

Engagement Session :

Suspicious Transaction Report (STR) Clinic

- (1) Compliance Obligation, Suspicious Transaction Report (STR) Observation
 - (2) Result of Thematic Review on STR Control Measures
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9 January 2025

**AML Policy, Risk Monitoring and Surveillance
AML Supervision**

(1) Compliance Obligation, Suspicious Transaction Report (STR) Observation

Objectives

- ❑ To improve the understanding of designated compliance officer on the processes and knowledge of suspicious transaction report (STR) and the importance of lodgement by reporting institutions.
- ❑ To address low quality of STR and improve number of submission

Outline

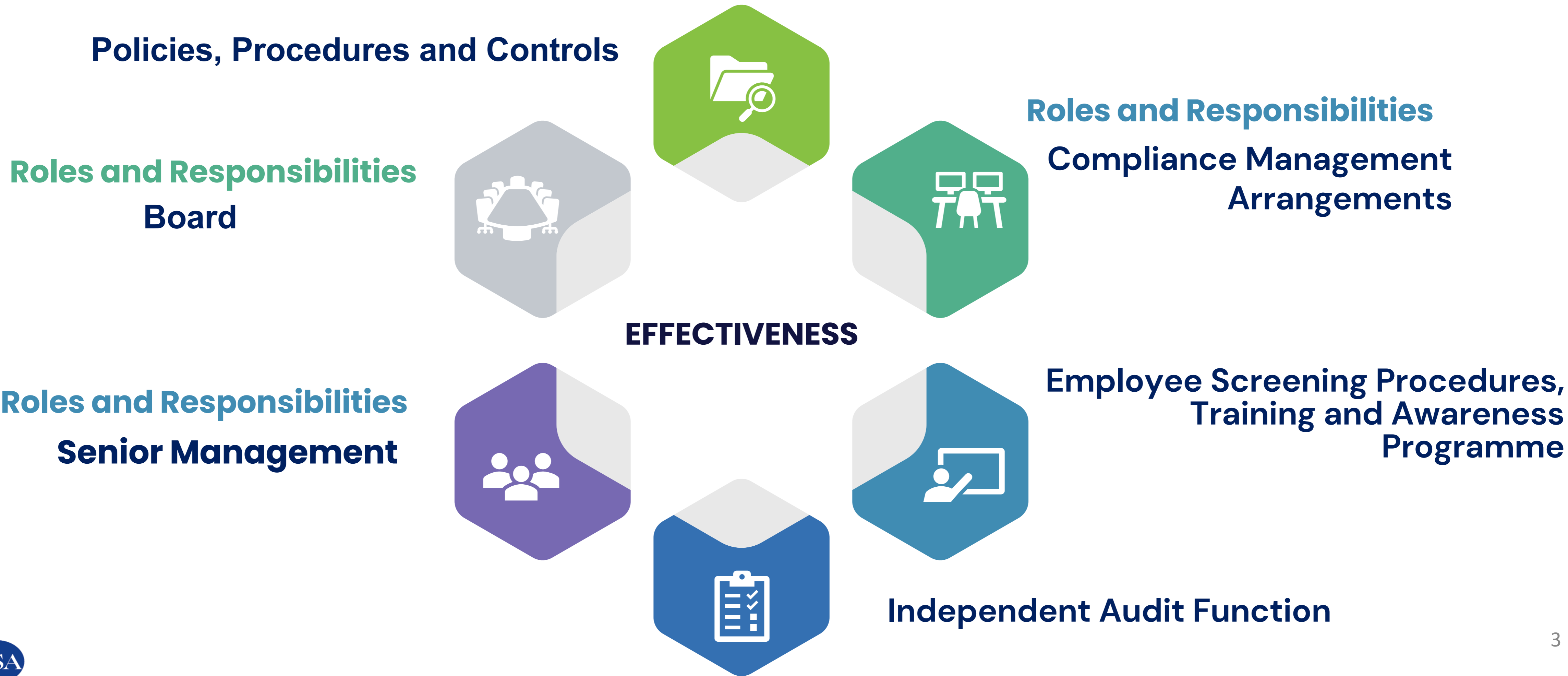
1 | **Compliance Obligation**

2 | **Suspicious Transaction Report**

- **Reporting Mechanism**
- **STR Observation**

AML/CFT Compliance Programme

- *Section 19 (3) AMLA - A reporting institution shall implement compliance programmes on its branches and subsidiaries in and outside Malaysia.*
- *Part B.2 Guidelines on AML/CFT/CPF and TFS for Labuan Key Reporting Institutions and Guidance Note on AML/CFT for Labuan Specified Entities*



