



Malaysia

COUNTRY RISK BRIEFING – 2025

WWW.WEARETHEMIS.COM





Country Overview



Location:

Southeast Asia, bordering Thailand to the north and Singapore to the south



Population:

Approximately 34.1 million (2025 UN estimate)



Capital:

Kuala Lumpur (administrative);
Putrajaya (government seat)



Legal System:

Common law system based on English common law; influenced by Islamic law in personal matters



Currency:

Malaysian Ringgit (MYR)



Political System:

Federal constitutional monarchy



GDP (current):

USD 419 billion (2024, World Bank estimate)



International Memberships:

FATF (via APG), ASEAN, UN, INTERPOL, Commonwealth

Economy & Politics

Malaysia's economy is among the most diversified in Southeast Asia, with key sectors including manufacturing, services, finance, and natural resources (notably palm oil, petroleum, and gas). The country is a global player in electronics and semiconductor production and has developed a robust infrastructure base. Despite these strengths, Malaysia remains vulnerable to external shocks, including supply chain disruptions, fluctuating commodity prices, and regional instability.

Politically, Malaysia has experienced considerable volatility in recent years. Since 2018, the country has seen several changes in government leadership due to coalition collapses, internal party disputes, and realignments. This has resulted in a somewhat fragmented political landscape.

The current Prime Minister, Anwar Ibrahim, assumed office in late 2022, heading a coalition government that aims to restore economic confidence and address corruption. While his leadership is broadly seen as reformist, governance challenges and shifting parliamentary alliances present continued risks to political stability.

Although the government has made progress on institutional reforms and fiscal consolidation post-pandemic, issues such as income inequality, subsidy rationalisation, and corruption remain key domestic concerns. The country's strong legal and regulatory institutions offer a stable environment for investment, but enforcement consistency and judicial independence have been subject to criticism in politically sensitive cases.



Themis Expert View

WRITTEN BY:



Olivia Dakeyne
Research Principal

Malaysia is widely regarded as one of the more sophisticated and systemically important financial jurisdictions in Southeast Asia. Its regulatory framework is mature, and Bank Negara Malaysia (BNM) has a reputation for strong governance and proactive supervision, particularly in the banking sector. However, the country continues to be exposed to financial crime risks due to its strategic geographic location, high levels of cross-border trade, and its role as a hub for regional investment.

Despite the strength of its financial architecture, vulnerabilities persist. The use of informal money transfer networks, reliance on cash in certain parts of the economy, and inconsistent application of AML/CFT measures in non-financial sectors and among DNFBPs leave exposure points for illicit finance. Malaysia's experience with large-scale corruption scandals, including the notorious IMDB case, has also underscored the need for further transparency and beneficial ownership reform.

Malaysia's participation in the Asia/Pacific Group (APG) and the FATF ensures it remains under close multilateral

scrutiny. Continued engagement through enhanced follow-up under FATF shows a willingness to improve. However, challenges remain in the identification and supervision of high-risk entities and the full operationalisation of a risk-based approach across all sectors.

While financial institutions are generally compliant and well-governed, the same cannot always be said of the DNFBP sector, where capacity and compliance standards vary. Malaysia is also vulnerable to being used as a transit point for money laundering related to predicate crimes committed elsewhere in the region, such as wildlife trafficking, drug smuggling, and cyber-enabled fraud.

Overall, the jurisdiction demonstrates an upward trajectory in terms of reform, capability, and regulatory responsiveness. But financial crime compliance professionals should remain vigilant regarding sectoral blind spots and ensure enhanced due diligence when dealing with higher-risk entities and activities.

	TERRORIST FINANCING	
	SANCTIONS EVASION	
	TAX CRIME	
	ENVIRONMENTAL CRIME	
	BRIBERY & CORRUPTION	
	MONEY LAUNDERING	
	DRUG & ARMS TRAFFICKING	
	MODERN SLAVERY & HUMAN TRAFFICKING	
	CYBERCRIME	
	FINANCIAL SECRECY	
	FRAUD	

Regulatory Overview

Primary Anti-Financial Crime Legislation:

- **The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA)** is the primary piece of AML/CFT legislation in Malaysia. The Act defines money laundering and terrorist financing offences and outlines regulatory requirements for the financial sector in the country. The AMLA Malaysia imposes certain monitoring obligations on banks and financial institutions, as well as requiring strict KYC rules.
- **2007 Anti-Trafficking in Persons and Smuggling of Migrants (ATIPSOM)** criminalises labour trafficking and sex trafficking in the country. The Royal Malaysia Police serves as the lead enforcement agency under ATIPSOM and has a specialised anti-trafficking unit. The Labour Department similarly has a specialised trafficking enforcement team and the government has an interagency anti-trafficking task force.
- **The Malaysian Anti-Corruption Commission Act 2009 (MACC Act)** is the primary legislation governing bribery and corruption in Malaysia. The Act regulates both public and private sectors and has been amended to include corporate liability provision for bribery and corruption. Similar to the UK Bribery Act, the corporate liability provision has an extra-territorial effect and covers both local and overseas businesses.
- **The Penal Code (Act 574)** is the principal legislation describing criminal offences relating to fraud. A fraudulent act may give rise to offences of theft, criminal misappropriation of property, criminal breach of trust, cheating, fraudulent deeds and dispositions of property and forgery under the Penal Code. The key legislation relevant to fraud-related civil asset recovery includes the Companies Act 2016 and Contracts Act 1950.
- **The Mutual Assistance in Criminal Matters Bill and Mutual Legal Assistance** treaties with various countries govern Malaysia's international coordination on financial crime issues. Malaysia co-operates with regional, multilateral, and international partners to combat financial crimes and permits foreign countries to check the operations of their banks' branches. The Financial Intelligence Unit (FIU) has signed memoranda of understanding (MOUs) with various FIUs of other countries, including Australia, Indonesia, Thailand and the Philippines.
- **Malaysia is a founding member of the Association of Southeast Asian Nations (ASEAN)** and the Organisation of Islamic Cooperation (OIC) and is a member of the Asia/Pacific Group on Money Laundering (APG). It is also a member of the United Nations (UN) and has ratified the UN Convention against Corruption (UNCAC) and UN Convention against Transnational Organized Crime (UNTOC). Malaysia has also endorsed the Basel Committee's Core Principles for Effective Banking Supervision.

Regulatory Overview

Primary Anti-Financial Crime Agencies and Entities:

- **Bank Negara Malaysia (BNM)** oversees the Malaysian financial system and acts as the country's regulator and central bank. BNM was established by the Central Bank of Malaysia Act 2009 and operates under the Financial Services Act 2013 and the Islamic Financial Services Act 2013. BNM sets AML/CFT policy in Malaysia, issuing regulatory guidance to financial institutions. BNM regulates and supervises Designated Non-Financial Businesses and Professions (DNFBPs) and other non-financial entities not supervised by other regulators. BNM serves as Malaysia's FIU under the AMLA and has been a member of the Egmont Group since 2003, bound by the Egmont Group Principles for Information Exchange.
- **The Ministry of Finance (MoF)** appoints the AML/CFT competent authorities and provides subsidiary legislation such as to include new predicate offences under the AMLA. It is also responsible for regulating and licensing the gaming industry, including licensing casinos.
- **The Ministry of Foreign Affairs (MFA)** is responsible for Malaysia's international diplomacy and engagement with foreign states and organisations. It handles

targeted financial sanctions, including the application of sanctions.

- **The Ministry of International Trade and Industry (MITI)** regulates strategic trade law, including measures to combat proliferation financing. The Strategic Trade Secretariat (STS) is under MITI, coordinates the implementation of the Strategic Trade Act 2010 (STA) and is authorised to issue permits for strategic items.
- **The Royal Malaysian Police (RMP)** is Malaysia's principal law enforcement agency (LEA) responsible for investigating predicate offences, money laundering and terrorist financing. RMP has a Special Branch (SB) responsible for Malaysia's security intelligence function.
- **The Royal Malaysian Customs Department (RMC)** administers and enforces customs laws and the cross-border currency reporting requirements. It serves as an LEA for investigating predicate and related money laundering crimes.

- **The Malaysian Anti-Corruption Commission (MACC)** administers Malaysia's anti-corruption efforts, including prevention and enforcement of the MACC Act. It also serves as an LEA for investigating predicate and related money laundering crimes.
- **The Attorney-General Chambers (AGC)** is the office of the Attorney General of Malaysia, who is the principal legal advisor to the country. The AGC undertakes legislative drafting and conducts prosecutions.
- **The Companies Commission of Malaysia (CCM)** regulates incorporation of companies, business registration and promotes ethical market conduct. It also serves as an LEA investigating predicate and related money laundering crimes.
- **The Inland Revenue Board (IRB)** administers the tax system including cross-border tax matters. It also serves as an LEA for investigating predicate and related money laundering crimes.

