bernama, 2014).

Malaysia too, has joined other countries in embarking in serious efforts in opposition to money laundering activities by establishing a comprehensive AML framework covering the legal and regulatory framework; preventive measures for reporting institutions; financial intelligence unit and law enforcement agencies; and domestic and international cooperation (Said et al., 2013). As recommended by FATF, for an effective AML system, efficient financial intelligence and enforcement are needed. Hence, BNM has established the Financial Intelligence & Enforcement Department (FIED), formerly known as the Financial Intelligence Unit (FIU) that receives reports of suspicious transactions from financial institutions and other persons. The information obtained and scrutinized by Bank Negara Malaysia is shared with the fitting enforcement agencies for further investigations (www.bnm.gov.my). Working together with more than twelve other agencies to combat money laundering, BNM addresses the specific legislative provisions when it comes to curbing money laundering (http://amlcft.bnm.gov.my).

Non-compliance with AML obligations is seriously dealt with around the world (www.bnm.gov.my). FATF has recommended the "FATF 40 recommendation on Anti Money Laundering (AML)" which incorporates a basic framework for preventing, detecting, and suppressing

both money laundering and terrorist financing. However, only a small number of cases have been successfully convicted, according to Bank Negara Malaysia. Given that most money laundering cases involve money gained and obtained from the public, certain cases have been charged under other Acts such as the BAFIA 1989, Money Changing Act 1998, Money Services Business Act 2011, and the Exchange Control Act 1953.

Members of the public and the government depend on the data released by BNM to know about the status of the cases being investigated and charged over time. This is due to the fact that most money laundering cases reported involve illegal deposit takings from the public. Some of the status of cases is ambiguous and members of the public are uncertain about the nature of the cases as well as the extent of chargers pressed on the felony. The initial detection of money laundering cases by companies often comes from complaints from the society, reporting agencies as well as BNM's own skepticism. The overall time taken for investigation and decision seems to vary according to the size of the cases as well.

This study examines and further comprehends the nature and extent of money laundering cases specifically those investigated by the BNM under the AMLATFA 2001, for the period of 2006-2014. It is crucial to provide users of the information, such as the public at large, a better understanding of the cases investigated and prosecuted by BNM. The effectiveness of BNM in controlling money laundering cases could be measured through the time taken to solve the cases as well as the status of the cases. This is because different levels of money laundering offenses require different levels of penalty as specified in the Act (Peytcheva and Warren, 2013). The severity of the penalty depends on the detection sources of the cases, the amount being laundered, and the Act involved in prosecuting the money laundering cases.

This paper discusses on the literature review in the next section, following with research methodology and, results and discussion. Finally, conclusion and implications of the study section concludes the paper.

LITERATURE REVIEW

Understanding Money Laundering

AMLATFA 2001 defines money laundering as "the act of a person who: (a) engages, directly or indirectly, in a transaction that involves proceeds of any unlawful activity; (b) acquires, receives, possesses, disguises, transfers, converts, exchanges, carries, disposes, uses, removes from or brings into Malaysia proceeds of any unlawful activity; or (c) conceals, disguises or impedes the establishment of the true, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of any unlawful activity".

Compared to another category of crimes, money laundering is noticeable for the diversity of its forms, participants, and settings (Reuter, 2004). With the main goal of the launderer to be ahead of enforcement agencies, a launderer commonly employs only three basic stages in laundering activities, which are placement, layering, and integration (Mohamed, 2012; Thanasegaran & Shanmugam, 2007; Reuter, 2004; Duyne,2003; Zeldin, 1998).

The three stages are as follows: (i) Placement: This stage is exposed to suspicion and

discovery, where the funds can easily be linked to the criminal origins (Schneider, 2004); (ii) Layering: The second stage serves the purpose of hiding the illegal cash origin and to make it appear legitimate (Soudijn, 2010); and (iii) Integration: In this final stage, the launderer often converts the criminally derived wealth into legitimate funds with no obvious links to their criminal activities (Abdul-Rahman, 2014). These three phases would enable the launderer to disguise the money trail and make it difficult for the authority to trace the sources.

