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ETHICAL BEHAVIOUR TOWARDS SUSTAINABLE  
CORPORATE GOVERNANCE IN ANTI-MONEY  
LAUNDERING AND COUNTER FINANCING:  
AWARENESS, KNOWLEDGE, AND INTENTIONS AMONG  
DNFBPs IN MALAYSIA

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Ethical Behaviour Towards Sustainable Corporate  
Governance in Anti-Money Laundering and Counter  
Financing: Awareness, Knowledge, And Intentions  
Among DNFBPs In Malaysia

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A research project submitted in partial fulfillment of the  
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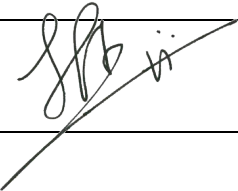
DECLARATION

I hereby declare that:

- (1) This Research Project is the end result of my own work and that due acknowledgement has been given in the references to all sources of information be they printed, electronic, or personal.
- (2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.
- (3) The word count of this research report is 18,640.

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## PREFACE

Money laundering and financing of terrorism are global issues that affect the economic and social stability of countries worldwide. The introduction of anti-money laundering (AML) and counter-financing terrorism (CFT) regulations by governments and international bodies has been crucial in the fight against these illegal activities. However, the implementation of these regulations can only be effective if Designated Non-Financial Businesses and Professions (DNFBPs) adhere to ethical behavior towards sustainable corporate governance.

This research study aims to provide a comprehensive descriptive analysis of the awareness, knowledge, and intentions of DNFBPs in Malaysia towards ethical behavior in the context of AML/CFT regulations. Through a quantitative and descriptive research method, this study aims to collect and synthesize data related to the attitudes of DNFBPs towards ethical behavior in the context of AML/CFT regulations.

The findings of this research can potentially contribute to the development of effective policies and strategies to promote sustainable corporate governance in Malaysia. It can also provide valuable insights into the role of ethical behavior in promoting sustainable corporate governance, particularly in the context of AML/CFT regulations, and its implications for businesses and society.

The research study is aimed at academics, policymakers, and industry practitioners interested in the area of sustainable corporate governance, AML/CFT regulations, and ethical behavior. We hope that the findings of this study will be useful in advancing the knowledge and understanding of the complex issues surrounding sustainable corporate governance, AML/CFT regulations, and ethical behavior in Malaysia and beyond.

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## ABSTRACT

This research study examines the awareness, knowledge, and intentions of Designated Non-Financial Businesses and Professions (DNFBPs) in Malaysia towards ethical behavior in the context of anti-money laundering (AML) and counter-financing terrorism (CFT) regulations. The study employs a quantitative and descriptive research method to collect and synthesize data related to the attitudes of DNFBPs towards ethical behavior in the context of AML/CFT regulations.

The findings of this study indicate that the majority of DNFBPs in Malaysia are aware of AML/CFT regulations and the importance of ethical behavior in promoting sustainable corporate governance. However, there is a significant gap between awareness and knowledge of AML/CFT regulations and the actual implementation of ethical behavior by DNFBPs. The study highlights the need for effective policies and strategies to promote sustainable corporate governance in Malaysia, which can only be achieved through increased awareness, knowledge, and adherence to ethical behavior by DNFBPs.

The research study has significant implications for academics, policymakers, and industry practitioners interested in the area of sustainable corporate governance, AML/CFT regulations, and ethical behavior. The study provides valuable insights into the role of ethical behavior in promoting sustainable corporate governance, particularly in the context of AML/CFT regulations, and its implications for businesses and society.

Overall, the findings of this study can potentially contribute to the development of effective policies and strategies to promote sustainable corporate governance in Malaysia and beyond, which is crucial in the fight against money laundering and financing of terrorism, and for the economic and social stability of countries worldwide.

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# CHAPTER 1

## INTRODUCTION

Money laundering and terrorist financing pose a significant threat to the global financial system, compromising its stability and security. Governments around the world, including Malaysia, have implemented various measures to counter these threats. Malaysia, as a member of the international community, is committed to fighting money laundering and terrorist financing through a comprehensive framework of anti-money laundering (AML) and counter financing terrorism (CFT) regulations.

Measuring global money laundering is still in its early stages. Current methods such as case studies, proxy variables, and models for measuring the shadow economy tend to either under- or overestimate the extent of money laundering. The gravity model introduced in this study enables the estimation of the flows of illegal funds to and from each jurisdiction worldwide. These illicit funds are derived from transnational crimes that are laundered through the global financial system (Walker, 2009).

In the recent cases such as the Monetary Authority of Singapore (MAS) imposed a financial penalty of SGD 4.6 million on Vistra Trust for failing to implement adequate anti-money laundering (AML) controls and for breaches of AML requirements (MAS, 2022). MAS found that Vistra Trust had inadequate policies, procedures, and controls to detect and report suspicious transactions related to high-risk customers, including politically exposed persons (PEPs). Furthermore, Vistra Trust had inadequate measures to verify beneficial ownership and to conduct ongoing monitoring of its customers. The lapses identified in Vistra Trust's AML

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controls resulted in multiple suspicious transactions not being reported to the Suspicious Transaction Reporting Office, as required by law. These transactions were related to PEPs and involved substantial amounts of money. This case highlights the importance of effective AML controls for DNFBPs, as failures to implement adequate controls can result in severe consequences, including financial penalties and reputational damage. It also underscores the need for continuous improvement and review of AML/CFT measures by DNFBPs to mitigate the risk of financial crimes.

In Malaysia, Designated Non-Financial Businesses and Professions (DNFBPs) are recognized as an essential component of the AML/CFT regime. These include real estate agents, lawyers, accountants, trust and company service providers, and other professionals who may be exploited by money launderers or terrorist financiers to conceal the illicit origin of funds. Effective implementation of AML/CFT regulations by DNFBPs is essential to safeguard the integrity of the financial system and to prevent financial crimes.

In recent years, the importance of ethical behavior towards sustainable corporate governance has gained significant attention, particularly in the context of AML/CFT regulations. The principles of sustainable corporate governance require companies to operate in a manner that considers not only their financial performance but also the social and environmental impact of their activities. Compliance with AML/CFT regulations is a crucial aspect of sustainable corporate governance, as it helps to prevent financial crime, protect the integrity of the financial system, and maintain public trust in businesses.

Despite the efforts of the government and other stakeholders, money laundering and terrorist financing continue to pose a significant challenge to Malaysia's economy and security. These illicit activities can destabilize the country, weaken its laws and governance, and discourage foreign investments and international capital flows. The involvement of DNFBPs in these activities further highlights the need for a robust and effective AML/CFT regime.

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This study aims to provide a comprehensive analysis of AML/CFT practices in Malaysia, with a specific focus on DNFBPs. By identifying and describing the awareness, knowledge, and intentions of DNFBPs towards ethical behavior in the context of AML/CFT regulations, this study can contribute to enhancing sustainable corporate governance in Malaysia. Additionally, this study can help prevent financial crimes, protect the integrity of the financial system, and maintain public trust in businesses.

## Research Background

Money laundering and terrorist financing (ML/TF) have become increasingly sophisticated and pervasive in recent years, posing a significant threat to the stability and security of the global financial system. The United Nations Office on Drugs and Crime (UNODC) estimates that between 2 and 5 percent of global GDP, or roughly \$800 billion to \$2 trillion annually, is laundered through the financial system, with the vast majority of these funds linked to criminal activities such as drug trafficking, corruption, and fraud (UNODC, 2011).

Money laundering (ML) is a process that is described by three distinctions (Figure 1) : (i) a transfer of funds knowing that such property proceeds the crime, (ii) a disguise or concealment of the true nature, source, place, movement or ownership of rights with respect to property knowing well that such property is used to proceed of crime, and (iii) an acquisition, possession or use of property, knowing that such exchange proceeds of crime (OFC, 2000). It disguises illegal origin to legitimize a crime. Terrorism financing is similar to money laundering, which also involves three stages involving raising, moving, and using funds. The offenses seek to misuse the funds or non-financial sectors for illegal purposes.

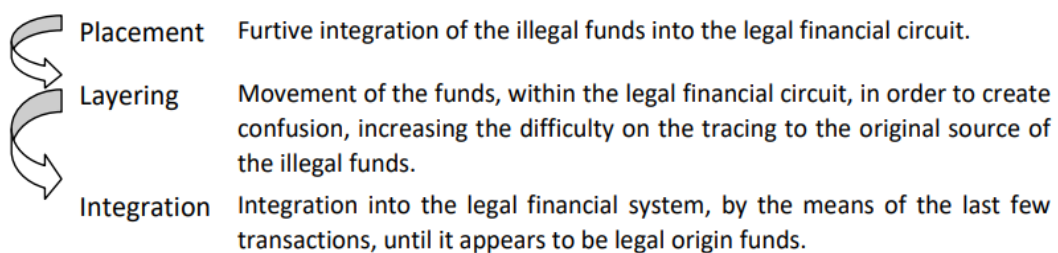


Figure 1: Three step process in money laundering



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In Malaysia, ML/TF activities have also become a growing concern for the government, particularly as the country strives to attract foreign investment and maintain its reputation as a stable and secure business environment. Malaysia has taken several steps to combat these threats, including the implementation of various anti-money laundering (AML) and counter financing terrorism (CFT) regulations, as well as the establishment of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG) to provide guidance and support to member countries.

The paper "Investigations and charges of money laundering: a case study of Malaysia" by Sanusi and Adam (2018) discusses the issue of money laundering in Malaysia and provides a case study of a high-profile money laundering case that took place in the country. The paper highlights the challenges faced by law enforcement agencies in identifying and prosecuting money launderers, as well as the need for stronger anti-money laundering regulations and measures to combat this crime. The case study presented in the paper involves the investigation and charges of money laundering against a former Malaysian Prime Minister, who was accused of embezzling millions of dollars from a state investment fund and using the money to purchase luxury properties and other assets. The case gained international attention and highlighted the importance of effective measures to combat money laundering in Malaysia. This paper has highlights the serious threat that money laundering poses to the financial system and the need for strong anti-money laundering regulations and measures to combat this crime. It also serves as an example of the importance of effective implementation of anti-money laundering regulations by DNFBPs in Malaysia. Refer to Table 1 source from Sanusi and Adam, 2018 for the companies charged under AMLATFA 2001 sourced by this paper.

**Table 1: 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

However, despite these efforts, ML/TF activities continue to pose a significant risk to Malaysia's financial system and overall economic stability. According to the Basel AML Index 2021, Malaysia ranks 73rd out of 107 countries in terms of AML/CFT effectiveness, indicating that there is still much room for improvement in the country's AML/CFT framework (Basel Institute on Governance, 2021). Refer to Figure 2 for further understanding. Designated non-financial businesses and professions (DNFBPs), including real estate agents, lawyers, accountants, and trust and company service providers, have been identified as potential weak links in the AML/CFT regime, as they may not be subject to the same level of regulatory oversight as financial institutions.

Figure 2: ML Risks in 2022 by Country



Given the growing importance of ethical behavior towards sustainable corporate governance, particularly in the context of AML/CFT regulations, it is essential to understand the current practices and knowledge among DNFBPs in Malaysia. By identifying potential gaps and areas for improvement, policymakers, practitioners, and researchers can work together to develop effective AML/CFT programs and practices that can help prevent financial crimes, protect the integrity of the financial system, and maintain public trust in businesses.

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Therefore, the objective of this study is to provide a comprehensive descriptive analysis of AML/CFT practices among DNFBPs in Malaysia. Specifically, the study aims to identify and describe AML/CFT compliance measures, current practices, and knowledge among DNFBPs in Malaysia. The findings of the study are expected to be useful for policy makers, practitioners, and researchers in developing effective AML/CFT programs and practices in Malaysia. Additionally, this study can contribute to enhancing sustainable corporate governance in Malaysia, by promoting ethical behavior towards AML/CFT regulations.

## **Problem Statement**

Money laundering and terrorist financing (ML/TF) are persistent threats to the stability and security of the global financial system. Malaysia, as a member of the international community, has committed to combating these threats through various anti-money laundering (AML) and counter financing terrorism (CFT) regulations. In recent years, the importance of ethical behavior towards sustainable corporate governance has gained significant attention, particularly in the context of AML/CFT regulations. The principles of sustainable corporate governance require companies to operate in a manner that considers not only their financial performance but also the social and environmental impact of their activities. Compliance with AML/CFT regulations is a crucial aspect of sustainable corporate governance, as it helps prevent financial crime, protect the integrity of the financial system, and maintain public trust in businesses.

Despite Malaysia's efforts to combat ML/TF, the country remains vulnerable to these threats. The Basel AML Index 2020 listed almost half of all countries in East Asia and the Pacific, including Malaysia, as major money laundering destinations. The complexity of corporate structures used in ML/TF activities presents an ongoing challenge, and there has been a worrying trend of ML/TF through financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs). AML/CFT supervision by competent authorities of FIs, DNFBPs, and virtual asset service providers (VASPs) is a major factor affecting AML/CFT risk and resilience, and there is a need to enhance technical compliance standards of regulation and supervision for DNFBPs.

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The problem of ML/TF has significant economic and social consequences, potentially resulting in the destabilization of countries, weakened laws and governance, reduced foreign investments, and impaired international capital flows. ML has been associated with a range of criminal activities, including corruption and trafficking, that generate huge profits for the individuals or organizations involved. In order to conceal the illicit origin of these funds and avoid exposure to criminal prosecution, perpetrators use various methods to launder the money. Terrorism financing is also similar to money laundering, involving the raising, moving, and using of funds for illegal purposes, and both offenses seek to misuse funds or non-financial sectors for unlawful activities.

Despite the comprehensive framework of anti-money laundering (AML) and counter financing terrorism (CFT) regulations in Malaysia, there is a lack of studies that specifically examine the awareness of designated non-financial businesses and professions (DNFBPs) in implementing these regulations. DNFBPs (Friedrich, P. J., 2015), such as real estate agents, lawyers (Kamaruddin, S. and Hamin, Z., 2019), accountants (Ahmad Tarmizi, M., Zolkafli, S., Omar, N., Hasnan, S. and Syed Mustapha Nazri, S.N.F., 2023), trust and company service providers, and other professionals, are recognized as an essential component of the AML/CFT regime, as they can be exploited by money launderers or terrorist financiers to conceal the illicit origin of funds. Therefore, it is crucial to assess the level of awareness and understanding of AML/CFT regulations among DNFBPs in Malaysia to ensure their effective implementation and prevent financial crimes.

The problem statement for this study, therefore, is the need to enhance AML/CFT compliance among DNFBPs in Malaysia. Specifically, this study seeks to identify and describe AML/CFT compliance measures, current practices, and knowledge among DNFBPs in Malaysia. The study aims to address the research gap in understanding the awareness, knowledge, and intentions of DNFBPs towards ethical behavior in the context of AML/CFT regulations. The findings of this study are expected to be useful for policy-makers, practitioners, and researchers in developing effective AML/CFT programs and practices in Malaysia to prevent financial crimes, protect the integrity of the financial system, and maintain public trust in businesses.

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## **Research Objective**

The general objective of this study is to provide a comprehensive descriptive analysis of AML/CFT practices in Malaysia. Specifically, the study aims to identify and describe AML/CFT compliance measures, current practices, and knowledge among DNFBPs in Malaysia.

The specific objectives of this study are:

1. To assess the level of awareness of AML/CFT regulations among DNFBPs in Malaysia.
2. To identify the challenges faced by DNFBPs in implementing AML/CFT regulations in Malaysia.
3. To propose recommendations to improve AML/CFT practices among DNFBPs in Malaysia.

These objectives are important because they will provide a clear understanding of the current state of AML/CFT compliance among DNFBPs in Malaysia. This information can be used to improve the effectiveness of AML/CFT regulations in preventing financial crimes, protecting the integrity of the financial system, and maintaining public trust in businesses.

By achieving these objectives, this study can contribute to the development of effective AML/CFT programs and practices in Malaysia. It can also help policymakers, practitioners, and researchers better understand the challenges faced by DNFBPs in implementing AML/CFT regulations and provide recommendations to overcome these challenges.

## **Significance of Study**

This study has several significant contributions to the field of anti-money laundering and counter-financing terrorism in Malaysia. First, the findings of this study can provide valuable insights into the compliance measures, current practices, and knowledge among DNFBPs in Malaysia regarding AML/CFT regulations. This can help policymakers and regulators to identify gaps in the current AML/CFT

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framework and develop effective policies and programs to strengthen the regulatory and supervisory mechanisms.

Second, the study can contribute to enhancing sustainable corporate governance practices in Malaysia. Compliance with AML/CFT regulations is a crucial aspect of sustainable corporate governance as it helps to prevent financial crimes, protect the integrity of the financial system, and maintain public trust in businesses. By identifying and describing the awareness, knowledge, and intentions of DNFBPs towards ethical behavior in the context of AML/CFT regulations, this study can provide insights into how sustainable corporate governance practices can be integrated with AML/CFT compliance measures.

Third, the study can also have practical implications for DNFBPs in Malaysia. The findings of this study can help DNFBPs to understand the importance of complying with AML/CFT regulations and the consequences of non-compliance. The study can also provide insights into best practices and effective compliance measures that DNFBPs can adopt to prevent money laundering and terrorist financing.

Fourth, the study can contribute to the international discourse on AML/CFT regulations and practices. Malaysia is one of the countries identified by the US as a major money laundering destination, and the findings of this study can provide insights into the AML/CFT practices in a high-risk jurisdiction. The study can also help to identify common challenges and best practices that can be adopted by other countries to enhance their AML/CFT frameworks.

In summary, the findings of this study can have significant implications for policymakers, regulators, DNFBPs, and researchers in Malaysia and beyond. The study can provide insights into the compliance measures, current practices, and knowledge among DNFBPs in Malaysia regarding AML/CFT regulations, contribute to enhancing sustainable corporate governance practices, have practical implications for DNFBPs, and contribute to the international discourse on AML/CFT regulations and practices.

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## **CHAPTER 2**

### **LITERATURE REVIEW**

The prevalence of money laundering and terrorist financing activities poses significant threats to the integrity and stability of financial systems worldwide. In Malaysia, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFA) was introduced to combat these crimes. According to AMLATFA (2001), money laundering is defined as a crime that involves engaging in any transaction, directly or indirectly, involving any illegal activity, acquiring, receiving, possessing, disguising, transferring, exchanging, carrying, converting, using, removing from, or bringing into Malaysia, proceeds from any illegal activities. Money laundering is one of the mechanisms used by organized criminals to conceal unlawfully acquired funds, which can be obtained through various illegal ventures, such as gambling and theft (Siegel, 2008).