Financial Action Task Force Assessment

Malaysia underwent its most recent Financial Action Task Force (FATF) Mutual Evaluation in 2015. The evaluation concluded that Malaysia had a strong AML/CFT policy framework underpinned by clear political commitment, good national coordination mechanisms, and a well-developed legislative and institutional foundation. However, challenges were noted around the practical effectiveness of enforcement outcomes, particularly regarding ML prosecutions, foreign threats, and terrorist financing.

Malaysia underwent a Follow-Up Report (FUR) in October 2018, with the FATF recognising substantial progress. The country remained under enhanced follow-up due to moderate effectiveness ratings across several key outcomes.

Category	2015 FATF Mutual Evaluation	2018 FATF Follow-Up Report
Overall Assessment	Malaysia's AML/CFT framework was assessed as robust and well-coordinated, with strong political commitment and comprehensive legal instruments. However, improvements were needed in areas such as TF risk assessment, ML prosecution outcomes, and the effective use of financial intelligence.	Malaysia made notable progress addressing technical compliance issues, receiving re-ratings for several FATF Recommendations. However, it remains under enhanced follow-up due to moderate effectiveness across several outcomes.
Technical Compliance Ratings	Compliant: 16 Recommendations Largely Compliant: 21 Recommendations Partially Compliant: 3 Recommendations	Compliant: 20 Recommendations Largely Compliant: 18 Recommendations Partially Compliant: 2 Recommendations
Key Risks Identified	- Limited ML prosecution outcomes for high-risk and foreign predicate offences - No TF prosecutions at the time of the Mutual Evaluation - TF risk assessment lacked depth and foreign-sourced threat coverage - DNFBP supervision was under-resourced - Need for enhanced international cooperation aligned with Malaysia's risk exposure - Weak implementation of cross-border cash controls and financial intelligence usage	
Strengths	- Strong legal foundation and well-developed AML/CFT policies - High-level political support and coordinated national structures - Effective supervisory powers and broad compliance across financial sectors - Extensive guidance issued post-Mutual Evaluation on STRs, red flags, proliferation financing, and targeted financial sanctions - Operational coordination between FIU, law enforcement, and financial institutions	
Areas for Improvement	- Improve understanding and assessment of TF and foreign ML threats - Increase ML prosecutions and asset confiscations for high-risk offences - Strengthen TF investigations and pursue standalone TF prosecutions - Fully implement risk-based supervision, especially for DNFBPs - Enhance BO transparency for legal persons and arrangements - Expand use of financial intelligence at early investigation stages - Strengthen cross-border cash controls and international legal cooperation mechanisms	

Financial Crime Risk Matrix

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Terrorist Financing	Low-Medium	Global Terrorism Index (GTI) 2025 see here* Overall Score: 1.63 / 10 (Ranked 52nd of 163 countries) <i>*The GTI scores each country on a scale from 0 to 10; where 0 represents no impact from terrorism and 10 represents the highest measurable impact of terrorism.</i> National Risk Assessment 2023: Medium risk for terrorism and terrorism financing	Money services businesses & cash couriers, charities & NPOs, DFNBP	Abu Sayyaf Group – ASG; Malaysia, particularly Sabah state, has been used as a staging ground by ASG operatives for kidnap-for-ransom activities that fund terrorist operations. Arrests of ASG militants in Malaysia, as well as documented movement of funds and people between Malaysia and the southern Philippines
Sanctions Evasion	Low-Medium	There are no international sanctions currently in force against the Malaysian government.	Trade and export-oriented businesses, financial institutions and remittance providers, shipping and logistics services	Non-alignment with sanctions imposed by Western powers (e.g. on Russia) create a permissive environment for sanctions evasion and arbitrage
Tax Crime	Medium	OECD Global Forum on Transparency and Exchange of Information for Tax Purposes see here*: Partially compliant Tax Justice Network Financial Secrecy Index see here*: Score 73/100; Ranking 31/141	Palm oil and commodity sectors, cash-based businesses and SMEs, offshore entities and wealth structures	Movement of Assets through offshore jurisdictions (e.g., BVI, Labuan IBFC): Offshore structures linked to Malaysian individuals are frequently used to evade domestic tax obligations
Financial Secrecy	Medium-High	Financial Secrecy Index 2025 see here* Overall score: 73/100 (31st globally) <i>*Secrecy index measures the level of financial secrecy, with 0 meaning no secrecy and 100 meaning maximum secrecy.</i>	Offshore legal structures and shell companies, real estate and property holding structures, private banking and wealth management services	Use of offshore financial centres (e.g. BVI, Switzerland, Hong Kong, Singapore): The 2021 Pandora Papers and other reporting implicate Malaysian public officials and businesspeople in using these jurisdictions to move and shield assets, raising concerns about secrecy-driven tax avoidance and financial crime concealment across borders