Money Laundering Regime

The recommendations set by the FATF were internationally accepted as the global policy benchmark for anti-money laundering measures. The Asia-Pacific Group (APG) on Money Laundering agrees that the Anti-Money Laundering Act in most countries was designed to conform to global treaties on money laundering. Over the years, Malaysia has built up an elaboration of anti-money laundering framework, which has continuously been strengthened by a number of measures and amendments to the legislative, enforcement, and regulatory agencies.

The Malaysian authorities continued making further amendments as an effort to curb the escalating money laundering, and consequently, AMLA was then amended with special recommendations on Terrorist Financing and the Act at present is commonly referred to as the Anti-Money Laundering and Anti-Terrorism Financing Act (AMLATFA) 2001. This Act also provides the power to freeze and seize any property when there is existence of a reasonable ground to suspect any gains or any involvement in money laundering activities (Dhillon et al., 2013).

In order to boost Malaysia's fight against the ever increasing money laundering activities, in June 2014, Bank Negara Malaysia as the primary keeper of the Anti-Money Laundering Act managed to put AMLATFA 2001 through the houses of the Parliament. In the effort to safeguard the integrity of the financial system, AMLATFA 2001 amendments, also known as the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, were made to ensure that the Act remains relevant and effective in curbing money laundering activities and terrorism financing threats (The Malaysian Bar Council, 2014).

The amendments were aimed at allowing more effective prevention through punishment and heavier penalties, providing further clarity on reporting obligations, strengthening the ML/TF investigation and prosecution power, as well as providing effective sanctions and penalties for violations of the AMLATFA provisions (Malaysian Bar Council, 2014).

The deterrence theory suggests that sanctions or penalties are meant to correct or modify individual actions (Hollinger and Clark, 1985). It also serves as a deterrent to an undesirable behavior. Perino (2002) suggests that sanctions or penalties could lead individual decision makers to internalize the cost of prohibited actions. Many factors contribute to the penalty in a given situation.

The Acts

The Acts involved in prosecuting the cases vary accordingly. There are cases inspected because of operating without a valid license or failure to keep records of material transactions. Some other cases were investigated because the evidence shows that the company was involved

in money laundering activities. Various Acts are used in charging the financial crime cases, according to different jurisdictions.

At the time the data were accessed, among the Acts utilized in legal action against the financial crimes listed in the BNM website are Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA 2001), Banking and Financial Institutions Act 1990 (BAFIA 1990), Money Changing Act 1998 (MCA 1998), Money Services Business Act 2011 (MSBA 2011), and the Exchange Control Act 1953 (ECA 1953) (Mohamed, 2012).

For example, the cases charged for violating AMLATFA 2001 could face a penalty of not exceeding RM 5 million or imprisonment not exceeding five years or both. There is money laundering cases charged together with Section 25 (1) of BAFIA 1990, which carries a maximum penalty of RM 10 million or up to 10 years imprisonment.

However, the development of the Islamic Finance Services Act 2013 and the Financial Services Act 2013, has repealed the Banking and Financial Institutions Act 1989 [Act 372], the Exchange Control Act 1953 [Act 17], the Insurance Act 1996 [Act 553], and the Payment Systems Act 2003 [Act 627]. It is to enable the financial system to meet the new demands in changing demographics, populations, as well as the financial scene in Malaysia.

The Source of Detection

The Institute of Chartered Accountants in England and Wales (ICAEW) states that suspicion is subjective. It usually arises when there is more than just speculation, but there is a lack of concrete evidence of subject of interest. There is no requirement for the suspicion to be clear or firmly grounded on specific facts, but they must at least extend beyond speculation (Schroeder, 2001). Monitoring and detection are essential aspects that influence the severity of the penalty (Peytcheva and Warren, 2013). In the mind of an alert member of an organization or society, when a doubt arises regarding a transaction, explanations must be obtained based on rational skepticism and such explanations should be carefully considered whether or not they are reasonable as suggested by the Law Society, an independent professional body for solicitors.