The fight against money laundering and terrorist financing activities requires a coordinated and comprehensive approach involving all stakeholders. One of the crucial stakeholders is the Designated Non-Financial Businesses and Professions (DNFBPs), which includes lawyers, accountants, real estate agents, and trust and company service providers. DNFBPs are essential gatekeepers in the financial system, as they are often involved in high-risk transactions that could be used to launder money or finance terrorism.

Given the importance of DNFBPs in the fight against money laundering and terrorist financing, this study aims to provide a comprehensive descriptive analysis of the awareness, knowledge, and intentions of DNFBPs in Malaysia towards ethical behaviour in the context of AML/CFT regulations.

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Literature on money laundering and terrorist financing activities highlights the complexity and scale of these crimes, which have significant economic, social, and political consequences. The illicit funds generated through these activities can be used to finance terrorism, undermine the integrity of financial systems, and fund other forms of organized crime, such as drug trafficking and human smuggling. Moreover, the sophistication of money laundering techniques, including the use of new technologies, makes it challenging for law enforcement agencies to detect and prevent these crimes.

To combat money laundering and terrorist financing, many countries have implemented regulatory frameworks that require financial institutions and DNFBPs to implement AML/CFT measures. In Malaysia, the AMLATFA was introduced to prevent and combat money laundering and terrorist financing activities. The Act provides a comprehensive legal framework for the reporting, investigation, and prosecution of these crimes. However, despite these efforts, money laundering and terrorist financing activities remain prevalent in Malaysia, highlighting the need for effective implementation of AML/CFT measures.

DNFBPs play a crucial role in implementing AML/CFT measures as they are often involved in high-risk transactions that could be used to launder money or finance terrorism. However, studies have shown that DNFBPs often lack the awareness, knowledge, and skills necessary to identify and report suspicious transactions. Thus, this study aims to provide a comprehensive descriptive analysis of the awareness, knowledge, and intentions of DNFBPs in Malaysia towards ethical behaviour in the context of AML/CFT regulations. The findings of the study are expected to be useful for policy makers, practitioners, and researchers in developing effective AML/CFT programs and practices in Malaysia.

This chapter reviews the existing literature on money laundering and terrorist financing activities, the regulatory framework for AML/CFT in Malaysia, and the role of DNFBPs in combating these crimes. And we will also provide a comprehensive review of the literature on the awareness, knowledge, and intentions of DNFBPs in Malaysia towards ethical behavior in the context of AML/CFT



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regulations. The chapter is divided into several sections that explore the following themes: AML/CFT regulations and compliance measures, DNFBPs, ethical behavior, and sustainable corporate governance.

The first section of this chapter reviews the literature on AML/CFT regulations and compliance measures. The review focuses on the international and national frameworks for AML/CFT, Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) Regulations in Malaysia, the role of DNFBPs in preventing money laundering and terrorism financing activities, and the regulatory compliance measures that DNFBPs need to implement.

The second section of the chapter focuses on DNFBPs. This section explores the definition of DNFBPs and the different types of businesses and professions that fall under this category. The review also examines the risks associated with DNFBPs and the importance of their compliance with AML/CFT regulations. Challenges and issues in AML/CFT compliance for DNFBPs and the best practices in AML/CFT compliance for DNFBPs.

The third section of the chapter reviews the literature on ethical behavior. This section examines the concept of ethics, the importance of ethical behavior in business, and the ethical dilemmas that DNFBPs may face in their compliance with AML/CFT regulations. The section also explores the different approaches to ethical decision-making and the factors that influence ethical behavior. Empirical studies on ethical behavior and corporate governance in AML/CFT compliance

The fourth section of the chapter focuses on sustainable corporate governance. This section examines the concept of sustainable corporate governance and its importance in ensuring the long-term success of a business. The review explores the different frameworks for sustainable corporate governance to the effectiveness of AML/CFT compliance and the role of DNFBPs in promoting sustainable practices.

The final section of the chapter synthesizes the findings from the previous sections and provides a conceptual framework for understanding the awareness, knowledge,

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and intentions of DNFBPs towards ethical behavior in the context of AML/CFT regulations. The chapter concludes with a summary of the main findings and a discussion of their implications for policy makers, practitioners, and researchers.

In summary, this chapter provides a comprehensive review of the literature on the awareness, knowledge, and intentions of DNFBPs in Malaysia towards ethical behavior in the context of AML/CFT regulations. The chapter highlights the importance of ethical behavior and sustainable corporate governance in preventing money laundering and terrorism financing activities and provides a conceptual framework for understanding the factors that influence the behavior of DNFBPs. The findings of this chapter are expected to be useful for policy makers, practitioners, and researchers in developing effective AML/CFT programs and practices in Malaysia.

## **AML/CFT Regulations and Compliance Measures**

Money laundering is a global problem that affects countries all over the world (Tiwari, 2020). It is a complex process that involves the concealment of the proceeds of criminal activities and the transformation of these proceeds into legitimate assets. Money laundering can be used to fund terrorism and other criminal activities, which makes it a threat to national security. In order to combat money laundering and terrorist financing, countries have put in place regulatory frameworks to prevent, detect and deter these activities. This review will focus on the international and national frameworks for anti-money laundering (AML) and counter-terrorism financing (CTF), the role of Designated Non-Financial Businesses and Professions (DNFBPs) in preventing money laundering and terrorism financing activities, and the regulatory compliance measures that DNFBPs need to implement.

The international community has taken a number of steps to combat money laundering and terrorist financing. The Financial Action Task Force (FATF), an intergovernmental body established in 1989, has developed a series of recommendations that provide a comprehensive framework for AML/CFT. The

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FATF's recommendations are widely recognized as the international standard for AML/CFT and have been adopted by over 200 countries. The FATF's recommendations cover a range of areas including customer due diligence, record keeping, reporting of suspicious transactions, and risk assessment. The FATF's recommendations also provide for the supervision and enforcement of AML/CFT measures.

In addition to the FATF's recommendations, countries have also developed their own national frameworks for AML/CFT. In Malaysia, the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA) provides the legal framework for AML/CFT. AMLATFA imposes obligations on financial institutions, DNFBPs, and other designated persons to implement AML/CFT measures. DNFBPs, such as lawyers, accountants, and real estate agents, are required to comply with AML/CFT regulations in order to prevent their services from being used for money laundering and terrorist financing activities.

The role of DNFBPs in preventing money laundering and terrorism financing activities is significant. DNFBPs are often used as a gateway for criminals to enter the financial system. They provide services that can be used to launder money, such as setting up shell companies, and they may be involved in transactions that are suspicious. DNFBPs have a legal and ethical responsibility to prevent their services from being used for money laundering and terrorist financing activities. This responsibility includes implementing AML/CFT measures, such as customer due diligence, record keeping, and reporting of suspicious transactions.

DNFBPs need to implement regulatory compliance measures that vary depending on the nature of their business. For instance, lawyers are required to conduct customer due diligence, maintain records of their clients and transactions, and report suspicious transactions to the authorities. Similarly, real estate agents are required to verify the identity of their clients and report any suspicious transactions to the authorities. Accountants are also required to conduct customer due diligence, maintain records of their clients and transactions, and report suspicious transactions to the authorities. DNFBPs must implement internal controls such as training programs and risk assessments to prevent their services from being used for money

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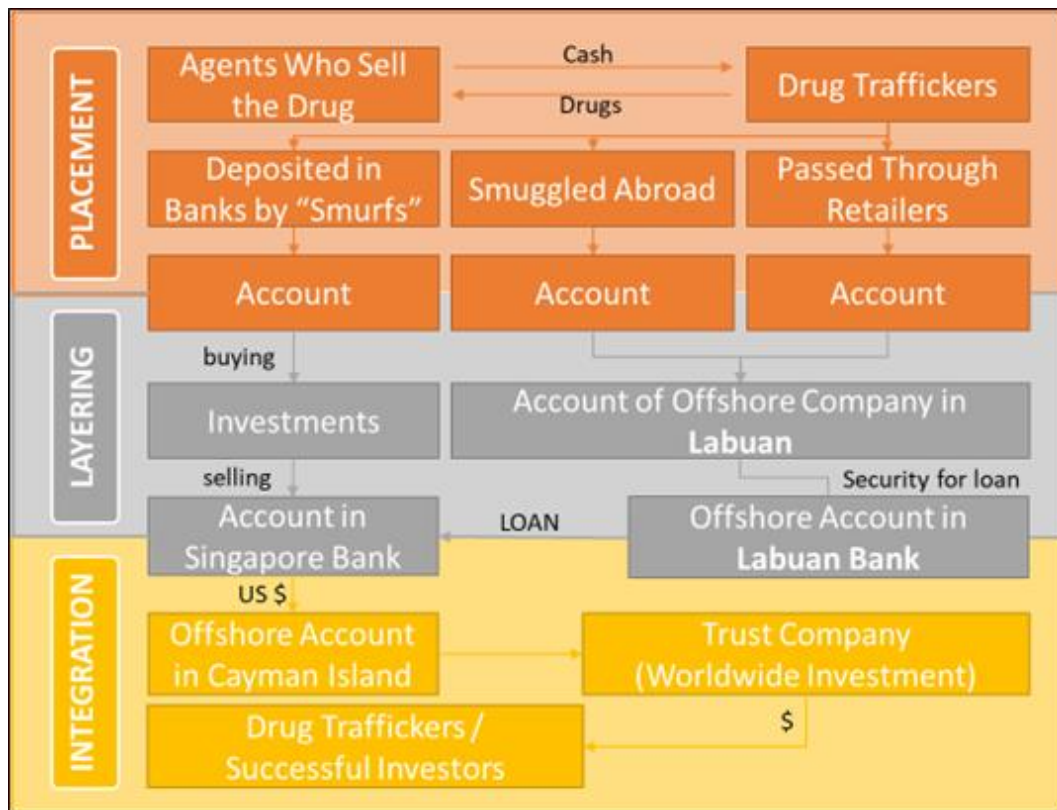
laundering and terrorist financing activities. These requirements aim to prevent the use of DNFBPs services in illegal activities and ensure compliance with regulations.

In conclusion, the international and national frameworks for AML/CFT provide a comprehensive framework for preventing money laundering and terrorist financing activities. DNFBPs play a significant role in preventing these activities and are required to implement AML/CFT measures to prevent their services from being used for these purposes. The regulatory compliance measures that DNFBPs need to implement vary depending on the nature of their business. However, it is important that DNFBPs understand the AML/CFT requirements that apply to their business and implement effective measures to prevent their services from being used for money laundering and terrorist financing activities.

### **Characteristics of Money Laundering and Terrorism Financing**

Figure 3 shows the example of method using ML 3 stage model. In stage Placement, the cash received from illegal activities is smuggled I deposited into in Bank accounts via dubious business activities. Thereafter, in the stage layering, from banking accounts, the funds are transferred either to company account or property in pretext of business or investing in share/properties. This process is to make it more complex; the company can deposit its funds in a Bank for a loan. Last stage of Integration, the funds parked in Singapore Bank can be remitted into offshore account to make investment via a trust company. Once trust funds are liquidated, it will be returned to drug trafficker as legal funds making them a successful investor. Terrorism Financing is a process of financing terrorist activity(ies) either through legitimate or illegitimate source. There is 3-stage approach in TF which is collection, transmission and use. Refer to Figure 2.3 in appendix for the 3-stage approach in TF.

Figure 3: Example method using ML 3 stage model



The IMF defines terrorist financing as the process by which individuals or organisations raise funds for the purpose of using those funds to carry out terrorist acts. This process has been defined in the International Convention for the Suppression of Terrorist Financing and its annexes (IMF, 2003). This term is similar to the World Bank (2009) definition, which states that terrorist financing is any form of financial support for terrorism or those who conspire to carry out, participate in, or promote terrorist acts.

It is worth noting that a significant number of conventions at the international level have been unable to agree on a universal definition of terrorism. A global definition of terrorism is extremely difficult without taking into account the nature of the crime or the method used. Definitions therefore vary and depend on the particular framework of the body concerned (Sorel, 2003). Article 2 of the 1999 International Convention 1999 United Nations International Convention for the Suppression of the Financing of Terrorism provides the following definition of terrorist financing:

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“Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out any act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.” (UN, 1999)

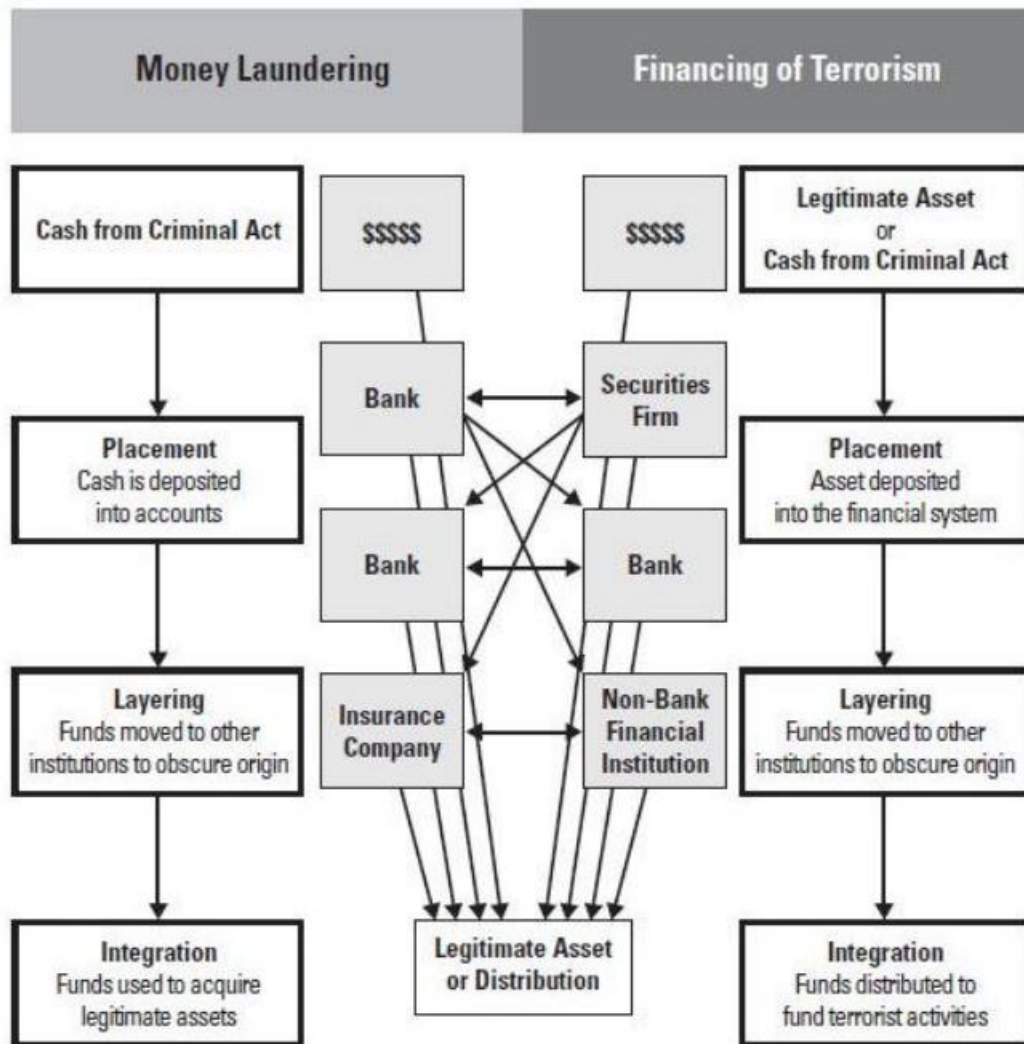
Two different types of activities can be distinguished in terrorist financing. Type 1 terrorist financing refers to the early stage of raising large amounts of money, while Type 2 terrorist financing refers to the use of the funds raised to provide financial support to a terrorist operation (Parkman & Peeling, 2007). Using a sophisticated method to move funds between jurisdictions, terrorists operate and monitor funds from a variety of sources around the globe. They employ the skilled services of accountants, lawyers, and bankers, and also use a variety of financial services products. Although the resources required to manage the entire network are extraordinary, the resources required to carry out a single attack can be quite small (Commonwealth Secretariat, 2006).

Criminal sources provide a steady stream of revenue from human trafficking, kidnapping, extortion, drugs, gambling, and smuggling. Although terrorists may succeed in raising funds through illicit activities, they rely primarily on the methods used by legal sources to transfer and launder these proceeds. This is done primarily to disguise the origin of the funds and effectively transfer them to the desired country. Legal sources through which financial contributions are raised include charities, fundraisers, and publications (Parkman & Peeling, 2007).

The techniques used in money laundering are equivalent to the techniques used to disguise the origin and use of terrorism funds. Funds used to finance terrorism can come from either criminal activity, legal sources, or both. However, it is necessary to disguise the origin of terrorism financing, whether the sources are legitimate or not. This is because if the origin of the funds can be concealed, it is difficult to

prosecute terrorist acts. Moreover, it is imperative that terrorists and terrorist organisations disguise the source of their funds so that the financing remains undetected (Schott, 2006).

Figure 4: Processes and linkages between ML and TF (World Bank, 2004)



Source: World Bank, 2004, p. I-8

Money laundering and terrorist financing share a number of similar characteristics in that they combine monetary acts with criminal offences. Wesley (2010) asserts that the similarities between terrorist financing and money laundering lie in the procedures, tactics, and techniques used by both organisations to conceal and transfer funds. Similarities include the relocation of finances to disguise their origin and the ability to identify and exploit countries with weak legislation. Because it is essential for terrorist organisations to establish and maintain a concrete financial

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infrastructure, they use money laundering to achieve their goals. However, the main difference between money laundering and terrorist financing is that money laundering involves illegally acquired funds, while terrorist financing involves both legitimate and illegitimate funds. Johnson (2008) also highlights that since the terrorist attacks of September 11, 2008, regulation of financial systems to curb money laundering is considered an indispensable part of the fight against terrorism. Figure 5 above details the processes and linkages between money laundering and terrorist financing (World Bank, 2004).

### **International and National Frameworks for AML/CFT**

The international community has recognized the importance of preventing money laundering and terrorism financing activities for maintaining the integrity of the financial system and combating organized crime and terrorism. The Financial Action Task Force (FATF) is the global standard-setting body for AML/CFT measures. Its recommendations provide a comprehensive framework for AML/CFT policies and practices, and are followed by more than 200 countries and jurisdictions worldwide (FATF, 2020).

The FATF recommendations include the following key elements:

1. Risk assessment: Countries and financial institutions must identify and assess the money laundering and terrorism financing risks they face.
2. Customer due diligence: Financial institutions must verify the identity of their customers, understand the nature of their business, and monitor their transactions for suspicious activities.
3. Reporting: Financial institutions must report suspicious transactions to the appropriate authorities.
4. Record-keeping: Financial institutions must keep records of their customers and transactions.
5. AML/CFT programs: Financial institutions must implement effective AML/CFT programs, which include policies, procedures, and internal controls to prevent and detect money laundering and terrorism financing activities.