AML/CFT Requirements

- *Section 19 (4) AMLA - RI to designate Compliance Officer*
- *Part B.2.3 and B.2.4 - Guidelines on AML/CFT/CPF and TFS for Labuan Key Reporting Institutions – **Senior Management** to appoint a **Compliance Officer** and **Labuan RI** to notify **Labuan FSA***

Reporting Institutions

- To notify Labuan FSA **within ten working** days on the vacancy
- To identify the replacement officer **within thirty days** from the date of vacancy

Roles and Obligations of Reporting Institution to Submit Suspicious Transaction Report (STR)

1. Channelling

To channel all internal STR received from employees (*branches and subsidiaries*) to Compliance Officer

2. Evaluating

- Suspicion – to evaluate the ground of suspicion – *internal policy on the duration*
- Promptly - to report if confirmed suspicious
- No reasonable ground of suspicion – to document and file decision with supported documents

3. Reporting

- Mandatory reporting including attempted transactions
- Promptly - *within the next working day from the date of establishes suspicion*
- Confidentiality – sole discretion and independence to report

4. Record Keeping

Confidential - *reports are treated with the highest level of confidentiality*



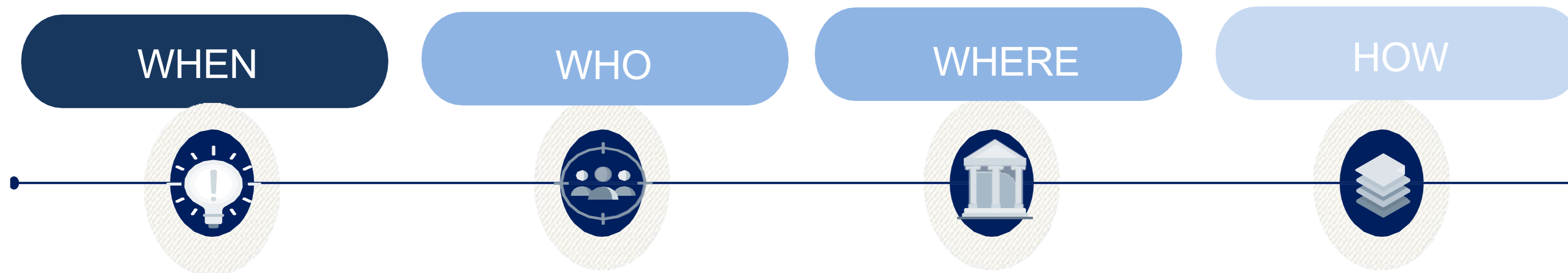
AML/CFT Requirements - B.12.2 Reporting Mechanisms

B.12.2 Reporting Mechanisms - *Guidelines on AML/CFT/CPF and TFS for Labuan Key Reporting Institutions*

Suspicious Transaction Report (STR)

WHAT?

Suspicious transaction refers to any transaction (attempted or proposed), required to be reported if there is a ground of suspicion.



- unusual
- illegal
- not commensurate with profile
- not commensurate with business activities
- involves in proceeds from an unlawful activity
- involves in money laundering or terrorism financing activities

RIs - Compliance Officer

Reference for Red flags

- not limited to the following:

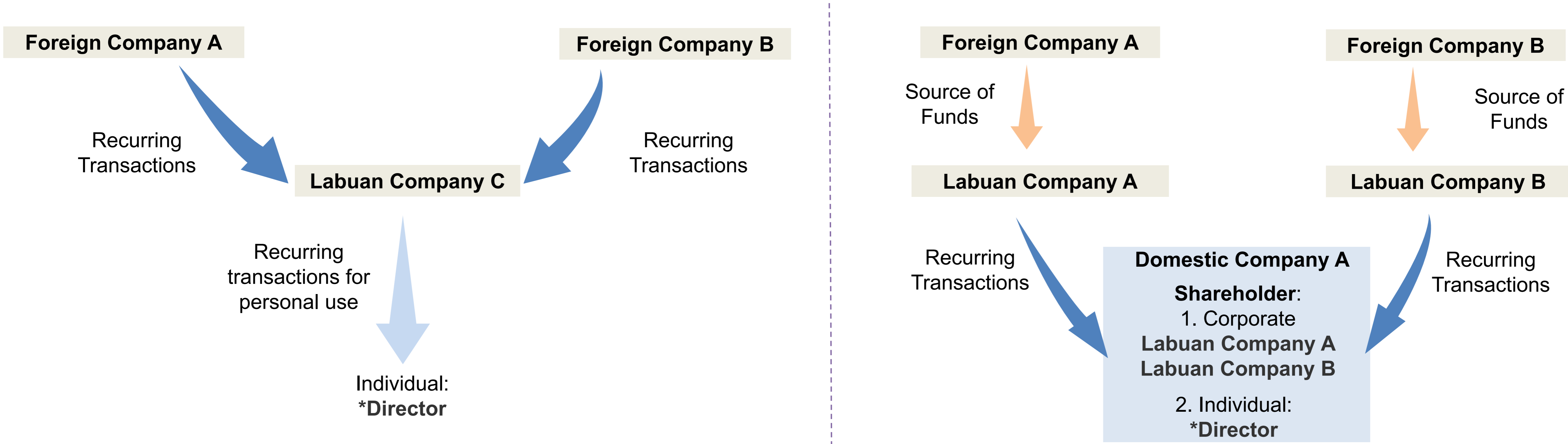
- *Guidelines on AML/CFT/CPF and TFS for Labuan Key Reporting Institutions*
- *Guidance Note on Red Flag Indicators for Labuan Digital Financial Services*
- *Circular on Red Flag Indicators-for-Labuan-IBFC*

Financial Intelligence and Enforcement Department (FIED) – BNM

- Financial Intelligence System (FINS) – *have access to FINS*
- Physical copy to director of FIED, BNM or email to str@bnm.gov.my – *have not been granted access to FINS*
- Notification of submission to LFSA via email at aml@labuanfsa.gov.my

Suspicious Transactions – Red Flags and Typologies

- **Foreign Company A** and **Labuan Company A** are owned by a **close associate** of foreign politically exposed person (PEP);
- **Foreign Company B** and **Labuan Company B** are owned by a **close associate** of foreign politically exposed person (PEP) from the **same family**.



***Note:**
Director is the authorised person for both foreign company A and B, and Labuan Company A and B in managing the companies bank accounts.

(2) Result of Thematic Review on Suspicious Transaction Reporting (STR) Control Measures

Background of Self-Assessment Questionnaires (SAQ) on STR

STR Requirements

- All Labuan reporting institutions are required to promptly submit STR to FIED, Bank Negara Malaysia whenever they have reasonable grounds to suspect that a transaction or activity (including attempted or proposed) is suspicious, regardless of the amount.

Objectives

- To assess the effectiveness of STR mechanism and control measures established by key Licensed Entities (LE), against the requirements.

Approach

- Review conducted via SAQ on key sectors: Banks, Insurance (Life), Fund Manager, Trust Company and Money Broker.

Scope & Methodology of Self-Assessment Questionnaires (SAQ) on STR

Internally Generated STR

Internal STR Investigation

STR Submission

STR Quality Assurance

STR Disclosure & Record Keeping

Training Programme

Next Action

Gaps identified for enhancements:

- i. Internal Policy & Procedure:
 - ❖ *Specified parameters to generate internal STR*
 - ❖ *Internal STR investigation*
 - ❖ *Submission of STR*
- ii. Control on STR Quality Assurance : appointment of DCO and notification of changes to Labuan FSA.
- iii. Training programmes on STR for staff.

THANK YOU

www.labuanfsa.gov.my

Disclaimer

The information contained herein is of a general nature and should not be regarded as offering a complete explanation of the business of Labuan IBFC or Labuan FSA.