For instance, when suspicion arises regarding a bank transaction, BNM will demand the banks to disclose the suspected transactions on a reasonable ground; in a way, asking the bank to act as their informer even if the role conflicts with the banks' commercial objectives (Abdul-Rahman, 2014). Similarly, when the public has a grounded doubt on transaction or business conducted by suspected companies, the public could lodge complaints or reports to the enforcement bodies such as Polis Di Raja Malaysia (PDRM) and BNM regarding their skepticism. Even though it is difficult and such conflicts may arise, BNM can only take action on the individual and companies suspected after confirming the suspicion.

Nature of Money Laundering Cases

Bank Negara Malaysia receives and analyses reports from reporting entities as well as those provided voluntarily by the public. It is crucial in money laundering execution to hide huge amounts of money gained from various illicit sources. Many methods are utilized such as businesses created by launderers to mask their intention to launder their money so as to make it possible for them to mix up the legal and illegal proceeds.

Money laundering activities in Malaysia commonly exploit high risk investment such as gold investment that promises higher returns. It could attract excessive numbers of people in search of fast and easy money. With a lack of data regarding the amount laundered, the time taken for BNM to investigate and prosecute each case is expected to be different depending on the amount laundered. By its covert character, nobody really knows the actual significance of the money laundered (Simser, 2013), and the magnitude of money laundering is actually hard to assess as it includes illegal transactions where unquestionably, no accurate records or statistics exist (Maringka and Goyanes, 2001).

The progression of the money laundering cases charged under AMLATFA 2001, which involve a large amount of money require a long period of investigation. However, there is no definite pattern of time taken to investigate and prosecute the cases. It depends on the availability of sufficient evidence.

The lengths of time taken to investigate and prosecute a case refer to the time taken from the moment the case was investigated to the time it was charged or sentenced. The length of the period taken in each case varies accordingly. It could be influenced by many factors such as the availability of evidence, as well as the amount involved, and the complexity of the cases. Some cases involving money laundering with great execution charged under AMLATFA 2001 require a longer period of investigations to be accomplished. While cases investigated under the Money Services Business Act (MSBA) 2011, for instance, running a business without valid license, require a shorter length of time to be settled.

RESEARCH METHODOLOGY

The data for this study were derived from multiple sources of secondary data from BNM's official website. The additional information related to the cases was extracted from other sources such as the mass media including Bernama, The Star, The Sun Daily, The Malaysian Reserve, News Strait Times, and various related websites to supplement and assist with the analysis. Furthermore, a previous research by Mohamed (2012) was closely reviewed and used as a guideline to direct this study.

The sample used consists of companies listed under the 'Status of Cases Investigated' section on the Bank Negara Malaysia website from the years of 2006 to 2014. The list was publicly released by the enforcement agency related to the cases investigated for financial fraud obtained from the 'Enforcement Action' micro sites within Bank Negara Malaysia's official website. BNM presented the information via four subdivisions namely the criminal prosecution, civil actions, administrative actions, and case compounded. At the time the data were accessed in 2014, 80 companies were being investigated by BNM listed under the 'Enforcement Action: Status of cases being investigated'. A total of 24 cases investigated by BNM under AMLATFA 2001 were listed on the BNM's website. The listed companies consist of establishments from various industries such as gold investment, money changer, and illegal deposit takings.

This study is focused on the statistical side of the cases investigated by BNM, which analyses the cases for a period of 9 years starting from 2006 to 2014. This period is chosen because the number of cases in Malaysia has not been increasing rapidly over the years. Hence,

the years selected should enable a better analysis of the money laundering issue. The Statistical Package for Social Science (SPSS) version 21.0 software was used in order to complete the examination of the data.