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In addition to the FATF recommendations, many countries have implemented their own AML/CFT laws and regulations, which may exceed the minimum standards set by the FATF. For example, in Malaysia, the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) is the primary legislation for AML/CFT. It provides a legal framework for the prevention, detection, and investigation of money laundering and terrorism financing activities, and requires financial institutions to implement AML/CFT measures (Bank Negara Malaysia, 2018).

Furthermore, international organizations such as the World Bank and the International Monetary Fund (IMF) have also played a role in promoting AML/CFT measures. The World Bank provides technical assistance and capacity building programs to help countries implement AML/CFT measures, while the IMF conducts assessments of countries' compliance with the FATF recommendations and provides recommendations for improvement (IMF, 2020).

Overall, the international and national frameworks for AML/CFT provide a comprehensive and coordinated approach to combating money laundering and terrorism financing activities. The effectiveness of these measures depends on the cooperation and coordination between governments, financial institutions, and other stakeholders, and the implementation of effective AML/CFT programs.

### **Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) Regulations in Malaysia**

In Malaysia, the Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) Regulations are governed by the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFA). The act was introduced to combat money laundering and terrorism financing activities in Malaysia and bring the country in line with international standards.

Under the AMLATFA, DNFBPs are required to comply with AML/CFT regulations and take appropriate measures to prevent their business from being used for money laundering and terrorism financing. The law defines DNFBPs as non-

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financial institutions and professions that are involved in high-risk activities and are vulnerable to being used for money laundering and terrorism financing activities.

DNFBPs in Malaysia are required to comply with various AML/CFT regulations, including the reporting of suspicious transactions to the relevant authorities and conducting customer due diligence (CDD) measures. The CDD measures include identifying and verifying the identity of customers, conducting ongoing monitoring of customer transactions, and conducting enhanced due diligence for high-risk customers.

In addition, DNFBPs are also required to implement internal AML/CFT policies and procedures, appoint a designated compliance officer, and provide regular training to their employees on AML/CFT regulations and procedures. Failure to comply with these regulations can result in fines, imprisonment, or both.

Malaysia has also established the National Coordination Committee to Counter Money Laundering (NCC) to coordinate and monitor AML/CFT activities in the country. The NCC is responsible for developing policies and guidelines for AML/CFT activities, monitoring the implementation of AML/CFT regulations, and conducting risk assessments.

Malaysia has also established bilateral and multilateral cooperation agreements with other countries to combat money laundering and terrorism financing activities. Malaysia is a member of the Asia/Pacific Group on Money Laundering, an intergovernmental organization that sets standards and promotes the effective implementation of legal, regulatory, and operational measures to combat money laundering and terrorism financing in the Asia/Pacific region.

In conclusion, Malaysia has implemented comprehensive AML/CFT regulations to combat money laundering and terrorism financing activities in the country. DNFBPs are required to comply with these regulations and implement appropriate measures to prevent their business from being used for these illegal activities. The establishment of the NCC and participation in international cooperation agreements further demonstrates Malaysia's commitment to combatting these crimes.

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## **Empirical Studies on AML/CFT Awareness**

### **Study on India Bank Employees**

From the study (Viritha & Mariappan, 2017), results indicate that the respondents had moderate to high knowledge of money laundering and terrorism financing risks, AML and CFT legislation, and AML/CFT measures. The respondents had expressed the need for AML regulation in India considering its importance for India's global position, as well as, for the integrity of the banks. However, majority of the respondents had exhibited a low confidence in the present AML measures as a tool to control the money laundering activity. From the study (Viritha & Mariappan, 2017), we noticed that the incidence of fraud and intentional AML abuses, bank management should implement a comprehensive KYE program. The KYE program should reveal the employee's history and risk of becoming involved in money laundering. Since changes in human behavior are unavoidable, the KYE method should be used not only when recruiting new workers, but also when screening current employees. To prevent such occurrences, workers who violate AML policies should be subjected to severe disciplinary action.

### **Study on Malaysian Accountant**

A total of 100 questionnaires were distributed to Malaysian chartered accountants from various scopes of works in Malaysia (Omar, Mohd-Sanusi, et al., 2015). This study shows that successful at combating money laundering, good corporate practice, and reducing fraud cases are among the benefits that will be gained once organizations incorporate AML/CFT requirements in their organizations, based on this survey of awareness, perceived effects, and views of Malaysian accountants on the AML/CFT requirements.

### **Study on Malaysian DNFBPs**

According to Omar, Johari, et al. (2015), organized crime groups are more likely to seek out the services and advice of DNFBPs, particularly those in the accounting and legal professions. The study found that DNFBPs generally have a high level of knowledge about the principles of money laundering and terrorism financing, as well as the reporting obligations of relevant institutions. However, the study also revealed that while Malaysia's enforcement agencies are actively investigating

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money laundering and terrorism financing, the DNFBPs only had a moderate level of understanding regarding the criteria outlined in the AMLATFA Act 2001.

### **The Role of DNFBPs in Preventing Money Laundering and Terrorism Financing Activities**

Designated Non-Financial Businesses and Professions (DNFBPs) play a critical role in preventing money laundering and terrorism financing activities. DNFBPs are defined by the Financial Action Task Force (FATF) as businesses and professions that engage in transactions with customers, but do not operate in the traditional financial sector (FATF, 2018). These include but are not limited to lawyers, accountants, real estate agents, dealers in precious metals and stones, and trust and company service providers.

DNFBPs are attractive targets for money laundering and terrorism financing activities because they handle large amounts of money, often have access to sensitive financial information, and are not subject to the same level of regulatory oversight as traditional financial institutions (FATF, 2018). However, many countries have implemented AML/CFT regulations that require DNFBPs to implement robust compliance measures to prevent these illicit activities.

One of the key roles of DNFBPs in preventing money laundering and terrorism financing activities is the implementation of customer due diligence (CDD) measures. CDD involves verifying the identity of customers, understanding the nature of their business or transactions, and assessing the level of risk associated with the customer or transaction (FATF, 2018). By implementing CDD measures, DNFBPs can identify and mitigate the risks associated with money laundering and terrorism financing activities.

In addition to CDD measures, DNFBPs are also required to report suspicious transactions to the relevant authorities. Suspicious transaction reporting (STR) involves reporting transactions that are unusual or have no apparent economic or lawful purpose, and that could be indicative of money laundering or terrorism

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financing activities (FATF, 2018). Reporting suspicious transactions allows DNFBPs to play a key role in the detection and prevention of these illicit activities.

Finally, DNFBPs are also required to implement internal controls and risk management systems to prevent and mitigate the risks associated with money laundering and terrorism financing activities. These measures can include policies and procedures for identifying and reporting suspicious transactions, training for employees on AML/CFT regulations, and ongoing monitoring of customer transactions (FATF, 2018).

In conclusion, DNFBPs play a critical role in preventing money laundering and terrorism financing activities. By implementing robust compliance measures, such as CDD, STR, and internal controls, DNFBPs can mitigate the risks associated with these illicit activities and contribute to a more secure and stable financial system.

### **Regulatory Compliance Measures for DNFBPs**

DNFBPs are obligated to comply with the AML/CFT regulations in order to prevent money laundering and terrorism financing activities. The regulatory compliance measures that DNFBPs need to implement include customer due diligence (CDD), record-keeping, suspicious transaction reporting (STR), and training and awareness programs (FATF, 2019).

CDD refers to the process of verifying the identity of customers and assessing the risk of potential money laundering or terrorism financing activities. DNFBPs are required to obtain and verify the identity of their customers, beneficial owners, and politically exposed persons (PEPs) before establishing business relationships or conducting transactions (Bank Negara Malaysia, 2021). The level of CDD required varies depending on the risk associated with the customer or transaction, with enhanced due diligence required for high-risk customers or transactions.

Record-keeping is another crucial aspect of AML/CFT compliance for DNFBPs. They are required to maintain accurate and up-to-date records of their customers, transactions, and CDD processes for a minimum period of five years (Bank Negara

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Malaysia, 2021). These records must be readily available for inspection by regulatory authorities and law enforcement agencies.

DNFBPs are also required to report any suspicious transactions to the authorities. Suspicious transaction reporting (STR) is a crucial tool in detecting and preventing money laundering and terrorism financing activities. DNFBPs are required to report any transactions that they suspect may be related to money laundering or terrorism financing to the Financial Intelligence and Enforcement Department (FIED) of Bank Negara Malaysia (Bank Negara Malaysia, 2021). This helps to facilitate the investigation and prosecution of money laundering and terrorism financing cases.

Finally, DNFBPs are also required to implement training and awareness programs for their staff to ensure that they are aware of the AML/CFT regulations and their responsibilities in preventing money laundering and terrorism financing activities. The training should cover the latest developments in AML/CFT regulations and typologies of money laundering and terrorism financing activities (FATF, 2019).

In summary, DNFBPs are required to implement a range of regulatory compliance measures to prevent money laundering and terrorism financing activities. These include customer due diligence, record-keeping, suspicious transaction reporting, and training and awareness programs. Compliance with these measures is crucial in protecting the integrity of the financial system and preventing the use of the system for illicit activities.

### **Designated Non-Financial Businesses and Professions (DNFBPs)**

Designated Non-Financial Businesses and Professions (DNFBPs) are entities that are not financial institutions but are at risk of being exploited by money launderers and terrorist financiers. DNFBPs are often referred to as the "gatekeepers" of the financial system as they play a critical role in preventing the abuse of the financial system for criminal purposes (GAFI, 2012). In Malaysia, DNFBPs are defined under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFA).

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The above-listed businesses and professions are considered as high-risk entities for money laundering and terrorist financing activities due to their dealings with clients who often prefer to keep their identities and financial activities anonymous. Therefore, DNFBPs have been placed under AML/CFT regulations to ensure that they have adequate policies and procedures in place to prevent their services from being exploited for illegal activities.

In Malaysia, the Securities Commission (SC) (Securities Commission Malaysia, 2021), Bank Negara Malaysia (BNM), and the Companies Commission of Malaysia (SSM) are responsible for supervising and regulating DNFBPs under the AMLATFA. These regulatory bodies ensure that DNFBPs comply with AML/CFT regulations and that they have appropriate measures in place to prevent their services from being used for money laundering and terrorism financing activities.

It is essential for DNFBPs to understand their obligations under the AML/CFT regulations and to comply with them to avoid being penalized. Failure to comply with AML/CFT regulations can lead to severe consequences, including fines, reputational damage, and criminal prosecution. Therefore, DNFBPs must be aware of the risks associated with their businesses and professions and have appropriate measures in place to manage these risks effectively.

In summary, DNFBPs play a crucial role in preventing money laundering and terrorism financing activities. The types of businesses and professions falling under DNFBPs vary from one jurisdiction to another. In Malaysia, lawyers, notaries, other independent legal professionals, accountants, real estate agents, dealers in precious metals or stones, trust and company service providers, and dealers in high-value goods are classified as DNFBPs. Regulatory bodies in Malaysia such as the SC, BNM, and SSM are responsible for supervising and regulating DNFBPs to ensure compliance with AML/CFT regulations. DNFBPs need to be aware of their obligations under AML/CFT regulations and the risks associated with their businesses and professions to ensure they have appropriate measures in place to manage these risks effectively.

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## **Risk and Importance DNFBPs**

DNFBPs are considered to be at high risk of being exploited for money laundering and terrorism financing activities due to their inherent characteristics, such as dealing with large amounts of cash and engaging in complex financial transactions. The risks associated with DNFBPs have been recognized by international bodies and governments, which have led to the introduction of AML/CFT regulations specifically aimed at DNFBPs.

The Financial Action Task Force (FATF) has highlighted the risks associated with DNFBPs and the importance of their compliance with AML/CFT regulations. In its guidance on DNFBPs, the FATF stated that "DNFBPs can be exploited by money launderers and terrorist financiers as a means of introducing illicit funds into the financial system, or for conducting transactions that disguise the true origin or ownership of funds" (FATF, 2013).

The risks associated with DNFBPs are not limited to their vulnerability to money laundering and terrorism financing. These businesses and professions may also be vulnerable to other financial crimes such as fraud, corruption, and tax evasion. Non-compliance with AML/CFT regulations can lead to significant reputational damage, legal and financial penalties, and even criminal prosecution. This emphasizes the importance of DNFBPs being aware of the risks they face and taking steps to mitigate them by implementing effective AML/CFT compliance measures.

The importance of DNFBPs' compliance with AML/CFT regulations is not only crucial for mitigating the risks associated with money laundering and terrorism financing, but also for maintaining the integrity and stability of the financial system. A lack of compliance can undermine public confidence in the financial system, and lead to reputational damage for both the DNFBP and the country in which it operates.

In Malaysia, DNFBPs are regulated under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFA) (Government of Malaysia, 2001). The Act provides for the regulation and



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supervision of DNFBBs, including the imposition of various AML/CFT requirements. These include the obligation to conduct customer due diligence, to monitor and report suspicious transactions, and to implement internal controls and risk management systems.

The importance of DNFBBs' compliance with AML/CFT regulations in Malaysia is reflected in the penalties for non-compliance, which can be severe. Under AMLATFA, DNFBBs can face fines of up to RM5 million or imprisonment for a term not exceeding 5 years, or both. Additionally, the Central Bank of Malaysia has the power to revoke the license of a DNFBB that fails to comply with AML/CFT regulations.

Overall, the risks associated with DNFBBs underscore the importance of their compliance with AML/CFT regulations. Not only does this mitigate the risks of money laundering and terrorism financing, but it also promotes the integrity and stability of the financial system. The regulatory framework in Malaysia provides a comprehensive set of AML/CFT requirements for DNFBBs, and non-compliance can result in severe penalties.

### **Challenges and Issues in AML/CFT Compliance for DNFBBs**

DNFBBs are recognized as a high-risk sector for money laundering and terrorism financing activities. As such, they face unique challenges in complying with AML/CFT regulations. The following sections discuss some of the main challenges and issues faced by DNFBBs in AML/CFT compliance (Financial Action Task Force, 2019).

#### **1. Lack of Awareness and Understanding**

One of the biggest challenges faced by DNFBBs is the lack of awareness and understanding of AML/CFT regulations. Many small businesses and professionals may not have the resources or expertise to fully understand their obligations under AML/CFT laws. This lack of awareness can result in inadequate compliance measures, leaving these businesses vulnerable to money laundering and terrorism financing activities.

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## 2. Resource Constraints

DNFBPs, particularly small businesses and professionals, may lack the resources needed to implement robust AML/CFT compliance measures. The cost of implementing and maintaining such measures can be prohibitive for small businesses and professionals, leading to inadequate compliance measures.

## 3. Client Acceptance

Some DNFBPs may be hesitant to turn away potential clients who may pose a high risk for money laundering and terrorism financing activities. This can be particularly challenging for small businesses and professionals who rely on a small client base for their income. Inadequate client acceptance policies can leave DNFBPs vulnerable to regulatory sanctions and reputational damage.

## 4. Technological Challenges

DNFBPs may face technological challenges in implementing AML/CFT compliance measures. For instance, they may lack the expertise or resources to implement and maintain robust transaction monitoring systems, leading to inadequate detection of suspicious transactions.

## 5. Regulatory Compliance Burden

DNFBPs may face a regulatory compliance burden, particularly when complying with multiple AML/CFT regulations. This can be particularly challenging for businesses that operate in multiple jurisdictions, each with their own set of AML/CFT regulations.

## 6. Complexity of AML/CFT Regulations

AML/CFT regulations are complex and constantly evolving, making compliance challenging for DNFBPs. Compliance with AML/CFT regulations often requires a high level of expertise and resources, which may be difficult for small businesses and professionals to obtain.

## 7. Confidentiality Concerns

DNFBPs are often required to report suspicious transactions to the relevant authorities, which may raise concerns about client confidentiality. This can be

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particularly challenging for professionals, such as lawyers and accountants, who are bound by professional codes of conduct and confidentiality obligations.

#### 8. Inadequate Regulatory Oversight

In some jurisdictions, there may be inadequate regulatory oversight of DNFBPs, leading to a lack of enforcement of AML/CFT regulations. This can create a permissive environment for money laundering and terrorism financing activities.

The challenges and issues faced by DNFBPs in AML/CFT compliance are significant, and addressing these challenges requires a concerted effort from regulators, industry bodies, and DNFBPs themselves. The following section discusses some best practices in AML/CFT compliance for DNFBPs.

#### **Best Practices in AML/CFT Compliance for DNFBPs**

Best practices in AML/CFT compliance for DNFBPs aim to mitigate the risks of money laundering and terrorist financing while promoting sustainable corporate governance. This section explores some of the best practices in AML/CFT compliance for DNFBPs.

One of the best practices in AML/CFT compliance for DNFBPs is the implementation of a risk-based approach. A risk-based approach involves assessing the risks of money laundering and terrorist financing associated with a DNFBP's business activities and applying appropriate measures to mitigate those risks (FATF, 2019). A risk assessment should be conducted periodically and reviewed whenever significant changes occur in the DNFBP's business activities or operating environment.

Another best practice in AML/CFT compliance for DNFBPs is the establishment of internal controls and procedures. DNFBPs should have policies, procedures, and internal controls in place to identify, assess, and mitigate the risks of money laundering and terrorist financing associated with their business activities (FATF,

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2019). These controls should cover areas such as customer due diligence, record-keeping, and reporting of suspicious transactions.

Training and awareness programs for employees is also a crucial best practice in AML/CFT compliance for DNFBPs. Employees should be trained on the DNFBP's AML/CFT policies and procedures, as well as their role and responsibilities in preventing money laundering and terrorist financing. Training should be provided on a regular basis to ensure that employees remain up-to-date with the latest AML/CFT developments.

Collaboration and information sharing with other institutions and authorities is also essential. DNFBPs should cooperate with other institutions and authorities, such as law enforcement agencies, financial intelligence units, and regulators, to prevent and detect money laundering and terrorist financing activities (FATF, 2019). DNFBPs should also share information on suspicious transactions or activities with these entities to facilitate investigations and enforcement actions.

Finally, regular audits and assessments of AML/CFT compliance are another best practice. DNFBPs should regularly review and assess their AML/CFT compliance to ensure that their policies, procedures, and controls remain effective and up-to-date (FATF, 2019). Independent audits can provide an objective assessment of the DNFBP's compliance with AML/CFT regulations and identify areas for improvement.

In conclusion, compliance with AML/CFT regulations is crucial for DNFBPs to prevent money laundering and terrorist financing activities and promote sustainable corporate governance. Best practices in AML/CFT compliance for DNFBPs include implementing a risk-based approach, establishing internal controls and procedures, providing training and awareness programs for employees, collaborating and sharing information with other institutions and authorities, and conducting regular audits and assessments of AML/CFT compliance.