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Money Laundering	Medium-High	Basel AML Index 2024 see here* 5.5 / 10 (Ranked 85th of 164 countries) <i>*Basel AML Score is on a 10-0 scale, with 10 representing the maximum risk.</i> Global Organized Crime Index 2023 see here* Financial Crime: 8 / 10 AML Resilience: 6 / 10 <i>*Global Organized Crime Index Score is on a 10-0 scale, with 0 denoting non-existent crime and 10 severe influence.</i>	Banking and money services businesses, legal, accounting services, real estate, high-value goods, offshore financial sector, dealers in precious metals and stones	Singapore and regional neighbours: Malaysia has seen repeated instances of money laundering schemes involving the movement of funds to and from Singapore, especially in investment and e-commerce scams
Bribery & Corruption	Medium-High	Transparency International Corruption Perceptions Index 2024 see here* 50/100 (Ranked 57th of 180 countries) <i>*Transparency International Corruption Perceptions Index score is the perceived level of public corruption, where 0 means highly corrupt and 100 means very clean.</i> Trace 2024 Bribery Risk Matrix see here* Rank: 81st; Score 45/100 <i>*Trace measures business bribery risk with a lower score indicating a lower bribery risk, while a higher score indicating a higher bribery risk.</i> Global Organized Crime Index 2023 see here* Government Transparency and Accountability: 5.5 / 10 State-Embedded Criminality: 6 / 10 Private Sector Criminality: 6 / 10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i> Worldwide Governance Indicators see here* Control of Corruption: 61.79 / 100 <i>*The WGI represent a country's score and rank among all countries worldwide on each governance dimension.</i>	Public procurement & government contracting, law enforcement, immigration and customs, private sector State Owned Enterprises (oil, energy, gas)	Malaysian entities and officials have been implicated in cross-border bribery schemes, including Roger Ng's conviction in the US under the FCPA for paying over USD 1 billion in bribes related to the IMDB scandal

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Cybercrime	Medium-High	National Cyber Security Index see here* Overall score: 79.22/100; Ranked 22nd <i>*Index measures the preparedness of countries to prevent cyber threats, with 100 representing the highest level of cybersecurity readiness</i> Global Organized Crime Index 2023 see here* Cyber-Dependent Crimes: 8/ 10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i>	Online payment and financial services, critical infrastructure and transport, cryptocurrency/mining operations, private sector and SMEs	State-Backed and transnational threat actors operating via phishing and malware
Drug & Weapons Trafficking	Medium-High	Global Organized Crime Index 2023 see here* Arms Trafficking: 5.5/10 Heroin Trade: 7/10 Cocaine Trade: 4 /10 Cannabis Trade: 5/10 Synthetic Drug Trade: 7.10/5 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i>		Criminal actors include transnational syndicates from Pakistan, China, Iran, and Nigeria, with corruption among officials aiding operations. Weapons trafficking remains lower risk but is growing. Malaysia is a signatory to major arms control treaties and enforces strict domestic laws, but smuggling via Thailand and Mindanao has increased
Modern Slavery & Human Trafficking	Medium-High	Global Organized Crime Index 2023 see here* Human Trafficking – 7.5/10 Human Smuggling – 7.5/10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i> US State Department's 2024 Trafficking in Persons Report Tier 2 watchlist see here	Construction, garment and rubber-product manufacturing, electronics, agriculture, palm oil industry, domestic work	Malaysia remains a key transit point for trafficking victims en route to or from countries such as Myanmar, Bangladesh, and Indonesia. Trafficking networks exploit land and maritime borders, and corruption among border and law enforcement officials exacerbates vulnerabilities. Victims from countries including Vietnam, India, Nepal, and Laos are routinely trafficked into Malaysia's plantations and factories