The study intends to examine and further comprehend the nature and extent of money laundering cases specifically those investigated by the Central Bank of Malaysia under the Anti-Money Laundering and Anti-Terrorism Financing Act 2001. The variable is measured based on the amount being laundered in terms of Ringgit Malaysia. The amount ranges from less than RM 1 Million to more than RM 1 Billion. However, there are some cases where the amounts laundered are not disclosed. The variable is transformed to a natural log for linearity assumption.

The Sources of Money Laundering Cases

In order to relate the sources of initial detection of money laundering by companies that leads to an investigation by BNM, the cases' detection sources are categorized into 'by the reporting agencies' and 'by the public'.

"Reporting Agencies" represent the detection from the agencies that are obliged to report financial crimes, including BNM's own doubts about the suspected companies. Meanwhile, "The Public" indicates the reports made voluntarily by members of the public to the platform provided by Bank Negara Malaysia once the public suspects the companies or persons are carrying out money laundering activities.

The Status of the Cases

The Malaysian government and its enforcement bodies closely are focused on combating money laundering activities. To analyze whether the regulatory bodies have been successfully curbing money laundering activities, the status of the cases are measured in the stages at which they are in.

"On-Going Investigation" refers to the cases still undergoing investigation as at the time the data was accessed, while "On-Going Trial" refers to the cases that are facing trial, after being pressed by the relevant jurisdictions. "Decision" refers to the cases that have already been decided according to the jurisdiction, it fits in and lastly "Appeals" refer to the cases that are still appealing the sentence. To provide a simpler view of the status of the cases, it is further simplified into two categories, "On Going" and "Action".

"Ongoing" will represent "On-Going Investigation" and "On-Going Trials" and "Action" will refer to "Decided" cases, cases in "Appeals", as well as other cases in various phases, including "Forfeit Order", "Handed to PDRM" and "No Further Action (NFA)".

Scope of the Acts

At the time the data was accessed, the Financial Services Act 2013 was yet to be reinforced. Hence, there are a few Acts that was used to prosecute the cases by BNM. Not all cases are put on trial under a single Act. Some cases are jointly prosecuted together under two Acts in court simultaneously such as the AMLATFA 2001 and the Banking and Financial Institutions Act 1989 or AMLATFA 2001 and Money Changing Act 1998.

RESULTS AND DISCUSSION

Cross tabulation Analysis

Table 1 Cross tabulation of the source of detection and the status of the case for 80 cases being investigated by BNM

		Case_stat		Total
		1	2	
DETECTION_SOURCES	RA	40	18	58
	TP	8	14	22
Total		48	32	80

Table 1 displays the cross tabulation table in order to provide information about the relationship between the variables. "Case stat" stands for Case Status. "1" represents "Action", which denotes that an action has taken place, while "2" represents "On Going", which signifies the cases that are still ongoing either in investigation or prosecution. The source of the detection, "DETECTION_SOURCES" is represented by "RA", which stands for Reporting Agencies and "TP", which stands for The Public.

40 out of 58 cases detected by BNM has already been decided and 8 out of 22 cases initiated by the public have also been decided by the court. 32 of the cases are currently under ongoing investigation as well as ongoing prosecution.

Table 2 The Chi-square test results

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)
Pearson Chi-Square	7.064[a]	1	.008	
Continuity Correction[b]	5.771	1	.016	
Likelihood Ratio	6.993	1	.008	
Fisher's Exact Test				.011
Linear-by-Linear Association	6.975	1	.008	
N of Valid Cases	80			

Table 2 presents the chi-square test result for cross tabulation of detection sources and cases status. The Pearson Chi-Square test examines whether there is an association between detection sources and cases status. The result shows there is an insignificant association between the two variables, χ^2 (1) = 7.06, p = .008 insignificant at p < .001. The variables are independent of each other and we believe there is no relationship between the variables.

The result shows that regardless of the source of the detection, either from the reporting agencies or the public, Bank Negara Malaysia through its FIED will take into account all the reports and investigate the case. Once the cause has been identified, it will be scrutinized under the relevant jurisdictions immediately. The courts then, will take an appropriate action where the cases fit in.