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## **Empirical Studies on Ethical Behavior in AML/CFT Compliance**

Empirical studies have been conducted to understand the ethical behavior of individuals and organizations in the context of Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) compliance. These studies aim to identify the factors that influence ethical decision-making and behavior, as well as to evaluate the effectiveness of different measures and interventions to promote ethical behavior.

One study by Ariane Lambert-Mogiliansky and co-authors (2017) examined the impact of financial incentives on compliance with AML/CFT regulations. The study involved a laboratory experiment with students acting as compliance officers for a fictional bank, with varying levels of financial incentives offered for reporting suspicious transactions. The results showed that higher financial incentives did not necessarily lead to increased compliance, and in fact, may have led to increased unethical behavior, such as falsifying records to avoid reporting suspicious transactions.

Another study by Babis Fotopoulos and co-authors (2019) explored the ethical decision-making processes of AML/CFT compliance officers in Greece. The study used a qualitative approach, with interviews conducted with compliance officers from 11 banks and 7 law firms. The results revealed that ethical decision-making was influenced by a range of factors, including organizational culture, personal values and beliefs, and the perceived severity of the compliance violation. The study also highlighted the importance of training and support for compliance officers in navigating ethical dilemmas.

A study by Jan Kusser and co-authors (2020) examined the role of moral disengagement in AML/CFT compliance, using a survey of 183 compliance officers in German financial institutions. The results showed that moral disengagement, or the tendency to justify unethical behavior through cognitive distortions, was associated with lower levels of compliance with AML/CFT regulations. The study also found that organizational factors, such as leadership

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style and culture, were important in preventing moral disengagement and promoting ethical behavior.

In addition, a study by Paul M. Vaaler and co-authors (2019) explored the impact of social norms on ethical behavior in AML/CFT compliance. The study used a survey of compliance officers in US financial institutions, and found that social norms, such as the perceived expectations of peers and superiors, were significant predictors of compliance behavior. The study also suggested that interventions to promote ethical behavior should focus on changing social norms within organizations.

Overall, these empirical studies provide important insights into the factors that influence ethical behavior in AML/CFT compliance. The findings highlight the complex nature of ethical decision-making, and the importance of considering individual, organizational, and societal factors in promoting ethical behavior. These studies also suggest that a range of interventions, such as training, leadership development, and changes to organizational culture and social norms, may be effective in promoting ethical behavior and preventing compliance violations.

### **DNFBPs Ethical Dilemmas in Compliance with AML/CFT Regulations**

In the world of finance, the importance of ethical behavior cannot be overstated. The concept of ethics involves adhering to a set of moral principles that dictate the behavior of individuals and organizations. It is a fundamental aspect of conducting business in a responsible and sustainable manner. Ethical behavior in business is particularly important because it ensures that companies operate in a manner that is not only legal but also socially and morally responsible.

DNFBPs, or Designated Non-Financial Businesses and Professions, are particularly susceptible to ethical dilemmas due to their role in the global financial system. These businesses and professions, which include lawyers, accountants, and real estate agents, are required to comply with anti-money laundering (AML) and countering the financing of terrorism (CFT) regulations. These regulations are designed to prevent the illicit flow of funds through the financial system and to

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ensure that businesses and professions are not being used to facilitate criminal activity.

However, compliance with these regulations can present ethical challenges for DNFBPs. For example, a lawyer may be required to disclose confidential client information to comply with AML/CFT regulations, which could compromise the attorney-client privilege. Similarly, a real estate agent may be required to identify and verify the identity of a client purchasing a property, which could violate the client's privacy.

To address these ethical challenges, DNFBPs must take a proactive approach to ethics and compliance. This requires a commitment to ethical behavior at all levels of the organization, from the senior management to individual employees. Companies must develop a comprehensive ethics and compliance program that includes policies, training, and oversight to ensure that employees understand their ethical obligations and are equipped to make ethical decisions.

One example of such a program is the International Chamber of Commerce's (ICC) Ethics and Compliance Training Handbook (ICC, 2017), which provides a framework for developing an effective ethics and compliance program. The handbook emphasizes the importance of leadership in promoting ethical behavior and outlines the key components of an effective ethics and compliance program, including a code of conduct, risk assessment, training, and monitoring.

In addition to developing an ethics and compliance program, DNFBPs must also be prepared to address ethical dilemmas as they arise. This requires a commitment to open communication and transparency, both within the organization and with external stakeholders. Companies must have mechanisms in place to encourage employees to report potential ethical violations and to ensure that those reports are handled appropriately.

One example of such a mechanism is the establishment of a whistleblowing hotline. A whistleblowing hotline provides employees with a confidential and anonymous

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means of reporting potential ethical violations, which can help to prevent and detect unethical behavior.

In conclusion, ethical behavior is critical for DNFBPs operating in the global financial system. Compliance with AML/CFT regulations can present ethical challenges, but these challenges can be addressed through the development of a comprehensive ethics and compliance program that includes policies, training, and oversight. DNFBPs must also be prepared to address ethical dilemmas as they arise and to encourage open communication and transparency within the organization. By taking a proactive approach to ethics and compliance, DNFBPs can ensure that they operate in a responsible and sustainable manner.

### **Agency Theory in Corporate Governance**

The agency theory has gained significant attention in the corporate governance literature as it provides a framework to understand the relationship between principals and agents in organizations. The theory suggests that the agents act in their self-interests, and it is the responsibility of the principal to align the interests of the agents with the interests of the organization. This literature review aims to explore the implications of agency theory in corporate governance for anti-money laundering (AML) and combating the financing of terrorism (CFT) compliance in designated non-financial businesses and professions (DNFBPs).

Several studies have explored the relevance of agency theory in the context of corporate governance and its implications for AML/CFT compliance in DNFBPs. For instance, Chan, Mo and Xu (2018) argue that the misalignment of interests between principals and agents can lead to non-compliance with AML/CFT regulations. They suggest that corporate governance mechanisms, such as board independence and the presence of a dedicated compliance officer, can help align the interests of agents with those of principals and ensure compliance with AML/CFT regulations.

Similarly, Ahmed and Ahmed (2019) highlight the role of the board of directors in ensuring AML/CFT compliance in DNFBPs. They suggest that the board's



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oversight function can act as a mechanism to mitigate the agency problem and ensure that agents act in the best interests of the organization.

Moreover, Huang, Jiang and Wang (2020) explore the impact of CEO characteristics on AML/CFT compliance in DNFBPs. They suggest that CEO power and CEO duality can lead to a misalignment of interests between principals and agents, resulting in non-compliance with AML/CFT regulations.

Overall, the literature suggests that agency theory provides a useful framework to understand the relationship between principals and agents in DNFBPs and its implications for AML/CFT compliance. The studies emphasize the need for corporate governance mechanisms, such as board independence and oversight, to mitigate the agency problem and ensure compliance with AML/CFT regulations.

In conclusion, the literature review highlights the relevance of agency theory in corporate governance and its implications for AML/CFT compliance in DNFBPs. The studies suggest that corporate governance mechanisms, such as board independence and oversight, can help align the interests of agents with those of principals and ensure compliance with AML/CFT regulations. Further research can explore the effectiveness of these mechanisms in mitigating the agency problem and ensuring AML/CFT compliance in DNFBPs.

### **Frameworks for Sustainable Corporate Governance to the Effectiveness of AML/CFT Compliance**

Corporate governance has become increasingly important in recent years, especially in the context of sustainable development. Sustainable corporate governance refers to the management practices that balance social, environmental, and economic factors to ensure the long-term success of a business (Hahn, 2013). The concept of sustainable corporate governance involves not only financial success but also social and environmental responsibility. In the context of anti-money laundering (AML) and combating the financing of terrorism (CFT) compliance, sustainable corporate governance plays a vital role in ensuring that a company operates ethically and

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sustainably. This review will explore the different frameworks for sustainable corporate governance and their effectiveness in AML/CFT compliance.

One framework for sustainable corporate governance is the United Nations Global Compact (UNGC), which was established in 2000. The UNGC provides a framework for businesses to align their strategies and operations with ten principles in the areas of human rights, labor, environment, and anti-corruption. In the context of AML/CFT compliance, the UNGC can provide guidance on ethical business practices that support the prevention of money laundering and terrorist financing. Companies that adhere to the principles of the UNGC can demonstrate their commitment to sustainable corporate governance and, by extension, AML/CFT compliance.

Another framework for sustainable corporate governance is the International Integrated Reporting Framework (IIRF), developed by the International Integrated Reporting Council (IIRC). The IIRF provides a framework for companies to report on their financial, social, and environmental performance in an integrated way. This approach recognizes that financial performance is not the only indicator of a company's success, and that social and environmental factors are also important. In the context of AML/CFT compliance, the IIRF can provide a framework for companies to report on their efforts to prevent money laundering and terrorist financing as part of their overall sustainability strategy.

The Global Reporting Initiative (GRI) is another framework for sustainable corporate governance that can be applied to AML/CFT compliance. The GRI provides a set of guidelines for companies to report on their sustainability performance in a standardized way. The GRI includes indicators related to anti-corruption, human rights, and labor practices, which are all relevant to AML/CFT compliance. By reporting on their AML/CFT efforts according to the GRI, companies can demonstrate their commitment to sustainable corporate governance and their efforts to prevent money laundering and terrorist financing.

Finally, the ISO 26000 standard provides guidance on social responsibility and can be applied to sustainable corporate governance and AML/CFT compliance. The

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standard provides guidance on how businesses can operate in a socially responsible way by considering the interests of stakeholders, including customers, employees, suppliers, and the community. In the context of AML/CFT compliance, the ISO 26000 standard can provide guidance on ethical business practices that support the prevention of money laundering and terrorist financing.

In conclusion, sustainable corporate governance is essential to ensuring the long-term success of a business, and frameworks such as the UNGC, IIRF, GRI, and ISO 26000 provide guidance on how companies can achieve sustainable corporate governance. These frameworks can also be applied to AML/CFT compliance, helping companies to prevent money laundering and terrorist financing as part of their overall sustainability strategy. By adopting sustainable corporate governance practices, companies can demonstrate their commitment to operating ethically and sustainably, which is increasingly important to stakeholders, including customers, investors, and regulators.

### **Role of DNFBPs in Promoting Sustainable Practices**

DNFBPs (Designated Non-Financial Businesses and Professions) play an essential role in promoting sustainable practices. These entities are not directly involved in financial transactions but provide crucial services such as legal and accounting services, which are used in money laundering and terrorist financing. DNFBPs' compliance with sustainability practices is crucial in promoting environmental and social sustainability, which is essential in the long-term success of businesses. This paper focuses on the role of DNFBPs in promoting sustainable practices.

**DNFBPs' Role in Promoting Sustainable Practices:** DNFBPs have a significant role in promoting sustainable practices. These entities are responsible for providing services that help businesses comply with sustainability standards (Hawn, 2018). For example, accounting firms can provide environmental, social, and governance (ESG) audit services, which help businesses measure their sustainability performance (Bol, 2018). Similarly, law firms can provide legal advice to businesses on compliance with sustainability regulations (Gibson, 2019). DNFBPs can also play a role in promoting sustainability by integrating sustainability

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practices into their operations. For example, law firms can implement sustainability policies such as reducing paper usage, implementing recycling programs, and reducing energy consumption.

**Sustainability Reporting:** Sustainability reporting is the practice of disclosing a business's sustainability performance to stakeholders, including shareholders, customers, and the public (Leisinger, 2018)). DNFBPs can play a significant role in promoting sustainability reporting. For example, accounting firms can provide sustainability reporting services, which help businesses report their sustainability performance to stakeholders. Similarly, law firms can provide legal advice to businesses on compliance with sustainability reporting regulations. DNFBPs can also play a role in promoting sustainability reporting by providing training to businesses on how to report sustainability performance effectively.

**Promoting Sustainable Finance:** Sustainable finance refers to the practice of investing in businesses that promote environmental and social sustainability. DNFBPs can play a significant role in promoting sustainable finance. For example, accounting firms can provide sustainability due diligence services, which help investors assess the sustainability performance of businesses before investing in them. Similarly, law firms can provide legal advice to businesses on compliance with sustainability regulations. DNFBPs can also play a role in promoting sustainable finance by integrating sustainability practices into their operations. For example, accounting firms can develop sustainability-focused financial products, such as green bonds and sustainability-linked loans.

In conclusion, DNFBPs play a crucial role in promoting sustainable practices. These entities provide services that help businesses comply with sustainability standards and can integrate sustainability practices into their operations. DNFBPs can promote sustainability by providing sustainability reporting services, promoting sustainable finance, and integrating sustainability practices into their operations. In the long-term, businesses that adopt sustainable practices are likely to be more successful than those that do not. Therefore, DNFBPs' role in promoting sustainability practices is crucial in ensuring the long-term success of businesses.

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## Conclusion

After reviewing the previous sections, it is evident that DNFBPs play a significant role in promoting ethical behavior and sustainable corporate governance in the context of AML/CFT regulations. However, there are several factors that influence the awareness, knowledge, and intentions of DNFBPs towards ethical behavior.

Firstly, the concept of ethics and ethical behavior is subjective and can vary based on cultural and contextual factors. Therefore, it is crucial for DNFBPs to have a comprehensive understanding of ethical principles and values, as well as the legal and regulatory frameworks that govern their operations.

Secondly, the effectiveness of AML/CFT compliance relies on the commitment of DNFBPs towards ethical behavior. This commitment can be influenced by various factors such as the firm's organizational culture, leadership, incentives, and training programs.

Thirdly, sustainable corporate governance is crucial for the long-term success of a business, and DNFBPs can play a vital role in promoting sustainable practices by adopting frameworks such as ESG and SDGs.

Lastly, empirical studies have shown that the level of awareness, knowledge, and intentions towards ethical behavior among DNFBPs can vary based on factors such as firm size, industry, and geographical location.

Based on these findings, a conceptual framework can be developed to understand the awareness, knowledge, and intentions of DNFBPs towards ethical behavior in the context of AML/CFT regulations. This framework includes three main components: the firm's ethical culture and values, the effectiveness of AML/CFT compliance, and the promotion of sustainable practices.

The first component, the firm's ethical culture and values, refers to the extent to which the firm's leadership and organizational culture promote ethical behavior.

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This component can be measured by assessing the firm's code of conduct, training programs, and the level of transparency and accountability in its operations.

The second component, the effectiveness of AML/CFT compliance, refers to the extent to which the firm is compliant with the legal and regulatory frameworks that govern its operations. This component can be measured by assessing the firm's risk management framework, internal controls, and the level of due diligence conducted on its clients.

The third component, the promotion of sustainable practices, refers to the extent to which the firm adopts frameworks such as ESG and SDGs to promote sustainable practices. This component can be measured by assessing the firm's environmental and social impact, its engagement with stakeholders, and its commitment towards sustainability.

In conclusion, the awareness, knowledge, and intentions of DNFBPs towards ethical behavior in the context of AML/CFT regulations can be influenced by various factors such as the firm's ethical culture, the effectiveness of AML/CFT compliance, and the promotion of sustainable practices. Therefore, it is crucial for policy makers, practitioners, and researchers to address these factors and develop interventions that promote ethical behavior and sustainable corporate governance among DNFBPs.

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## **CHAPTER 3**

### **RESEARCH METHOD**

The previous chapter provided a comprehensive overview of the theoretical foundations and empirical studies related to ethical behavior and sustainable corporate governance in the context of AML/CFT compliance. This chapter aims to present the research methodology employed in this study to investigate the awareness, knowledge, and intentions of Designated Non-Financial Businesses and Professions (DNFBPs) towards ethical behavior and sustainable corporate governance practices.

The research methodology employed in this study is designed to provide a systematic approach for data collection and analysis. The chapter begins with a brief overview of the research design, followed by a discussion of the research participants, sampling techniques, data collection instruments, and data analysis techniques. The strengths and limitations of the research design are also discussed.

The main objective of this chapter is to provide a detailed description of the research methodology used in this study, which is essential to evaluate the validity and reliability of the findings. The research methodology adopted in this study is intended to provide a robust and rigorous approach for data collection and analysis to achieve the research objectives.

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## **Research Design**

For this study, a quantitative descriptive research method was employed. This approach involves the collection of data on various variables, which is then synthesized to draw conclusions about the research topic (Creswell, 2012).

### **Descriptive Analysis**

Descriptive research is a type of research design that aims to describe the characteristics of a particular group, population or phenomenon (Salaria, 2012). In this study, the unit of analysis is DNFBPs operating in Malaysia. Descriptive analysis will be employed to explore the demographics of DNFBPs and their awareness, perception, knowledge, and ethical behavior intentions towards promoting sustainable corporate governance in the context of AML/CFT compliance in Malaysia. The focus of this research is to provide a comprehensive and detailed understanding of the current state of DNFBPs' awareness and practices related to AML/CFT compliance in Malaysia. Through the use of descriptive analysis, this study will provide valuable insights into the factors that contribute to effective AML/CFT compliance among DNFBPs and identify areas that need further improvement. Ultimately, this research will contribute to the development of effective strategies for promoting sustainable corporate governance and combating financial crimes in Malaysia.

## **Sampling Design**

### **Target Population**

For this study, the population of interest is employees who are currently working in Designated Non-Financial Businesses and Professions (DNFBPs) in Malaysia.

### **Sampling Location and Sampling Frames**

For the purpose of obtaining a comprehensive understanding of the situation in Malaysia, this study has selected all the states in Malaysia, including federal territories, as the location for data collection. The selection of this location is based



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on the assumption that it will provide more reliable data and a broader representation of the overall situation in Malaysia.

### **Sampling Technique**

Convenience sampling, a type of non-probability sampling, was used in this study. This method allows the researcher to select participants based on convenience (Acharya, Prakash, & Nigam, 2013). It was chosen because the respondents who met the criteria were easily accessible and available during the study period, making it convenient and cost-effective to conduct the research. The sample was obtained from relevant authorities' websites, and to ensure the reliability and validity of the data collected, individuals with experience in money laundering and financing terrorism were specifically targeted. The first section of the self-administered questionnaire served as a screening tool to ensure that only qualified respondents were included in the study, thus ensuring the accuracy of the information obtained. The study was conducted across all states and federal territories in Malaysia to obtain reliable data on DNFBPs' awareness, perception, knowledge, and ethical behavior intentions towards AML/CFT compliance in Malaysia.

### **Sample Size**

In this study, a total of 600 individuals were initially contacted through email and phone to participate in the survey. However, only 233 respondents completed the questionnaire, yielding a sample size of 233. Out of the total sample, only data from 169 employees who met the criteria were deemed valid for further analysis. Therefore, the final sample size for this study was 169.