Environmental Crime	Medium-High	Global Organized Crime Index 2023 see here* Flora Crimes: 6.5 /10 Fauna Crimes: 8/10 Non-renewable resource crimes: 5.5/10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i>	Wildlife trade, forestry, waste disposal, mining, palm oil industry	Malaysia acts as a major transit point for high-value wildlife products such as rhino horn, ivory, and pangolin scales. These are shipped from African countries, often via the UAE, and routed through Malaysian ports (e.g. Port Kelang) before reaching end markets in Vietnam and China
Fraud	High	National Risk Assessment 2023: High risk for fraud see here	Online retail and financial services, investment and crypto platforms, corporate and professional service, public sector, entities in the semiconductor supply chain	Fraud rings using Malaysia as a base to target foreign victims: Cases such as Operation Tropicana (2023) highlight how transnational criminal networks exploit Malaysia's infrastructure and corruption vulnerabilities to operate large-scale fraud schemes targeting victims abroad, often impersonating licensed professionals and soliciting international investment

* Methodology: Each financial crime risk rating is derived from a combination of globally recognised indices and supplementary risk factors. Each index score is normalised and translated into a Red-Amber-Green (RAG) rating. Specifically, jurisdictions or entities are grouped based on their position within the distribution of index values, with the top, middle, and bottom third of scores per index corresponding respectively to Green, Amber, and Red (e.g. a 5/10 rating in one index would be equivalent to a 12/24 rating in another). Additional risk factors — such as enforcement actions, FATF evaluations, and our own Themis internal intelligence — also influence the final RAG classification through an overlay and adjustment process.

Areas of Financial Crime Vulnerability



Malaysia faces a complex array of financial crime risks driven by its strategic geographic location, its position as a regional financial and trading hub, and the coexistence of both formal and informal financial sectors. Key vulnerabilities include:

- **Use of Cash and Informal Financial Channels:** While Malaysia has a well-developed banking sector, cash-based transactions remain prevalent, particularly in rural areas. Informal remittance channels, such as hawala-style operations, persist despite regulatory efforts.
- **Exposure to Transnational Crime:** Malaysia's location along key trade and trafficking routes exposes it to transnational financial crimes, particularly drug and wildlife trafficking, illicit trade, and human smuggling.
- **High-Risk Sectors:** Casinos, real estate, and money services businesses (MSBs) are identified as particularly vulnerable due to high transaction volumes, limited customer transparency, and varying levels of regulatory compliance.
- **Corporate Structures and Beneficial Ownership:** The use of shell companies and nominee directors remains a concern, especially in facilitating tax evasion and concealing proceeds of crime.
- **Corruption and Politically Exposed Persons (PEPs):** Malaysia has experienced high-profile corruption cases involving senior officials. PEP-related risks are heightened by limited due diligence practices in certain sectors.

Financial Crime Risk In-Depth

01 Money Laundering: Medium-High Risk

Malaysia faces significant money laundering risks, with drug trafficking, corruption, tax offences, and fraud as the main predicate offences. Laundered proceeds often originate from both domestic and foreign sources. Key laundering methods include the use of cash-intensive businesses, third-party transfers, offshore companies, and real estate purchases. Malaysia has strengthened its AML/CFT regime, with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) providing a legal framework for enforcement.

Despite improvements, challenges persist around beneficial ownership transparency and the enforcement of AML controls among Designated Non-Financial Businesses and Professions (DNFBPs), including lawyers, accountants, and company service providers.



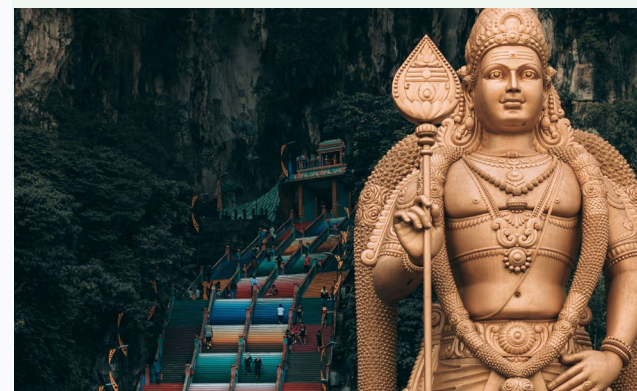
02 Bribery & Corruption: Medium-High Risk

Corruption is a longstanding issue in Malaysia. Although enforcement has improved, weaknesses in procurement processes and public sector governance persist. The Malaysian Anti-Corruption Commission (MACC) plays a key role in investigation and enforcement. The IMDB scandal, which exposed billions in misappropriated state funds, highlights the scale of corruption risk and the misuse of offshore structures and foreign bank accounts to launder proceeds. Malaysia has tightened legislation and enhanced international cooperation, but vulnerabilities remain, particularly regarding political influence and opacity in state-owned enterprises.