Table 3 Cross tabulation table for the length of time taken to investigate and Acts involved in the prosecution of the case

		ACTS_GROUP			Total
		1	2	3	
	0	1	26	1	28
TIME_CAT	1	6	23	1	30
	2	17	1	4	22
Total		24	50	6	80

Table 3 indicates the time taken by BNM to investigate and take legal action on suspected companies. "TIME_CAT" represents the length of time taken, which is categorized into three groups; 0 = ongoing investigation, 1 = took less than 2 years, and 2 = took more than 2 years. The 2 year cutoff is used because there are small numbers of cases reported to BNM over the years.

Meanwhile, "ACTS_GROUP" indicates the Acts involved in action against the suspected companies. 1 = Charged under AMLATFA 2001, 2 = Charged under Acts other than AMLAFTA 2001 and BAFIA 1990, and 3 = Charged under BAFIA 1990. As at the time the data was accessed, Bank Negara Malaysia had still not replaced the cases charged under BAFIA 1990 with FSA 2013.

The progress for most cases charged under AMLATFA 2001 took more than 2 years from the time it was reported to the time it was charged. The same goes for cases charged under BAFIA 1990, in which 4 out of 6 cases charged under the Act took more than 2 years to be solved. Other Acts included in 2, were Money Services Business Act 2011, Money Exchange Act 1998, and the Exchange Currency Act 1953. These Acts however have been repealed and replaced by the Financial Services Act 2013, enforced in June 2013.

Table 4 Chi-square tests for time taken to investigate and Acts involved in the prosecution

	Value	df	Sig.
Pearson Chi-Square	45.439[a]	4	.000
Likelihood Ratio	51.768	4	.000
Linear-by-Linear Association	12.652	1	.000
N of Valid Cases	80		

a. 3 cells (33.3%) have expected count of less than 5. The minimum expected count is 1.65.

As expected from the cross tabulation, the Pearson Chi-Square test implies that there is a relationship between the time taken to investigate and to put a case on trial with the Acts involved in prosecuting a case. χ^2 (4) =45.44, p < .001 indicates a significant association between the Acts involved and the length of time taken from the time BNM investigates and prosecutes the cases.

Most cases involving AMLATFA 2001 seem to take more than two years to be solved. This might be due to the scale of the money laundered. With the amount that could go up to billions in Ringgit Malaysia together with the complexity to trace back all the transactions made, the time taken to investigate each case varies. While the cases charged under Acts other

than AMLATFA 2001 and BAFIA 1990 are easier to settle, it takes Bank Negara Malaysia a shorter time to look into and prosecute the cases. The amount of ongoing cases charged under these Acts is also higher because many cases were reported just recently, while BNM has yet to take any further action against them. There are associations between the different Acts involved and the length of time taken to investigate and prosecute the case.

The sum of amount laundered is unlikely to influence the time taken to investigate and prosecute a case. If BNM is able to gather sufficient evidences, the prosecution of the cases progress immediately.

Analysis of Money Laundering Cases

To further comprehend the effectiveness of BNM in fighting money laundering activities in the country, an in depth discussion of the case is provided. The discussion provides the industry the companies are involved in, the amount being laundered, the source of the initial detection, and the current status of the cases. Among the cases listed by BNM, five cases were randomly selected out of the 24 money laundering cases investigated and charged under AMLATFA 2001.

Table 5 below consists of the companies investigated and charged by Bank Negara Malaysia under AMLATFA 2001 and BAFIA 1990 for carrying out money laundering activities. At the time the data was accessed, the cases charged under the Financial Services Acts 2013 were yet to be included by BNM.