### **Data Collection Method**

#### **Primary Data**

The primary data in this study refers to the original data collected for the specific research purpose (Hox & Boeije, 2005). For data collection, an electronic questionnaire was used which could be accessed in two ways. The respondents were given the option to either scan the QR code or access the link shared by the

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researcher to respond to the questionnaire. This method was chosen because it is efficient in terms of time and cost.

## Research Instrument

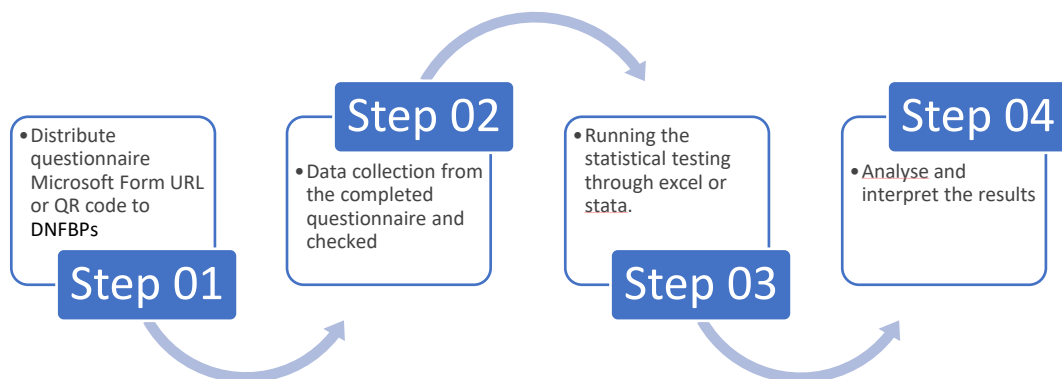
### Questionnaire Design

The methodology employed in this research involves the use of an electronic questionnaire to conduct a survey through the internet. The questionnaire was created using Microsoft Form and comprises questions from various sources to measure the awareness, knowledge, and intentions of DNFBP employees with respect to ethical sustainable corporate governance in AML/CFT in Malaysia.

Respondents were provided with the questionnaire by scanning a QR Code that was provided in-person to a large group of respondents. Online surveys are widely used in this modern era to collect data from respondents through the internet, as it offers several advantages such as quicker responses and time-saving (Llieva, Baron & Healey, 2002). Moreover, it is also inexpensive to conduct an online survey.

To protect the confidentiality of the respondents, no identifying information was requested, such as the name of their organization or their personal information. The sample for this study was selected using the Snowball sampling method, which involves recruiting participants through referrals from initial participants. A detailed description of the sampling procedure is presented in Figure 6, which can be found below.

Figure 5: Sampling Procedure



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The research instrument for this study is a self-administered questionnaire consisting of four parts. Part 1 is a consent form that informs the respondents about the purpose of the study and asks for their agreement to participate. Obtaining consent from participants is an ethical requirement in research. Upon giving consent, respondents proceed to Part 2, which includes a qualifying question with two options. If the respondent has experience in money laundering and financing terrorism, they are required to complete Part 3 questions to measure their awareness, knowledge, and intentions regarding ethical sustainable corporate governance in AML/CFT in Malaysia. After completing Part 3, they proceed to Part 4 for demographic profile. If the respondent has no experience in money laundering and financing terrorism, they proceed directly to Part 4, which contains questions about their demographic profile. The questionnaire is designed to be self-explanatory, and respondents are able to complete it without any assistance or interviews.

### **Preliminary Test (Pre-Test)**

In survey research, pre-testing is a crucial step in ensuring the accuracy and effectiveness of the survey instrument. As noted by Fowler (2014), pre-testing is the process of administering the survey to a small group of individuals who are similar to the target population and collecting feedback on various aspects of the survey, including the questions, response options, and overall structure.

Pre-testing can help identify potential issues with the clarity, readability, and appropriateness of the survey questions, as well as the overall length and layout of the survey. It is also an important way to ensure that the survey questions are not biased and that they cover all relevant topics. Additionally, pre-testing can help researchers identify any technical issues with the survey administration process, such as difficulties with online surveys or confusion about survey instructions.

In the present study, the questionnaire was pre-tested with a group of 10 individuals, including two researchers and eight employees from various DNFBPs. The employees comprised of one Group of Compliance, two Compliance Officers, and five employees from senior administrators to junior administrators. The feedback

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received during the pre-testing process was carefully evaluated and incorporated into the final version of the questionnaire to improve its validity and reliability.

In particular, the pre-testing helped to identify potential issues with the clarity and structure of some questions. By addressing these issues before administering the survey to the larger population, the researchers were able to ensure that the survey accurately measured the intended constructs and yielded reliable and valid data.

As such, pre-testing is a critical step in survey research that can significantly improve the quality of the data collected.

## **Data Processing**

### **Data Checking**

Data checking is a crucial step in ensuring the usefulness and validity of the data collected for this study. Through data checking, the researcher can understand the respondents' answer patterns to different questions and address any problems such as unanswered questions or errors found in the questionnaire. Before finalizing the data, all such issues must be thoroughly addressed in order to ensure accurate and reliable results (Bajpai, 2011).

### **Data Editing**

The data editing process is crucial to ensure the accuracy and validity of the collected data. In this study, the questionnaire was carefully examined to identify and correct errors such as incomplete or inconsistent answers and suspicious responses (Bajpai, 2011). These errors may have been caused by respondents' carelessness, resulting in inconsistent or incorrect answers.

The identified errors were removed or adjusted in this stage to ensure that the data were valid before proceeding to the next stage of the research. A total of five questionnaires were adjusted due to typographical errors. These questionnaires

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were reviewed and corrected to ensure that they accurately reflected the respondents' intended answers.

The table 2 below presents the response rate and data quality of the survey conducted for the research. The total number of distributed surveys was 233, and all of them were collected. This makes the response rate 100%. Out of the 233 collected surveys, 169 were valid, and 64 were invalid. The percentage of valid responses, which can be used in the analysis, is 72.53%.

The response rate and data quality are important indicators of the survey's effectiveness and accuracy. A high response rate indicates that the survey was well-designed, and the participants were interested and engaged in the topic. The percentage of valid responses shows the quality of the data collected and the level of nonresponse bias, which can affect the validity and reliability of the research findings.

Table 2: Summary of the response rate

<i>Distributed</i>	<i>Collected</i>	<i>Response Rate %</i>	<i>Valid response</i>	<i>Invalid response</i>	<i>%Usable</i>
600	233	100%	169	64	72.53%

### **Data Coding**

The process of data coding involves assigning numerical or character symbols to represent the raw data in the computer system (Bajpai, 2011). In this study, the raw data obtained from the respondents will be entered into Microsoft Excel and then imported into the Statistical Package for Social Science (SPSS) system 26.0. Each question in the questionnaire will be assigned a specific code or symbol for data entry and analysis purposes. For instance, in Part 4 of the questionnaire, question 31 asks for the respondent's gender, where the number 1 represents male and the number 2 represents female.

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## **Data Entry**

The data entry stage involves entering the coded data into the SPSS system. It is crucial to double-check the accuracy of the data entry to ensure that there are no errors. This stage is important to ensure that the data is ready for the next stage of analysis.

## **Data Analysis**

The data analysis in this study was conducted using Microsoft Excel and SPSS system, as mentioned in previous section. The results obtained from these software programs will be utilized to test the hypotheses proposed in this study.

## **Descriptive Analysis**

We will use descriptive analysis to report the demographics of the respondents as well as other relevant data in this study. Descriptive statistics such as mean, standard deviation, frequency and percentage will be used to summarize the data.

## **Scale Measurement**

To assess the distribution of the data, normality tests and parametric tests will be conducted. Normality tests will be performed to determine whether the data follows a normal distribution, while parametric tests will be used to analyze the data based on the statistical assumptions made. By conducting these tests, the researchers can ensure that the data analysis is reliable and accurate.

## **Conclusion**

The previous section provides a comprehensive explanation of the stages involved in data collection, processing, and analysis, including the sampling design and research instrument. The gathered information will be further analyzed and discussed in the next chapter to draw meaningful conclusions.

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## **CHAPTER 4**

### **RESEARCH RESULTS**

In this chapter, it presents the research results of this study, which involved the use of 233 sets of questionnaires that were analyzed using IBM Statistical Package for Social Science (SPSS) version 26.0 and Microsoft Excel. This chapter aims to present the demographic and general information of the respondents, as well as the normality and parametric tests used to study the distribution of data. In addition, to ensure the reliability and validity of the data collected, suggestions gathered from the pre-test were evaluated before the complete data collection was conducted.

To provide a comprehensive understanding of the relationship between the data and the research, the results are presented in tables, along with relevant materials and additional explanations. By doing so, readers will be able to comprehend the research findings and the implications of the results for the study. The presentation of results is organized according to the research objectives, and each section provides a detailed analysis of the findings related to the research question.

#### **Descriptive Analysis**

##### **Participant's Consent**

The data shows that out of 233 participants, 232 have consented after being notified and understood the purpose of the study. Only one participant did not consent. It is important to note that obtaining consent from participants is an ethical requirement in research, and a high rate of consent is important for the validity of the study.

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## Respondent Demographic Profile

Table 3: Socio-Demographic Profile of the Respondents

Characteristic	Number	Percentage (%)
<b>Gender</b>		
Female	90	53.3
Male	79	46.7
<b>Experiences in AML/CFT (Years)</b>		
Below 6	78	46.2
6 - 10	71	42.0
11 - 15	11	6.5
16 - 20	7	4.1
Above 20	2	1.2
<b>Education</b>		
Advanced Diploma	1	0.43%
Bachelor's Degree	130	56.03%
Doctorate Degree	2	0.86%
Master's Degree	46	19.83%
Others	1	0.43%
STPM/Certificates/Diploma (tertiary level)	52	22.41%
<b>Location</b>		
Johor Darul Ta'zim	11	4.74%
Kedah Darul Aman	11	4.74%
Kelantan Darul Naim	11	4.74%
Melaka Darul Azim (Malacca)	10	4.31%
Negeri Sembilan Darul Khusus	11	4.74%
Pahang Darul Makmur	12	5.17%
Perak Darul Ridzuan	11	4.74%
Perlis Indera Kayangan	11	4.74%
Pulau Pinang (Penang)	12	5.17%
Sabah	26	11.21%



Sarawak	11	4.74%
Selangor Darul Ehsan	12	5.17%
Terengganu Darul Iman	10	4.31%
Wilayah Persekutuan – Kuala Lumpur	15	6.47%
Wilayah Persekutuan – Labuan	47	20.26%
Wilayah Persekutuan – Putrajaya	11	4.74%

We refer to the Figure 6 for type of organisation. There are a total of 232 participants and most of them are employed under Company Secretaries (79), followed by Accountants (36), Lawyers (34), and Notaries Public (22). The remaining participants are employed under other types of organizations such as Factoring Companies, Leasing Companies, Trust Companies, etc.

**Figure 6: Type of Organisation**

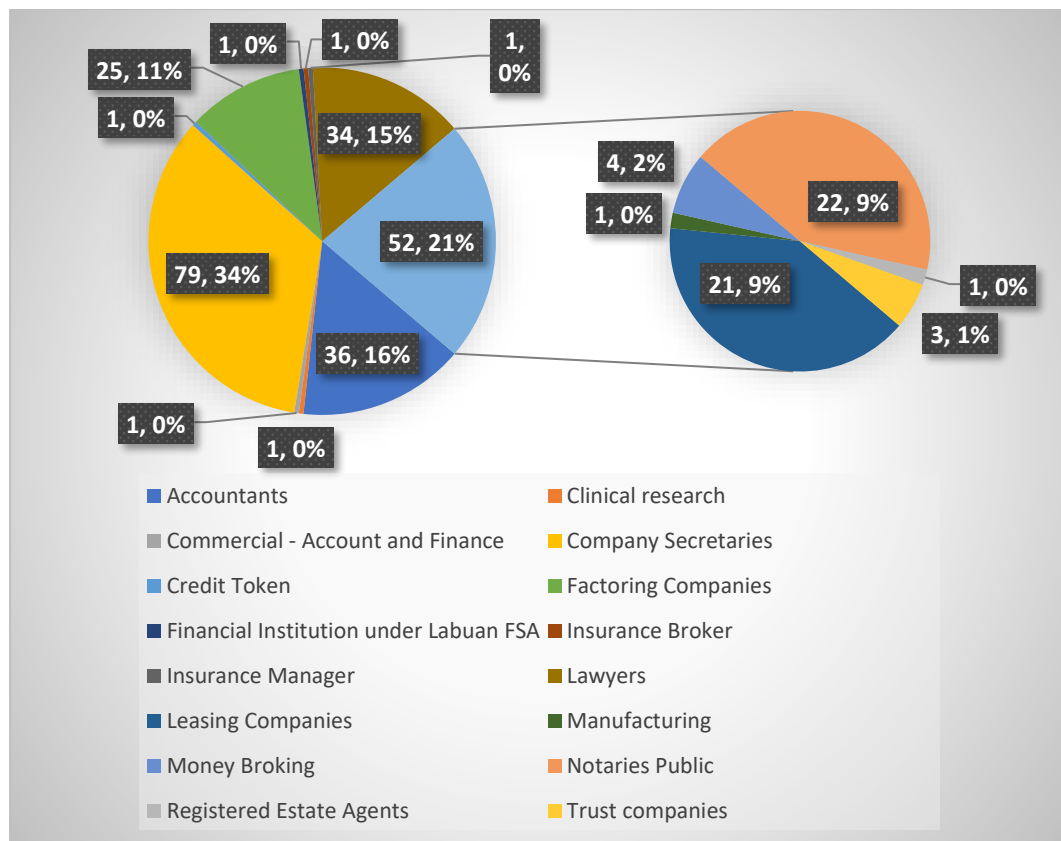


Figure 7 illustrates the frequencies of respondents according to gender. There is a total of 233 respondents, 93 respondents are male while 139 respondents are female which consists of 40% and 60% of the total respondents respectively.

Figure 7: Gender

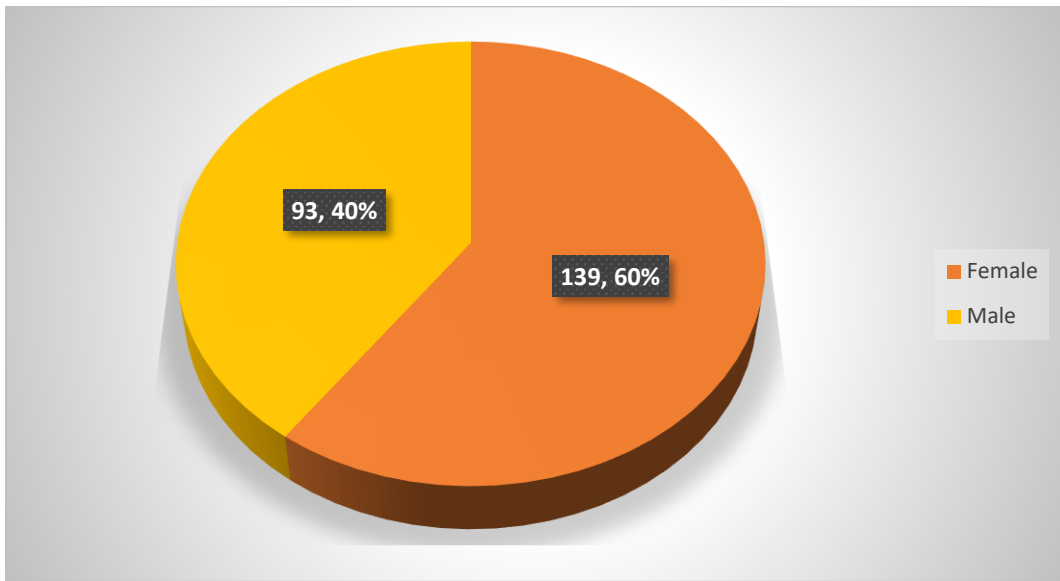
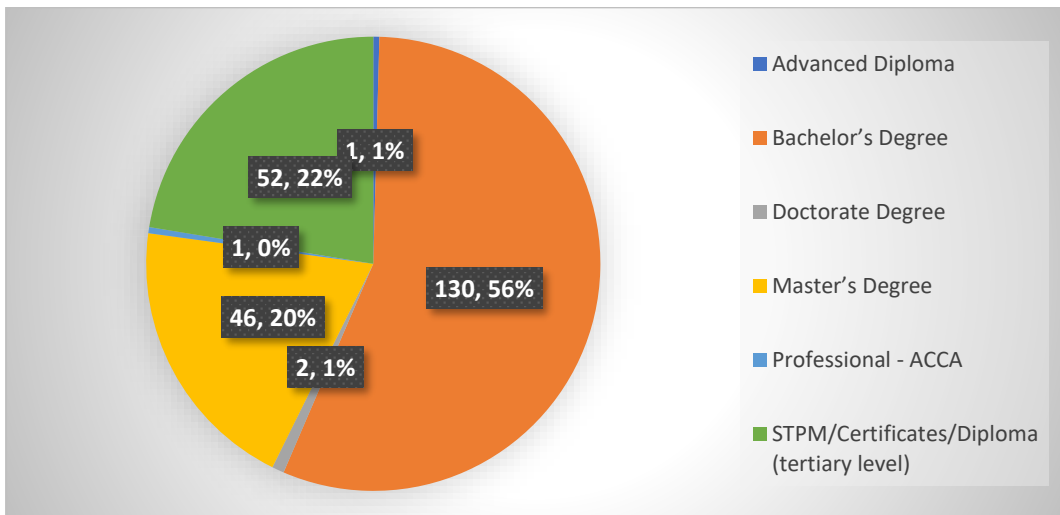


Figure 8: Education Level



Based on Figure 8, there are 6 categories of education level presented in this data, with a total of 232 respondents. The breakdown of each education level is as follows:

- Advanced Diploma: 1 respondent
- Bachelor's Degree: 130 respondents
- Doctorate Degree: 2 respondents
- Master's Degree: 46 respondents
- Professional - ACCA: 1 respondent
- STPM/Certificates/Diploma (tertiary level): 52 respondents

The most common education level among the respondents is Bachelor's Degree, with 130 respondents or 56.03% of the total. This is followed by STPM/Certificates/Diploma (tertiary level) with 52 respondents or 22.41% of the total, and then Master's Degree with 46 respondents or 19.83% of the total. The remaining education levels are less represented, with only 1 or 2 respondents each.

