



Malaysia's Preparation Towards FATF 5th Round Mutual Evaluation (ME)

## FATF STANDARDS & ME PROCESS

# IMMEDIATE OUTCOME 10

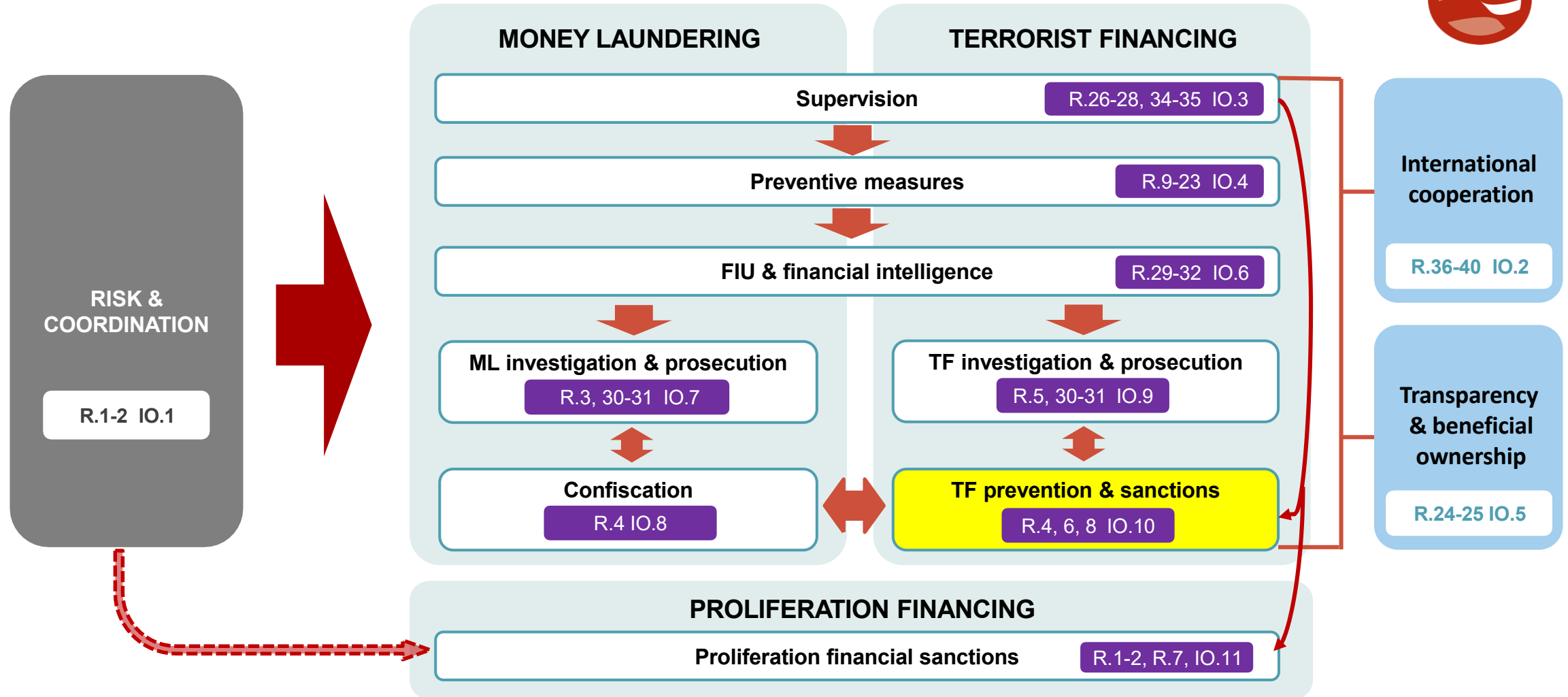
## Terrorist Financing Prevention and Sanctions

Afiz Fazriz Azizi

Financial Intelligence and Enforcement Department



# Overview of FATF Standards on AML/CFT/CPF Regime



# Effectiveness Assessment for IO10 – TF Prevention and Sanctions

## *Characteristics of an effective system*

Terrorists, terrorist organisations and terrorist financiers are **identified** and **deprived** of the resources and means to finance or support terrorist activities and organisations. This includes proper **implementation of targeted financial sanctions** against persons and entities designated by the United Nations Security Council and under applicable national or supra-national sanctions regimes. The country also has a good **understanding of the terrorist financing risks** and takes appropriate and proportionate actions to **mitigate those risks**. These include **focused, proportionate and risk-based measures** that prevent the raising and moving of funds through NPOs or methods which are at risk of being misused by terrorists, **without unduly disrupting or discouraging legitimate NPO activities**.