Table 5 Companies charged under AMLATFA 2001

Company's Name	Industry	Amount Laundered	Initial detection	Current Status
JNS Sdn. Bhd.	Selling a cloned version of a fuel-saving product.	RM 180 million	BNM	Decision
NTS Sdn. Bhd	Illegal deposit taking and money laundering activities.	RM 59 million	BNM	On-going trial: 3rd party claims on the seized assets.
GenM Sdn. Bhd.	Gold investment	RM 5.5 billion	Public	Ongoing trial: charged

The first case randomly chosen was JNS Sdn. Bhd. The company was selling fuel-saving products. In July 2007, Bank Negara Malaysia had initiated an investigation under Section 25 of BAFIA and Section 4 of AMLATFA 2001. The company was suspected of carrying out an illegal business of selling cloned version of the fuel-saving products. It was raided by BNM on 17th July 2007.

Almost seven years later, as of 13th June 2014, it was decided that the directors of the company were guilty of illegally accepting deposits from the public without license amounting to RM 180 million. The directors were utilizing the Sharia principle by selling fake products, unknown to the investors. Both directors were convicted under Section 4(1) of Anti-Money Laundering and Anti-Terrorism Financing Act (AMLATFA) 2001, which is punishable by up to RM 5 million or a maximum of five years imprisonment or both, upon conviction together

with Section 25 (1) of the Banking and Financial Institutions Act (BAFIA) 1990, which carries a maximum fine of RM 10 million or up to 10 years jail time or both, upon conviction.

The directors were ordered to pay fines between RM 21 million to RM 29 million. The company itself was also fined up to RM 3 million. The court decided that both directors were to carry out imprisonment based on counts. Under BAFIA 1990, the first director faced 6 years jail time, and under AMLATFA 2001, faced 4 years jail time, each to 106 counts. Meanwhile, the second director was sentenced under BAFIA 1990 with 4 years of jail time and under AMLATFA 2001, with 2 years of 83 counts.

The second case refers to NTS Sdn. Bhd. This company has been operating for 25 years. It was known as an advertising company rather than a travel agency. On 13th October 2008, the company was raided by BNM after being suspected of conducting illegal deposit taking amounting to RM 100 million and laundered a sum of RM 59 million as well.

The director and his two daughters were accused of transferring money from the company to their personal accounts. They also made a real estate investment and bought shares worth RM 59 million. The case was charged under Section 4 (1) of AMLATFA 2001 punishable up to RM 5 million or a maximum of five years imprisonment or both upon conviction and also Section 6 (4) of the Banking and Financial Institutions Act (BAFIA) 1989 (Act 372).

Both the director and his daughters, were fined RM 1 million and RM 500,000 each, while the company was fined RM 5 million. The director was also sentenced to jail time for 3 years for money laundering activities and another 2 years for conducting illegal deposit taking. The first daughter was sentenced to 2 years of imprisonment for money laundering and an additional year for illegal deposit taking and lastly, the second daughter who was an active artist then, was also sentenced to a year of jail time guilty of money laundering accusations.

The third case, the GenM Sdn. Bhd. was involved in RM 5.5 billion worth of money. It is one of the biggest cases investigated by BNM. Following the complaints from the public, GenM was jointly raided by BNM with the other AML regulators namely the Royal Malaysian Police, the Ministry of Domestic Trade, Cooperatives, and Consumerism, and the Companies Commission of Malaysia in October 2012. The company conducted a gold investment business. However, it was jointly investigated by the relevant AML regulators for suspected offenses, which included illegal deposit taking, tax evasion and avoidance, money laundering, and appointment of agents without a valid license.

The perpetrator was identified to be the directors and immediate family members. The case is currently still under on-going trial as the offenders pleaded not guilty of 913 counts of money laundering and 10 illegal deposit-taking charges involving RM 5.5 billion. Upon conviction, they will be sentenced according to Section 4 (1) of AMLATFA 2001 punishable up to RM 5 million or a maximum of five years imprisonment or both upon conviction together with Section 25 (1) of the Banking and Financial Institutions Act (BAFIA) 1990, which carries a maximum of RM 10 million fine or up to 10 years jail time or both, upon conviction.