**Figure 9: AML/CFT compliance accreditation or Membership of Professional Body**



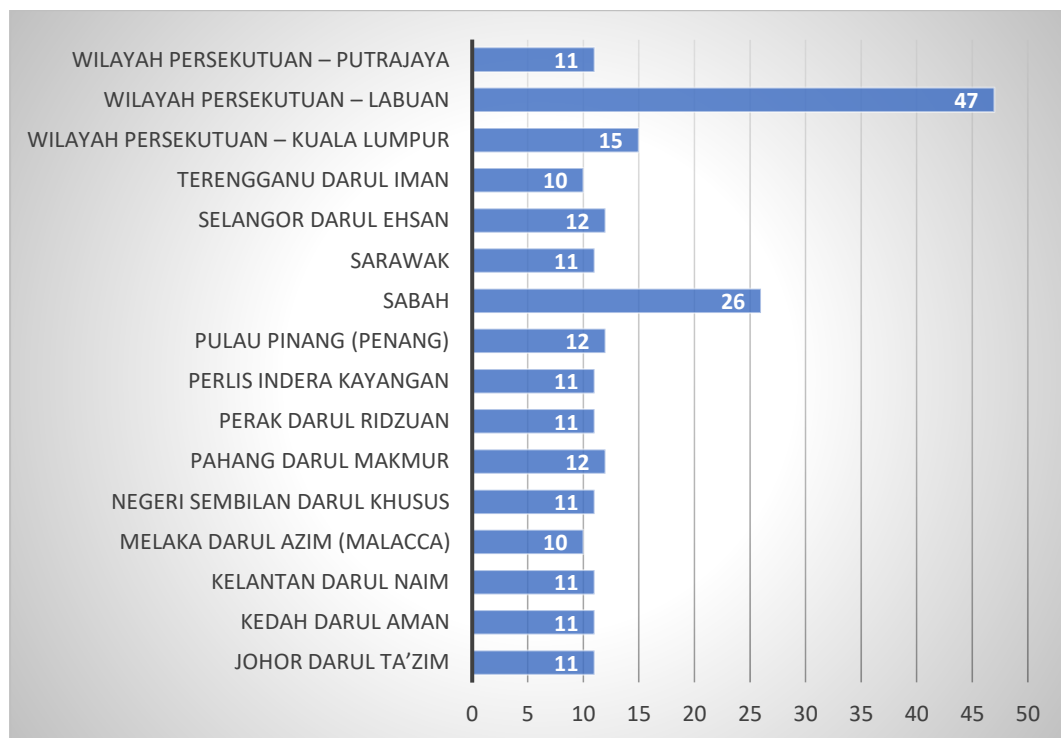
The following is the analysis of the multi-selection data referring to Figure 9 in relation to AML/CFT compliance accreditation or Membership of Professional Body of respondents:

- ACAMS (Certified Anti-Money Laundering Specialist): 2
- ACCA (Chartered Certified Accountants): 23
- ACFE (Association of Certified Fraud Examiners): 1
- AICB (Asian Institute of Chartered Bankers): 35
- CAMCO (Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer): 52
- CPA (Certified Public Accountant): 29
- FAA (Finance Accreditation Agency): 4
- ICA (International Compliance Association): 2
- License Secretary: 8

- MAICSA (Malaysian Institute of Chartered Secretaries and Administrators): 19
- MIA (Malaysian Institute of Accountants): 29
- None: 70
- Trust Officer: 1

Note that some respondents selected multiple options, so the total count of responses is more than the total number of participants (232).

**Figure 10: Location of Organization**



The Figure 10 shows the distribution of respondents' organization locations within Malaysia. Out of the 232 total respondents, the majority of the organizations are located in Wilayah Persekutuan - Labuan, with 47 respondents (20.3% of the total). The next highest locations are Sabah with 26 respondents (11.2%) and Selangor Darul Ehsan and Pahang Darul Makmur with 12 respondents each (5.2%).

On the other hand, Melaka Darul Azim has the least number of respondents with only 10 (4.3%). The other locations have almost similar numbers of respondents ranging from 11 to 15. There is also a blank entry, which may indicate missing data or incomplete responses.

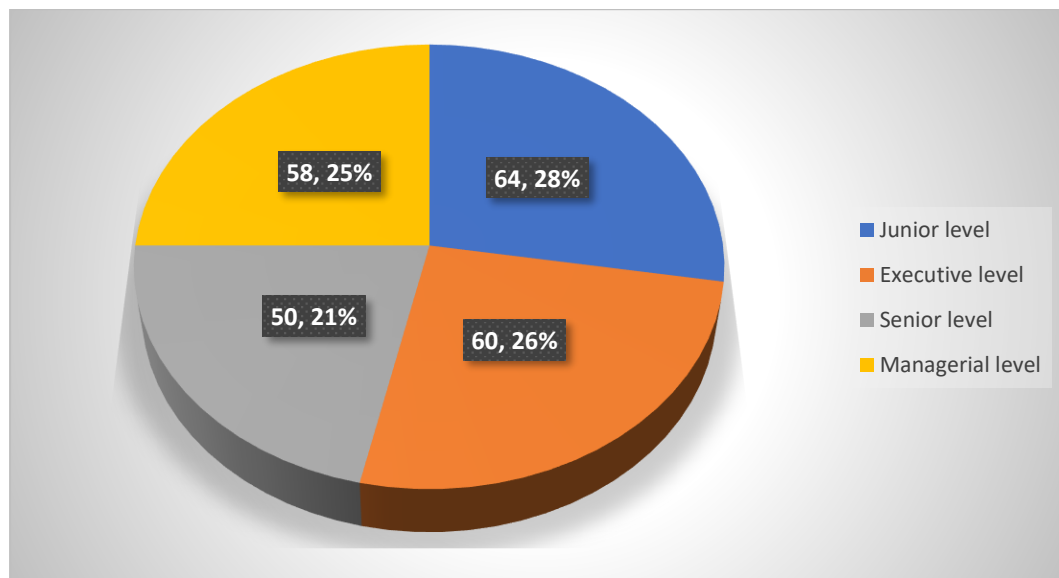
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Overall, the data suggests that the respondents are distributed across different locations in Malaysia, with a relatively high concentration of organizations located in Wilayah Persekutuan - Labuan, Sabah, and Selangor Darul Ehsan. However, it is important to note that the data only represents the respondents in this study and may not be representative of the overall distribution of organizations in Malaysia.

In term of job titles of the respondents. A total of 232 respondents participated in the survey. The majority of the respondents are accountants (16.8%), followed by company secretaries (7.3%), lawyers (7%), and compliance officers (5.6%). Other job titles mentioned by the respondents include chief finance officer, director, assistant manager, finance assistant, senior executive, supervisor, and legal executive. The figure indicates that the survey respondents come from diverse job backgrounds, which may provide a comprehensive perspective on the research topic.

Based on the job titles listed in the data, we have possible grouped the positions into Junior level, Executive level, Senior level, and Managerial level, along with the total count number in each level as per Figure 11.

Figure 11: Job Level



Note: This grouping is based solely on the job titles provided and may not accurately reflect the actual levels of the positions in the organizations represented in the data. Additionally, some job titles may be open to interpretation and could be grouped differently.

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## Experiences in AML/CFT

The Figure 12 shows that out of 232 respondents, 169 have experience in AML/CFT, while 58 have heard about it but not experienced in handling it. Additionally, 5 respondents do not know what AML/CFT is. From here we have noticed that even though the employees from the reporting institution may not have experienced it or even heard about it, there are still a significant number of employees who have experience with money laundering and financing terrorism. As such, data from the 169 employees who have experience with AML/CFT were accepted for this study.

Figure 12: Currently experiencing AML/CFT

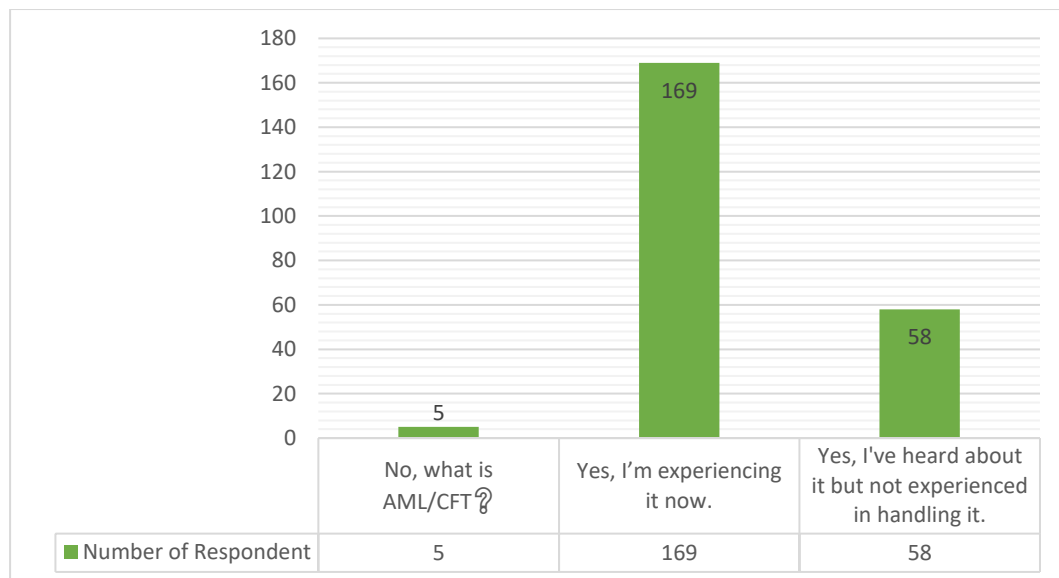
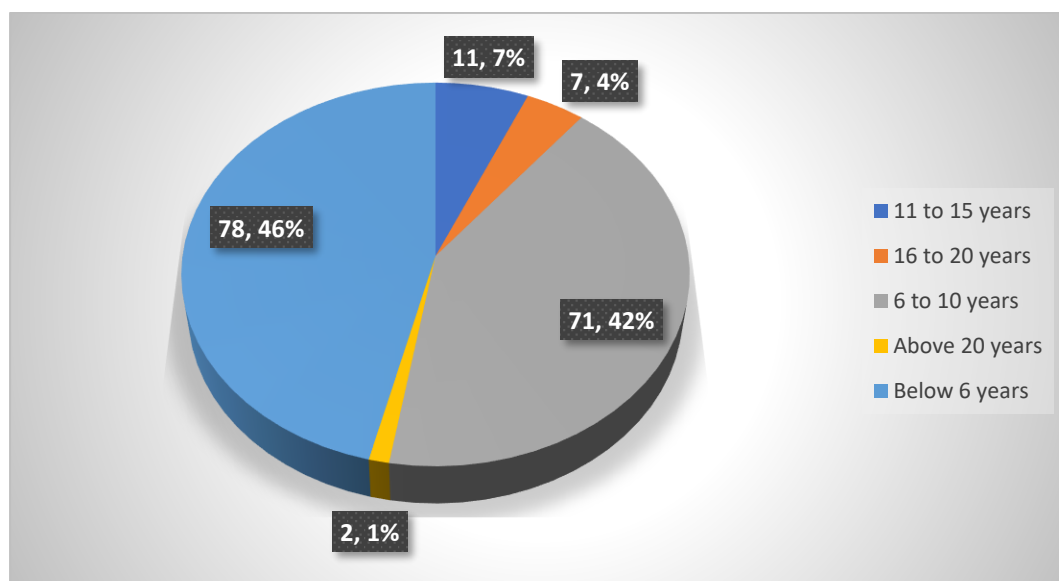


Figure 13: Numbers of experience in AML/CFT



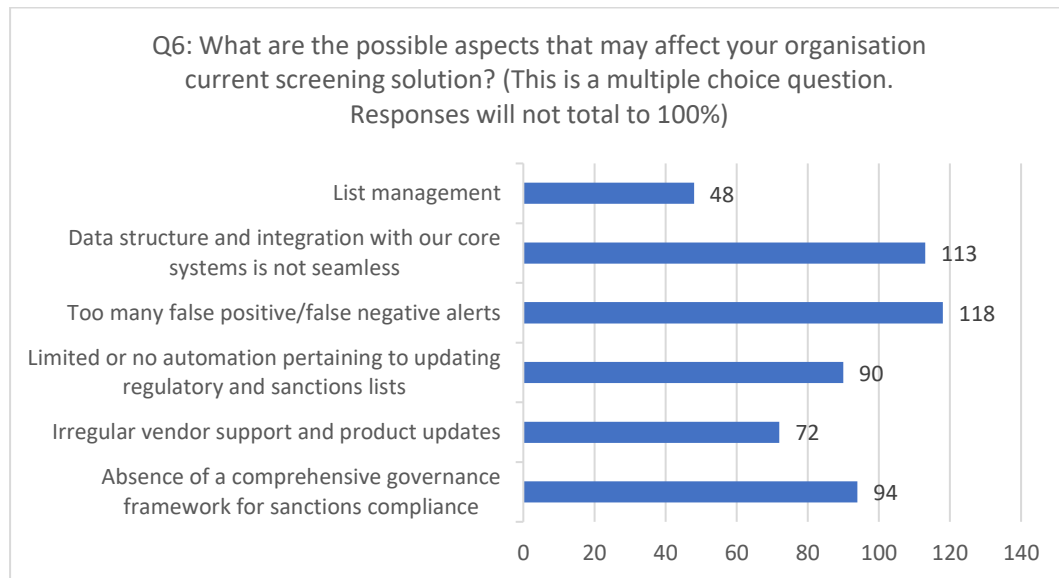
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Further to the 169 respondent who have experience in AML/CFT. The majority of the respondents (71) have 6 to 10 years of experience in AML/CFT, while the least respondents (2) have above 20 years of experience. The other respondents have 11 to 15 years (11), 16 to 20 years (7), and below 6 years (78) of experience in AML/CFT. Refer to Figure 13.

### **AML/CFT Compliance Current Practices**

Figure 14 represents the number of respondents who identified certain aspects that may affect their organization's current screening solution. The possible aspects and their corresponding number of respondents are as follows:

**Figure 14: Possible aspects that may affect organisation current screening solution**



It can be observed that "too many false positive/false negative alerts" has the highest number of respondents, indicating that it is the most significant concern for organizations regarding their current screening solution. The other aspects such as absence of comprehensive governance framework, limited automation, and data structure integration also received a significant number of responses, suggesting that they are important considerations for organizations in improving their screening solutions. On the other hand, list management received the least number of responses, indicating that it is not a major concern for most organizations.

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## AML/CFT Compliance Knowledge and Awareness

Awareness measures how the DNFBPs perceive and acknowledge the regulations and standard operating procedure. These terms and regulations are exposed to those working in this field so that their knowledge of AML/CFT is compliant with regulatory requirements and expectations. Table 4 and Figure 15 presents data on the level of confidence of the respondents in their AML/CFT knowledge with regards to regulatory requirements and expectations. Out of the 169 respondents, 113 of them expressed that they are confident in their AML/CFT knowledge, while 19 respondents stated that they are extremely confident. On the other hand, only 4 respondents stated that they are somewhat confident, and 33 respondents expressed a neutral stance.

The data suggest that the majority of the respondents have a level of confidence in their AML/CFT knowledge, with more than two-thirds of the respondents expressing confidence or extreme confidence. However, a significant proportion of respondents expressed a neutral stance, indicating that there may be some uncertainty or lack of clarity regarding the regulatory requirements and expectations. It is also noteworthy that only a small number of respondents expressed a lack of confidence in their AML/CFT knowledge.

Overall, this figure provides insight into the level of confidence of the respondents in their AML/CFT knowledge and can help identify areas where further education or training may be needed.

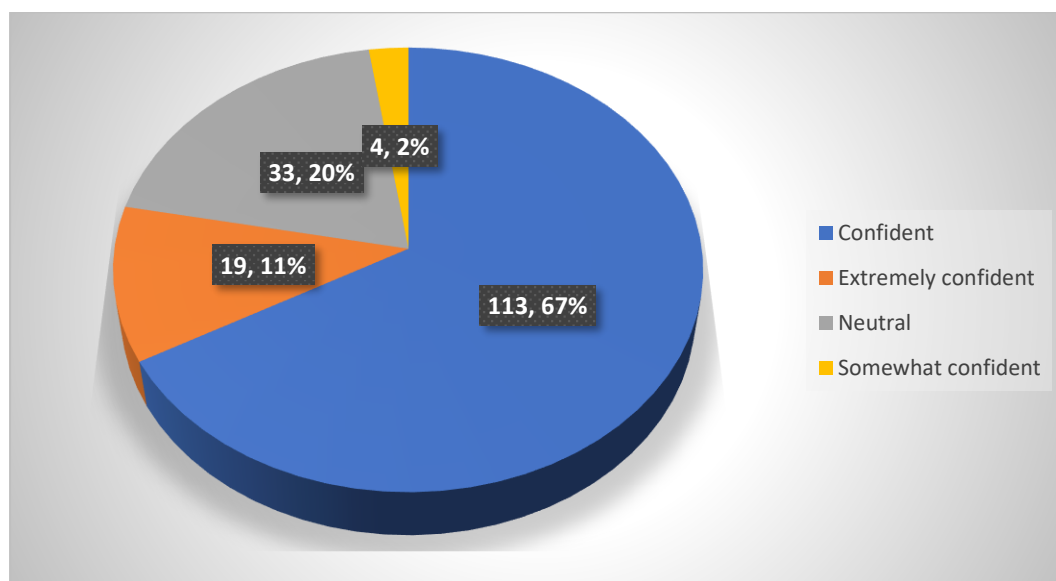
Table 4: Confidence level of DNFBPs on AML/CFT knowledge

Q5: How confident are you that your AML/CFT knowledge is compliant with regulatory requirements and expectations?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Confident	113	66.9	66.9	66.9
	Extremely confident	19	11.2	11.2	78.1
	Neutral	33	19.5	19.5	97.6
	Somewhat confident	4	2.4	2.4	100.0
	Total	169	100.0	100.0	



Figure 15: Confidence level of DNFBPs on AML/CFT knowledge



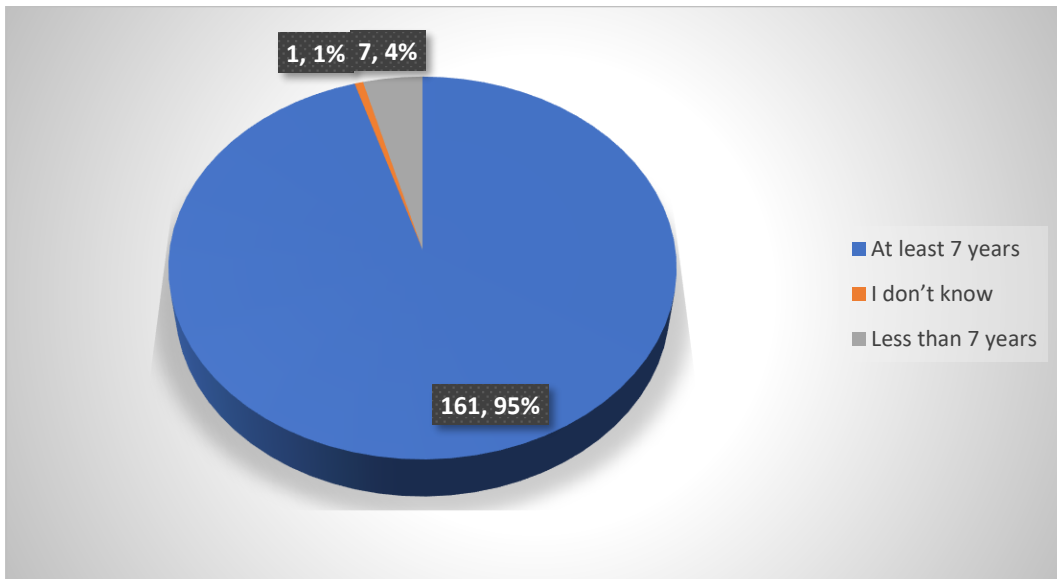
Based on the data collected as per Table 5 and Figure 16, it can be seen that the majority of the respondents (161 out of 169) indicated that records of customers should be kept for at least 7 years. Only 7 respondents indicated that records should be kept for less than 7 years, while only 1 respondent was unsure of the duration. It is important for RIs to ensure that customer records are stored securely in a form that is retrievable in a timely manner upon request, in order to comply with relevant regulations and to protect customer information.