**Ultimately, this reduces terrorist financing flows, which would prevent terrorist acts.**

# Core Components of Immediate Outcome 10

*Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds*

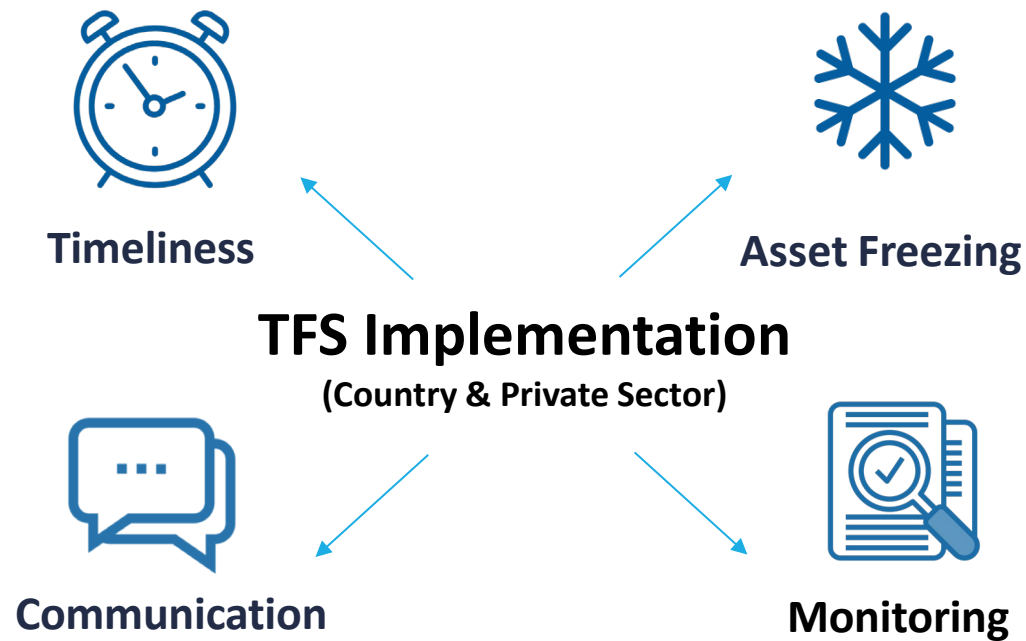
10.1 Without Delay

10.2 Extent of  
Implementation

10.3 NPO  
Oversight

10.4 Private  
Sector  
Compliance

10.5 Private  
Sector  
Monitoring



# NPO Risk Assessment Process

## Undertake a domestic review of the entire NPO sector

The purpose is to identify the subset of organisations that fall within the scope of the FATF definition of NPOs

## Identify risks within the subset

This is usually linked to the activities or characteristics of the NPO, which makes them vulnerable to misuse for TF

Questionnaire on Best Practices  
Applied by NPOs in Managing  
Terrorism Financing Risks



## Mitigating measures

Put in place focused, proportionate and risk-based measures, in line with the risk-based approach<sup>1</sup>

<sup>1</sup> These include, where they exist, any self-regulatory measures and internal control measures in place within NPOs

**Periodical  
reassessment  
of the NPO  
sector  
considering  
new  
information,  
developments  
and trends**

# Overview of the NPORA 2024

## OBJECTIVE

Ensure understanding of risks and propose action plans to ensure compliance with **FATF Rec. 1, Rec. 8\*** and **Immediate Outcome 10** in relation to NPO in preparation for the country's **Mutual Evaluation 2024-25**

## SCOPE

Review **NPO landscape** in Malaysia

Update TF risk of NPO sectors

**New**  
Assess **ML risk** of NPO sectors

MER 2015 | Rec 1: Largely Compliant | Rec 8: Largely Compliant | IO.10: Substantial Level

## APPROACH



### NPO

“legal person or arrangement or organisation that primarily engages in raising / disbursing funds for purposes e.g. charitable, religious, cultural, educational, social/fraternal purposes, or for carrying out of other types of “good works”



**5-year datasets**  
(Jan'18 – Dec'22)



### Quantitative & qualitative

- Data from NPO regulators & BNM
- Perception survey to RIs
- Focus Group with NPOs, Regulators, LEAs & academicians
- Literature review