The discussion of the three cases shows that with an elaborated AML framework, through Bank Negara Malaysia as the main enforcement entity, Malaysia is competent enough to fight against money laundering activities. Although the data are made available by Bank Negara Malaysia through the microsite within the BNM's official website, the public is not aware of the information due to the lack of exposure. Through the cases discussed above, this study

realized the importance of the role played by BNM in over-looking the transactions that take place all the time in Malaysia.

CONCLUSION AND IMPLICATIONS OF THE STUDY

Focusing on the examination of cases charged by BNM under various Acts, this study elaborated and reviewed the characteristics of the cases. Even though little data was available regarding the sum of amount laundered, this study used other channels and sources to collect data for analysis. The findings of this study are crucial for the users, particularly because it provides a clear and easier view of the cases listed by BNM. Through this study, the findings also facilitate the users of information to be better-informed on which industries or companies that are exposed to money laundering as well as other financial fraud.

This study intended to examine and further comprehend the extent of money laundering cases specifically those investigated by BNM. These cases were listed and charged under AMLATFA 2001. This study also evaluated the effectiveness of BNM in the fight against money laundering. The data obtained from BNM were scrutinized and carefully analyzed. There are only 80 cases investigated and prosecuted by BNM, listed as at 2014. Even though the number of cases did not rise rapidly, in 2013, the number significantly increased to 33 cases. Some cases are currently still under ongoing investigation for illegal money service business. The cases were initiated by both the reporting agencies, including BNM and the members of the public, and the time taken to prosecute the cases were also examined. 72.5% were initially detected by the enforcement body itself and the majority of the cases took about 1 to 2 years to be solved.

For instance, in one of the cases, the management was found guilty in the accusation of money laundering activities amounting to RM59 million. They were ordered to pay fines of RM1 million and RM 500,000 accordingly. The company was also fined RM 3 million. The directors were sentenced to jail time of less than 5 years each for their felony convicted under both AMLATFA 2001 and BAFIA 1990. However, as the grand total of amount laundered goes up to more than hundreds of billions in Ringgit Malaysia, it does raise the question of whether or not the maximum fine and penalty is effective enough to curb money laundering activities. Hence, the government of Malaysia is looking forward to allowing more effective enforcement and deterrence through punishment and more severe penalties (The Star, 2014).

Based on the results, the source of the detection of the cases is not related to the severity of the penalty. Detection sources refer to how the case is first detected. Commonly, it is either by the reporting agencies' suspicion on doubtful transactions or complaints reported by members of the public. However, regardless of how the case is detected, BNM will respond and initiate an investigation on the suspected companies upon a report or complaint submitted. The severity of the penalty does not depend on the source of the detection. This is to ensure that the financial system in Malaysia could operate in harmony with less financial fraud (Mat-Isa *et al.*, 2015).

Additionally, since cases were being charged under different Acts, it would be settled in various lengths of time. Progress in some cases might take longer and some cases under different Acts might result in different lengths of time. There is a significant association between the Acts involved and the time taken to investigate and prosecute the case. Most cases charged

under AMLATFA 2001 stretch to a span of more than 2 years. A similar time span applies to BAFIA 1990 cases where 4 out 6 cases charged took more than 2 years to be processed. The cases listed under other Acts such as Money Services Business Act 2011, Money Exchange Act 1998, and the Exchange Currency Act 1953 or which is now being replaced by the Financial Services Act 2013, usually take less time to be solved.

This study provided insights on the investigation and prosecution of cases under the purview of BNM. Future study could be done to review key preventive measures that could be implemented to mitigate money laundering activities and terrorism financing. In addition, it is suggested that financial institutions and companies must follow the AML requirement as stated in the regulation and standards. All businesses must keep proper records of all transactions to enable them to comply with any information request from the competent authorities. Special attention should be given to any complex and unusual business transactions, especially if there seems to be an unlawful purpose. Programs to educate public on money laundering should be found in order to raise awareness towards money laundering and financing of terrorism. Finally, in order to ensure Bank Negara Malaysia's effectiveness in handling the cases, the human resources allocated to gather, investigate, and prosecute the cases should be continuously revised and improved from time to time as well.

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