Table 5: Record Keeping Requirement

Q8: How long are the RIs required to keep records of customers, and should they be stored securely in a form that is retrievable in a timely manner upon request?

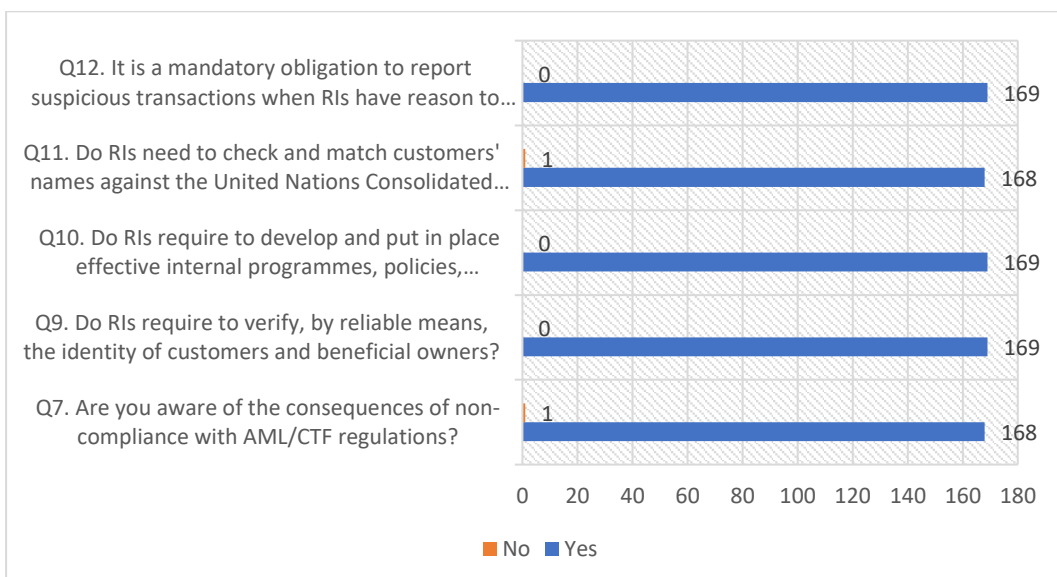
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	At least 7 years	161	95.3	95.3	95.3
	I don't know	1	.6	.6	95.9
	Less than 7 years	7	4.1	4.1	100.0
	Total	169	100.0	100.0	

**Figure 16: Record Keeping Requirement**



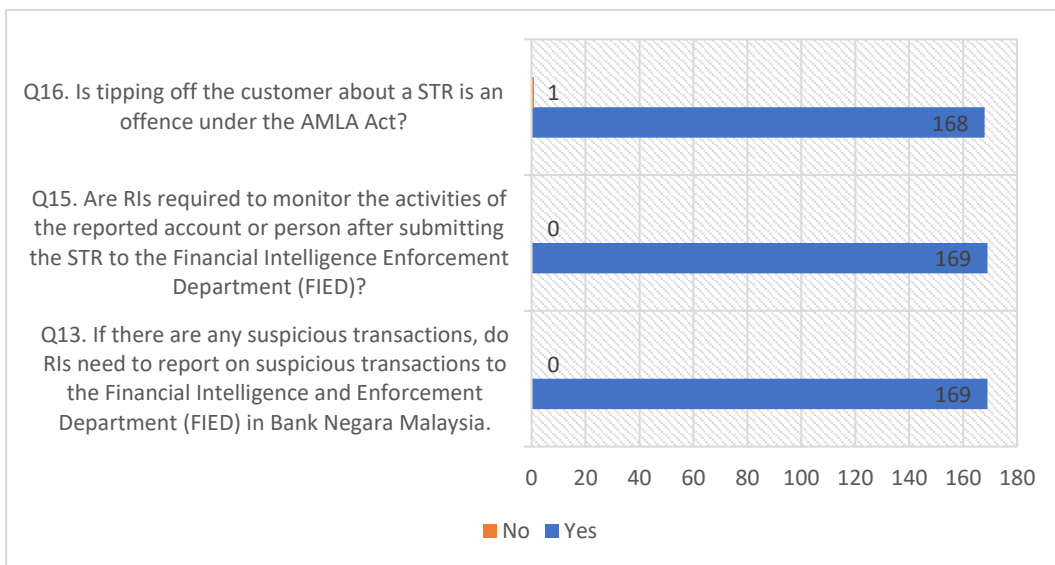
Next, DNFBPs are asked whether their policy and standard operating procedure of their job scope. This is to find out whether they are aware of the standards of AML/CFT policy in their organisation. This question includes if they could verify the identity of customers, require developing programmes to deter and detect in accordance with AML/CFT procedures, check and match customers in given list, and report on suspicious transaction. Based on Figure 17, most participants recorded ‘Yes’ to all these questions. This shows that DNFBPs acknowledge the standard of operations of their job.

**Figure 17: Respondents Awareness on Standard Operating Procedure of Identifying Customers Records of Transaction**

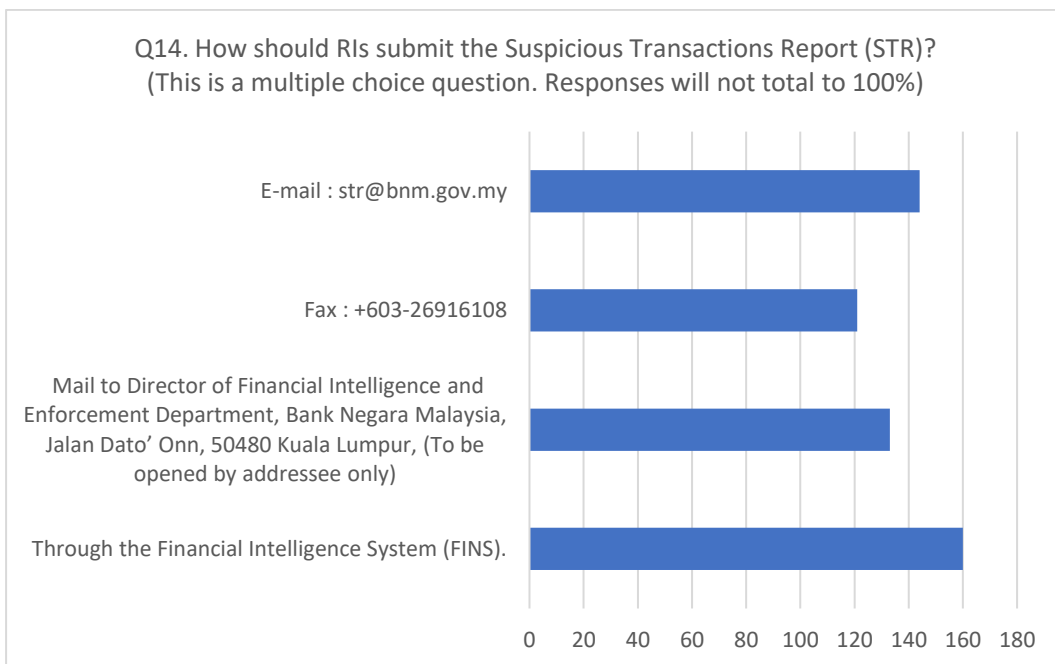


Knowledge measures the extent of respondents to apply the set of regulations and standard operating procedure to action. As DNFBPs, they should be aware and know what needs to be address in AML/CFT whether on action, exercising rights and follow ups to customers. Figure 18 and Figure 19 shows the data collected to show the appropriate knowledge of participant from the given question which consists of what to do in suspicious transactions, who to contact, what are the requirements and act of offence towards customer.

**Figure 18: Respondents Knowledge of AML/CFT (1)**



**Figure 19: Respondents Knowledge of AML/CFT (2)**



Next, respondent must be aware and have acknowledgement of the level of difficulty faced by their current organisation. This allows them to know proper act or response of AML/CT required act, also prepares them on the challenges they might face. Table 6 and Table 7 shows the challenges that DNFBPs face and respective level of difficulty that they face during client screening and during maintenance of sanction lists. From the data, both events are challenging to respondents and some as very challenging and a few are not challenged.

**Table 6: Level of Difficulty on Sanction Compliance during Client Screening**

Q17: What is the level of difficulty faced by your current organisation in the area of sanction compliance during client screening?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	140	82.8	82.8	82.8
	Not Challenging	12	7.1	7.1	89.9
	Very Challenging	17	10.1	10.1	100.0
	Total	169	100.0	100.0	

**Table 7: Level of Difficulty on Maintenance on Sanction Lists**

Q18: What is the level of difficulty faced by your current organisation in the area of sanction compliance during maintenance of sanction lists?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	142	84.0	84.0	84.0
	Don't Know	1	.6	.6	84.6
	Not Challenging	11	6.5	6.5	91.1
	Very Challenging	15	8.9	8.9	100.0
	Total	169	100.0	100.0	

Both data shows that respondents know the challenges in doing client screening and maintaining sanction lists in their organisation.

Next, respondents are required to answer the levels of difficulty in their current organisation in handling situation relating to AML/CFT such as screening transaction, handling filter hits, implementing risk based CDD, obtaining information of CDD, and when approaching inconsistency in CDD and timescale, shown in Table 8, Table 9, Table 10, Table 11, Table 12, and Table 13 respectively.

**Table 8: Level of Difficulty respondents faced on Sanction Compliance**

Q19: What is the level of difficulty faced by your current organisation in the area of sanction compliance during automatic screening of transaction?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	139	82.2	82.2	82.2
	Don't Know	1	.6	.6	82.8
	Not Challenging	12	7.1	7.1	89.9
	Very Challenging	17	10.1	10.1	100.0
	Total	169	100.0	100.0	

**Table 9: Level of Difficulty respondents during Handling of Filter Hits**

Q20: What is the level of difficulty faced by your current organisation in the area of sanction compliance during handling of filter hits?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	145	85.8	85.8	85.8
	Don't Know	1	.6	.6	86.4
	Not Challenging	10	5.9	5.9	92.3
	Very Challenging	13	7.7	7.7	100.0
	Total	169	100.0	100.0	

**Table 10: Level of Difficulty in identifying CDD Collection**

Q21: To what extent identifying complex ownership structures pose a challenge to the implementation of a risk-based approach to Client Due Diligence (CDD) collection.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	146	86.4	86.4	86.4
	Not Challenging	11	6.5	6.5	92.9
	Very Challenging	12	7.1	7.1	100.0
	Total	169	100.0	100.0	

**Table 11: Level of Difficulty in requiring CDD Implementation**

Q22: How challenging is the implementation of a risk-based approach to Client Due Diligence (CDD) collection in terms of obtaining the required information?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	146	86.4	86.4	86.4
	Not Challenging	9	5.3	5.3	91.7
	Very Challenging	14	8.3	8.3	100.0
	Total	169	100.0	100.0	

**Table 12: Level of Difficulty in the implementation of CDD Collection**

Q23: To what extent inconsistent approach pose a challenge to the implementation of a risk-based approach to Client Due Diligence (CDD) collection.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	146	86.4	86.4	86.4
	Not Challenging	11	6.5	6.5	92.9
	Very Challenging	12	7.1	7.1	100.0
	Total	169	100.0	100.0	

**Table 13: Level of Difficulty in Meeting Difficult Timescales**

Q24: How challenging is the implementation of a risk-based approach to Client Due Diligence (CDD) collection in terms of meeting difficult timescales?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	148	87.6	87.6	87.6
	Not Challenging	10	5.9	5.9	93.5
	Very Challenging	11	6.5	6.5	100.0
	Total	169	100.0	100.0	

From the data collected, it is shown that most responded these situations as challenging, while some take it as very challenging or not challenging at all. These are affected by their knowledge on the respective situations.

**AML/CFT Compliance Intentions**

Intentions measures the approach and behaviour of DNFBPs towards ethical behaviour towards sustainable corporate governance in AML/CFT. These sets of questions given measures how much the standard operating procedure and action towards it affects them and how do they react. Figure 20 is the data collected in question number 30 which shows the frequency of reviews conducted for high risk, medium risk and low risk in respective organisation. At higher frequency, means DNFBPs likely has higher awareness on the AML/CFT records compare to low risk. With this awareness, they have better intentions on the approach of AML/CFT in their conduct.

**Figure 20: Frequency of Reviews Conducted**

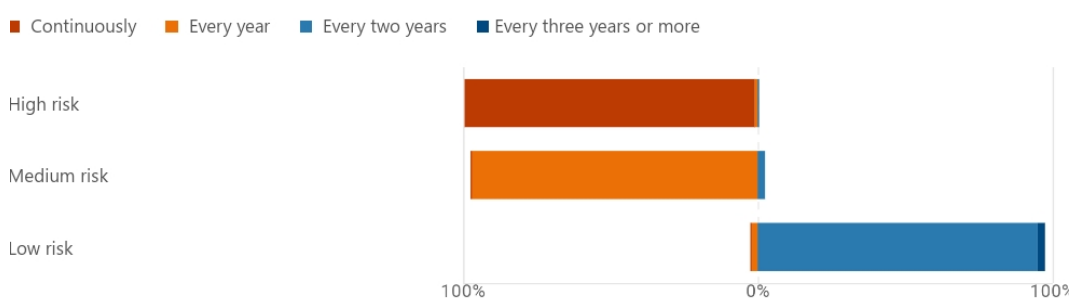


Table 14 shows the challenge pose of incorrectly categorizing risk to the implementation of a risk-based approach to CDD collection. From the data collected, participant responded that the risk is high and it's very challenging to them.

**Table 14: Challenge the Pose of Incorrectly Categorizing Risk**

Q25: To what extent incorrectly categorizing risk pose a challenge to the implementation of a risk-based approach to Client Due Diligence (CDD) collection.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Challenging	149	88.2	88.2	88.2
	Not Challenging	9	5.3	5.3	93.5
	Very Challenging	11	6.5	6.5	100.0
	Total	169	100.0	100.0	

Figure 21 shows the recommendation of DNFBPs to improve organisation AML/CFT regulations. This purpose is to find out the awareness of lack of in the regulation and how to improve the regulation based on knowledge and experience. Highest recommendation is to increase international cooperation of organisation and increase in guidance, while lowest or least recommendation is less prescriptive approach to the regulations.

**Figure 21: Recommendation of DNFBPs to improve organisation AML/CFT regulations**

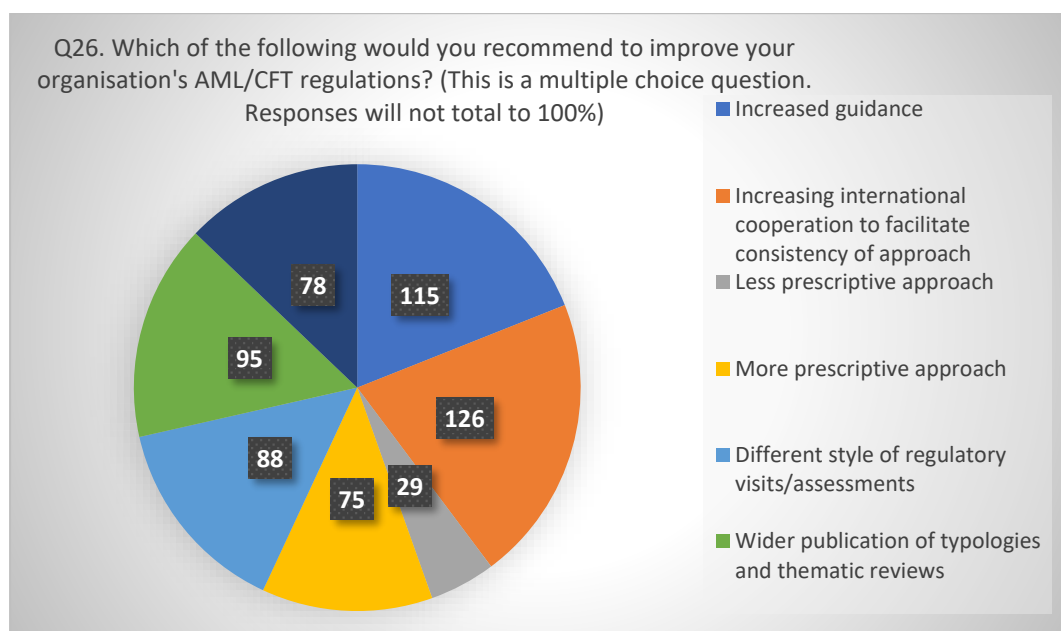




Figure 22 shows the main challenges faced by the implementation of effective AML/CFT compliances. Most challenging is increased regulatory expectation and fear of civil and criminal act since both require action.