### Envisaged Outcome of NPORA 2023

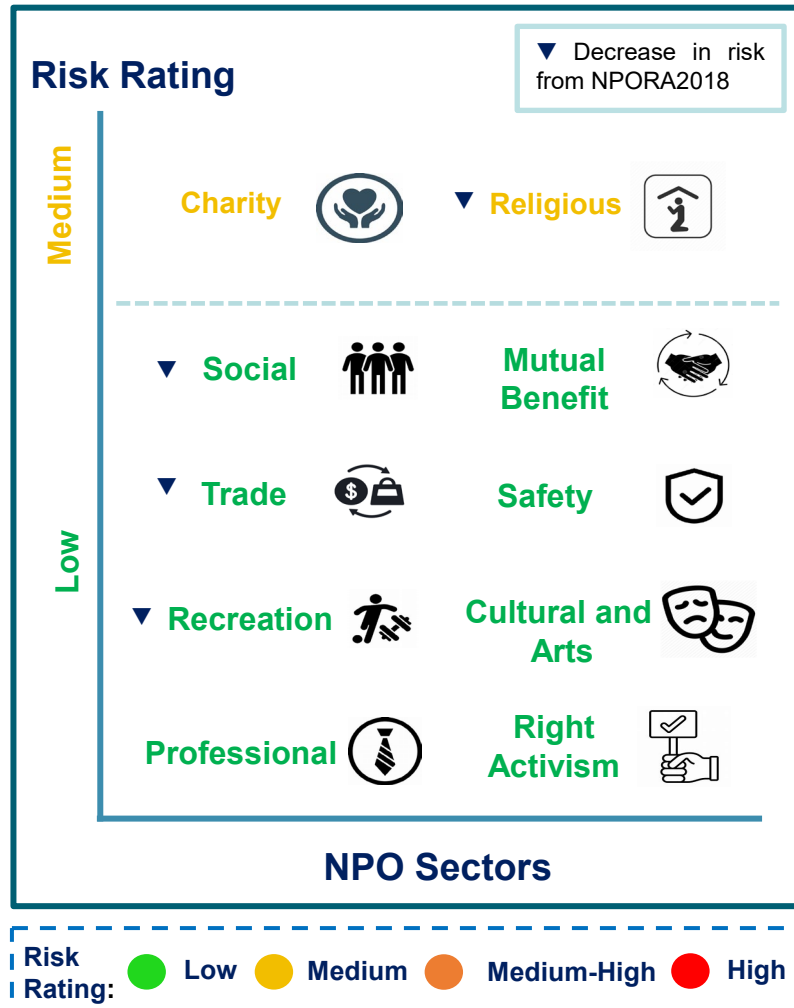
1. Up-to-date **NPO landscape**
2. Identification and assessment of **subset of NPO** with **higher TF risks** and vulnerability
3. Assessing relevant ML risks of the NPO sector (**qualitatively**)
4. **Recommended action plans** based on findings of NPORA 2023

\* In October 2016: the FATF revised its Rec. 8 on NPOs to ensure that the recommendation is: in line with the risk-based approach (RBA) and does not disrupt or discourage legitimate charitable activities. The FATF further revised and adopted new Rec. 8 and INR.8 in October 2023.

# Results of NPORA 2024

Overall TF Risk Rating for NPOs has remained at Medium in 2024 despite reduction in Inherent Risk to Low

## Risk Rating for 10 NPO Sectors



Since 2018, the exposure of TF risk within the NPO has remained at **Medium Net Risk**, after considering the inherent risks (**Low**) and the control measures (**Marginal**).

- 1** **LOW** inherent TF risk for NPOs (was Medium in 2018)
- 2** **Charity and Religious NPOs** pose a higher risk (Medium) than other sectors (Low)
- 3** To-date, Malaysia has not experienced the usage of NPOs to finance terrorism
- 4** **Control Measures** subject to varying supervisory effectiveness and degree of compliance by NPOs.

### Key Risk Drivers

- International linkages, particularly To HRJ
- Collecting donations is the primary source of income
- High cash intensity
- Increasing size of NPOs

### Mitigating Factors

- General decline of T/TF risks globally & proactive monitoring by CAs
- Innate nature and objective of majority NPOs with no direct exposure to T/TF
- Most cross-border funds appear legitimate, reach intended purpose
- Increasing use of formal payment channels by NPOs

### Risk Outlook

The outlook for TF risk NPOs face likely unchanged. However, this is subject to shifts arising from the:

- Evolving risk due to global geo-political landscape
- Increasing use of social media or gaming platforms

Questionnaire on Best Practices  
Applied by NPOs in Managing  
Terrorism Financing Risks



**Thank You**

If you have any questions, please contact [afiz@bnm.gov.my](mailto:afiz@bnm.gov.my)

PMO ME: [adamariff@bnm.gov.my](mailto:adamariff@bnm.gov.my)