**Figure 22: Main challenges faced by the implementation of effective AML/CFT compliances**

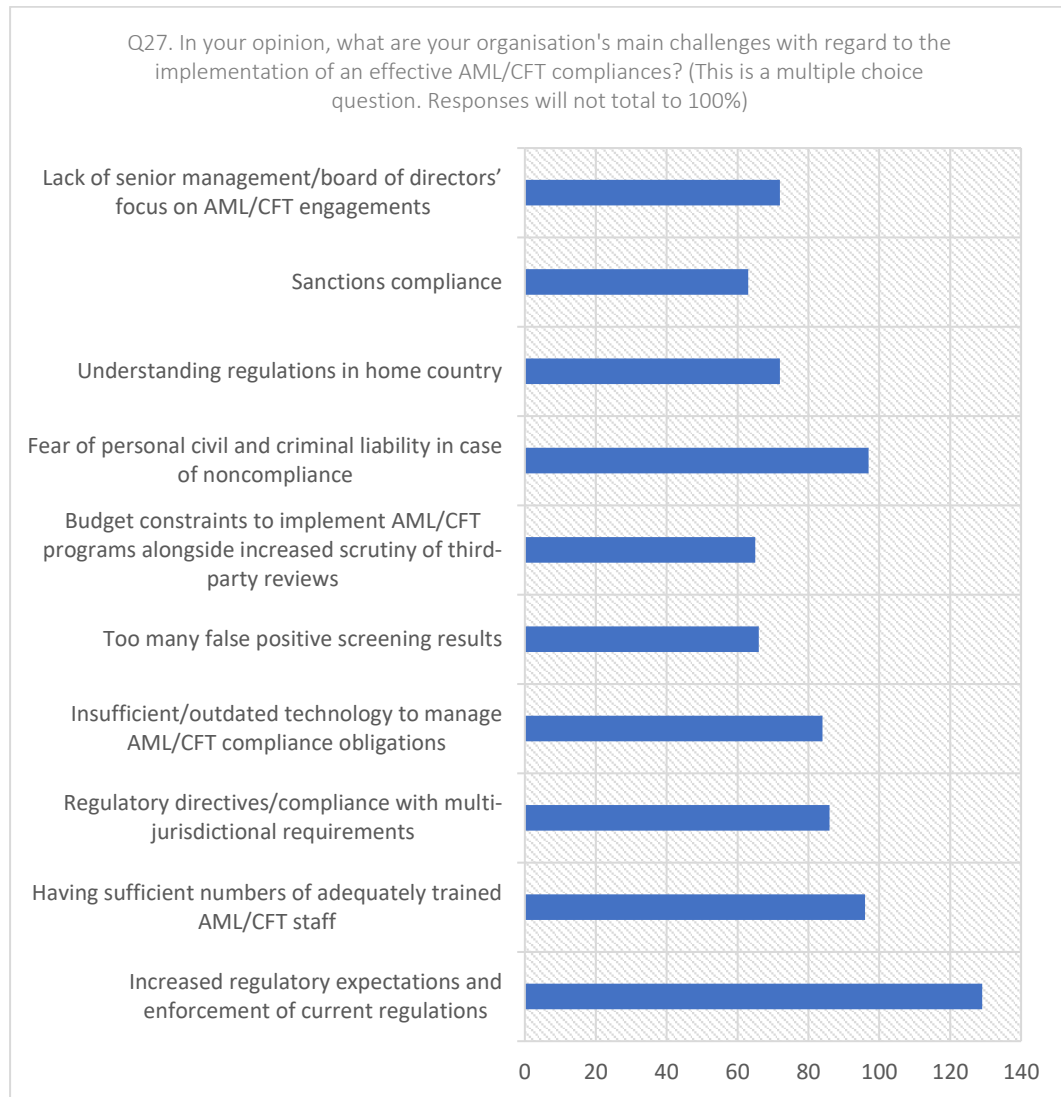


Figure 23 shows respondents' current approach on Know Your Client (KYC) information for existing customers. Most organisations operate a risk-based approach.

**Figure 23: Respondents Current Know Your Client (KYC) Approach**

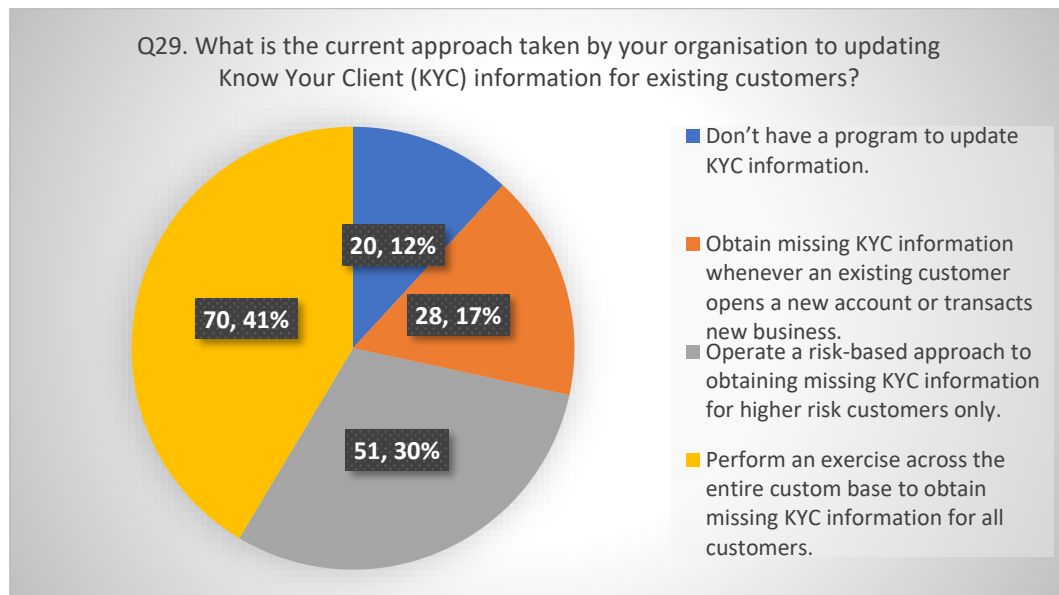
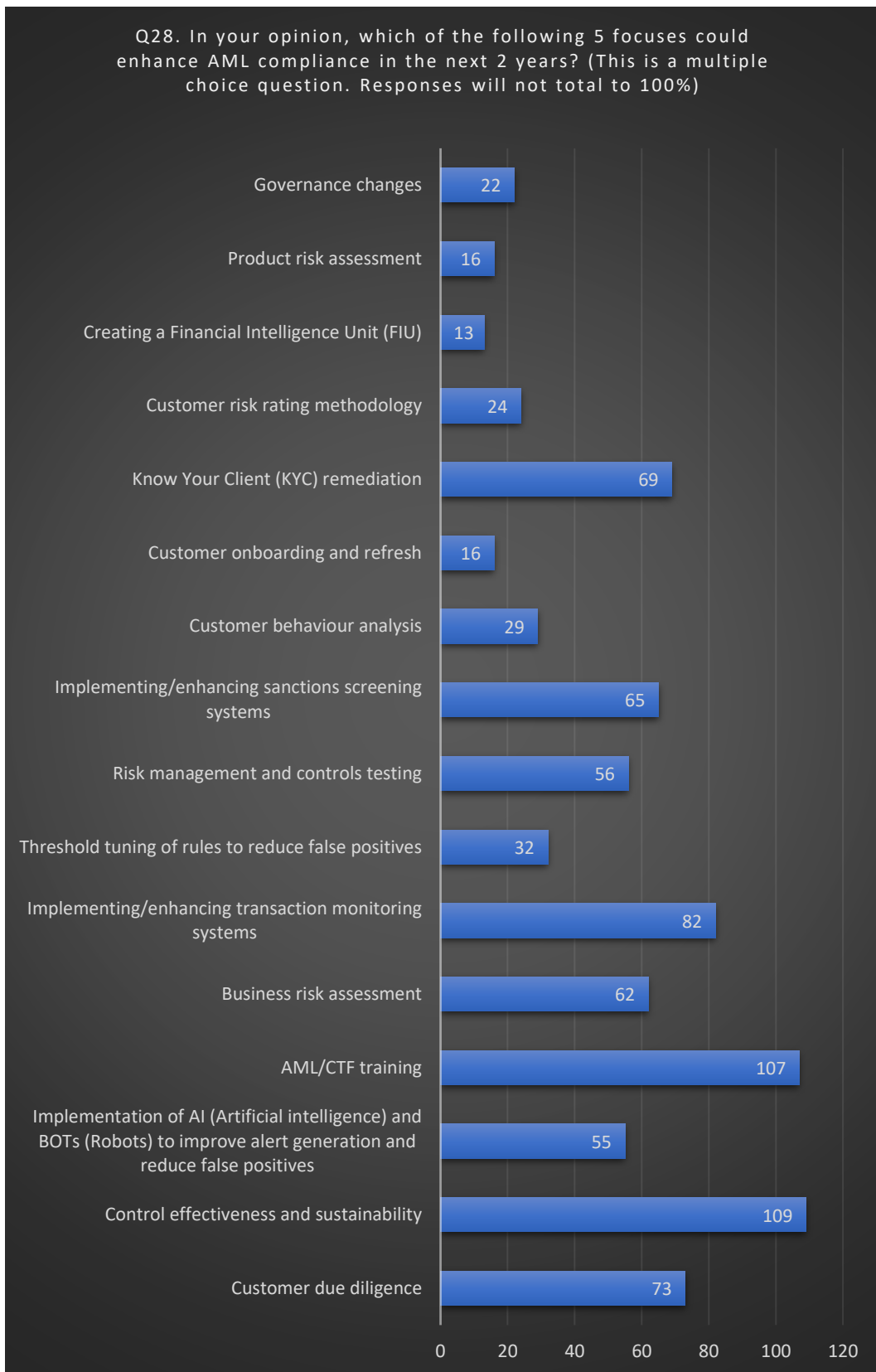


Figure 24 shows the opinions of respondents on the five focuses on what could enhance AML compliances for the next two years. This is based on assumption, experience, and knowledge of respondents towards better procedures on AML compliances. Top five are control effectiveness and sustainability, AML/CTF training, implementing, or enhancing transaction monitoring system, KYC remediation and implementing or enhancing sanction screening system.

Figure 24: Opinions of AML Compliance in the Next 2 Years



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## **CHAPTER 5**

### **DISCUSSION AND CONCLUSION**

This study focuses on ethical behaviour of DNFBPs towards sustainable corporate governance on AML/CFT in their awareness, knowledge and intentions. In this study, questionnaires are given to DNFBPs to indicate their awareness, knowledge and intentions on AML/CT. The concept of ethical behaviour is important in AML/CFT to create a holistic environment and reduce the criminal activities. From this study, a number of DNFBPs with various experiences and background have been tested on variables which includes their awareness on procedures in AML/CFT, knowledge on action, requirements, regulations in AML/CFT, and the intentions on task and future of AML/CFT regulations.

#### **Awareness**

Ethical awareness is the ability to identify a breach of ethics in an ambiguous situation, particularly those faced by practicing financial institution such as DNFBPs, are often complex and may involve the behaviour and intentions of others. In this study, DNFBPs are tested on their awareness on options that are variable involving AML/CFT. They must know the rules, regulations, prompt and be able to act on some situation. In this study, it is found that majority of DNFBPs are able to identify on how to manage information, keeping lists and records, and also confident enough to handle various situation involving AML/CFT standard operating procedure.

An ethical awareness is the degree to which at certain information given, an individual are able to assess and detect an ethical problems or the potential for an

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ethical problem to occur. Scenarios in that aligns with AML/CFT which depicts real or potential breaching of ethics are used to teach professional ethics to DNFBPs. They are required to identify the correct or ethical response to such stimulations. Hence, it is important to identify the level of awareness they have through their experience of working and experiencing AML/CFT. This study finds out that they understand the challenges and experienced on facing it. In addition, they know how and what to do when risk involved in a situation.

## **Knowledge**

Financial institutions normally collect data internally and externally. External data usually is collected in the form of open data from other authorities, while internal data collecting from the organisation system that enables financial institution to check its own data quality and control report-filing. In this study, DNFBPs knowledge covers customer profile assessment, transaction risk measurement, and further behaviour diagnosis and reporting, as well as developing effective suspicious activity detection methods.

For knowledge, this study aims for the DNFBPs on AML/CFT information solution system which contains seven sub-systems which includes CDD, transaction risks, lists, scenario detection, behaviour profiling, link analysis, risk rating, and workflow tools. The questions given examines DNFBPs challenges to detect suspicious activity accordingly and to manage high risk data to low risk data.

## **Intentions**

In order to increase the capacity for risk management, DNFBPs suggested few ways in recognising the important of combining functions for ML risk rating system. In this study, intentions are focused on DNFBPs experience and approach on improving AML/CFT. This study examines an index of opinion and proposes for a risk centred AML/CFT information solution system, which would assist financial organisation to produce valuable reports based on adequate risk identification, measurement, and categorisation. It is recommended that a KYC be conducted every five years to better examine consumer behavior and financial transactions.

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The products or services a customer uses is one of several variables that should be considered when determining risk. RI advises banking organizations to assess the risk of their various products and customer services, especially those that are vulnerable to money laundering.

From this study on opinions on to improve the work and transaction, the designed system should have a number of features including able to extract information from the source database of the reporting entity, able to analyse data using a range of analytical methods, generate auto-alerts when unusual transaction or activity is detected, transaction profiling to check at account level and customer level against transactions of the customer and his or her peers, adaptive learning to incorporate new information based on emerging typologies, case management to track the investigation and resolution of flagged transactions and any suspicious matter reports given, and automatic generation of a suspicious matter report. Apart from that, they also suggested that next improvement should focus on control effectiveness and sustainability, AML/CTF training, implementing, or enhancing transaction monitoring system, KYC remediation and implementing or enhancing sanction screening system.

The RIs required that sufficient data about the subject and cross-reference it with information that was readily accessible to the public. During the registration process for a new client, it is imperative that the financial situation of the potential client is taken into consideration. The results of the current study show that while analysts or relationship manager reach out to the client to obtain customer data prior to account opening, it is also noted that in recent years customers are pro-actively providing all the documents to ease the process. Since money laundering can be easily committed if account opening procedures are not controlled, there are certain recognition and authentication controls which must be adhered to by all account opening employees. For the bank to treat the money as having come from the proper sources, the customer must provide the bank with proof of the money's origin and any pertinent documents. If not, adding illegal funds in accounts could result in a host of problems that would disrupt the country's economic growth. Hence precautions to prevent money laundering must be taken. To ensure that the funds obtained from various sources are secure and that they may be utilized.

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## **Implication and Limitation of the Study**

The study provides insights into the current state of ethical behavior and sustainable corporate governance in DNFBPs in Malaysia, specifically in the context of anti-money laundering and counter-financing of terrorism (AML/CFT) regulations. The findings of this study could have several implications:

1. **Policy Implications:** The study can provide valuable insights to policymakers and regulators in Malaysia, who can use the results to develop more effective policies and regulations to promote ethical behavior and sustainable corporate governance among DNFBPs. This can help in creating a more sustainable and equitable business environment in Malaysia.
2. **Industry Implications:** The study can also have implications for the DNFBP industry in Malaysia, which can use the findings to identify gaps in their ethical behavior and governance practices and take corrective measures to address them. This can help in building a more responsible and ethical business culture in Malaysia.
3. **Research Implications:** The study can also serve as a basis for further research on the topic of ethical behavior and sustainable corporate governance in the context of AML/CFT regulations in Malaysia. Future research can build on the findings of this study and explore other related aspects in greater depth.

While the study provides valuable insights into the awareness, knowledge, and intentions of DNFBPs towards ethical behavior and sustainable corporate governance in the context of AML/CFT regulations in Malaysia, there are several limitations that should be considered:

1. **Limited previous study:** One of the limitations of this study is the lack of extensive previous research on the topic, which makes it challenging to compare and contrast the current findings with prior studies. Consequently, there is a need to rely on a limited number of sources for background information and literature review, which may lead to incomplete or biased conclusions. Moreover, previous research may have limitations or gaps that can also apply to this study. Additionally, the fast-paced nature of the field of AML/CFT may

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result in the exclusion of new developments or changes that occurred since the previous studies were conducted, potentially limiting the scope and generalizability of the study's findings.

2. **Self-Report Bias:** A potential limitation of this study is that it relies on self-reported data, which may be subject to social desirability bias or other forms of response bias. Participants may not report their actual behavior or intentions accurately, which may affect the validity of the findings. Moreover, during the approach to respondents, many expressed reluctances to participate in the survey due to concerns that the data provided might have negative consequences for their organization, despite being assured that no identifiable organizational information would be collected. Additionally, some participants seemed to avoid discussing the topic of "AML/CFT." These factors could affect the representativeness and accuracy of the data collected and limit the generalizability of the findings.

Overall, while the study provides valuable insights into the ethical behavior and sustainable corporate governance practices of DNFBPs in Malaysia, caution should be exercised in generalizing the findings to other populations or establishing causal relationships between the variables.

## **Recommendation**

Based on the findings of the study, here are some potential recommendations:

1. **Raise awareness and education:** Given the relatively low levels of awareness and knowledge of ethical behavior in the context of AML/CFT regulations among DNFBPs in Malaysia, there is a need to increase awareness and education efforts. This could include targeted training sessions, workshops, and seminars that provide practical guidance and best practices.
2. **Strengthen regulatory enforcement:** The study found that some participants reported not following AML/CFT regulations due to the lack of enforcement. As such, there may be a need for stronger regulatory enforcement measures to incentivize compliance among DNFBPs.



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3. Enhance collaboration and coordination: The study found that some participants reported facing challenges in collaborating and coordinating with other stakeholders in the AML/CFT ecosystem. To address this, there may be a need to establish more effective channels of communication and collaboration, such as through the use of information sharing platforms and networks.
  4. Address concerns around reporting: The study found that some participants expressed concerns about reporting suspicious transactions or activities, which may be due to fears of reputational damage or other negative consequences. To address this, there may be a need to provide more support and guidance for DNFBPs around the reporting process, as well as to establish more robust protections for whistleblowers.
  5. Conduct further research: While this study provides valuable insights into the awareness, knowledge, and intentions of DNFBPs in Malaysia towards ethical behavior in the context of AML/CFT regulations, further research may be needed to explore these issues in greater depth. This could include more detailed surveys or interviews with a larger sample size, as well as the use of additional research methods such as observational studies or experimental designs.

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## Conclusion

In conclusion, this study has provided a comprehensive analysis of the awareness, knowledge, and intentions of Designated Non-Financial Businesses and Professions (DNFBPs) in Malaysia towards ethical behavior in the context of AML/CFT regulations. The study has identified some important findings, such as the need for greater awareness and education around AML/CFT regulations and the importance of integrating ethical behavior into corporate governance frameworks.

Despite the limitations of this study, including the reliance on self-reported data and limited previous research, the findings suggest several key recommendations for DNFBPs in Malaysia. These recommendations include increasing awareness and education around AML/CFT regulations, improving internal policies and procedures for identifying and reporting suspicious transactions, and integrating ethical behavior into corporate governance frameworks.

Furthermore, the study suggests that DNFBPs should prioritize stakeholder engagement and collaboration as part of their sustainable corporate governance practices. This includes engaging with regulators, industry associations, and civil society organizations to promote transparency, accountability, and sustainability.

Overall, this study contributes to the growing body of literature on sustainable corporate governance and highlights the importance of ethical behavior in the context of AML/CFT regulations. By adopting sustainable corporate governance practices and prioritizing ethical behavior, DNFBPs in Malaysia can not only comply with regulatory requirements but also contribute to the well-being of society and the planet.

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