03 Terrorist Financing: Low-Medium Risk

Malaysia remains vulnerable to terrorist financing risks due to past involvement of individuals linked to extremist networks and its porous borders. Funding flows are primarily domestic, involving small-sum donations and use of charities and NPOs. The government has implemented a risk-based supervision framework for NPOs and issued guidelines to improve sector resilience. Malaysia is compliant with relevant UN Security Council Resolutions and maintains a domestic list of designated individuals and entities.



04 Sanctions Evasion: Low Risk

Malaysia faces potential risks related to sanctions evasion due to its role in the global semiconductor supply chain and its geopolitical position. While Malaysia is working to strengthen its anti-money laundering and counter-terrorism financing (AML/CFT) framework, there are concerns about its vulnerability to being used as a conduit for circumventing sanctions, particularly those related to Russia and Iran.



05 Fraud & Cybercrime: High Risk

Online fraud and cybercrime have risen sharply, particularly in the aftermath of COVID-19. Common fraud schemes include phishing, investment scams, impersonation fraud, and mule account networks. Criminal syndicates operate both domestically and cross-border. The Royal Malaysia Police has prioritised cybercrime investigations, and Malaysia has updated its legislation to enhance investigative powers.



06 Modern Slavery & Human Trafficking: Medium-High Risk

Malaysia faces serious risks related to labour exploitation and human trafficking, especially in sectors such as agriculture, domestic work, and construction. Victims are often trafficked from neighbouring countries and subjected to forced labour under deceptive recruitment practices. Malaysia has improved victim protection mechanisms and increased prosecutions, though gaps remain in identifying and supporting victims effectively.



07 Tax Crime: Medium Risk

Tax evasion in Jordan poses a significant threat to economic stability and governance, driven by widespread informal cash-based transactions and regulatory loopholes. Sectors such as retail and real estate are particularly vulnerable, enabling businesses and individuals to underreport income and evade taxes. Despite government efforts to enhance tax collection through stricter penalties and digital monitoring systems, evasion persists due to limited transparency, weak oversight, and resistance to reform in some areas. Most evaded funds remain within Jordan, often deposited into personal bank accounts rather than business accounts, while more complex cases involve funds moving abroad through formal channels. Notable weaknesses are in banking secrecy, corporate tax disclosure, and personal income tax regimes, highlighting ongoing challenges in combating tax evasion effectively.

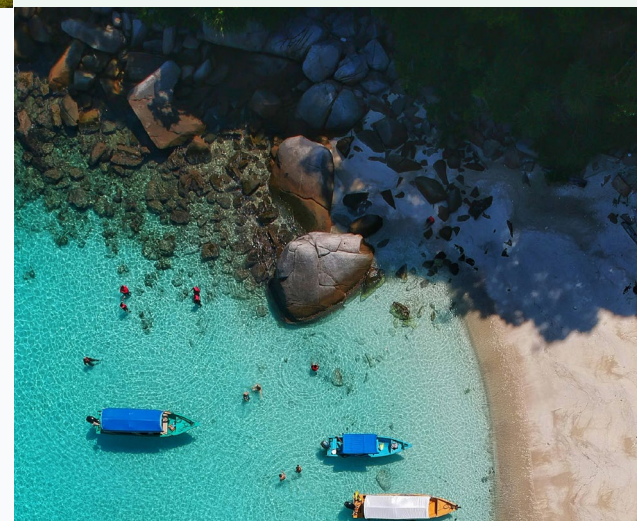


08 Financial Secrecy: Medium-High Risk

Malaysia has taken steps to improve tax transparency, including joining the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. However, corporate opacity and weak beneficial ownership disclosure continue to create risks of tax evasion. The Labuan International Business and Financial Centre (IBFC), while regulated, is perceived as a vehicle for base erosion and profit shifting.

09 Environmental Crime: Medium-High Risk

Malaysia is a significant source and transit country for illegal wildlife products, including pangolins and ivory. The country is also exposed to illegal logging, pollution offences, and violations of protected areas. These crimes are often facilitated by corruption, weak enforcement, and complex supply chains. Malaysia has adopted several national strategies and participates in international environmental agreements, but enforcement gaps remain.



Case Study

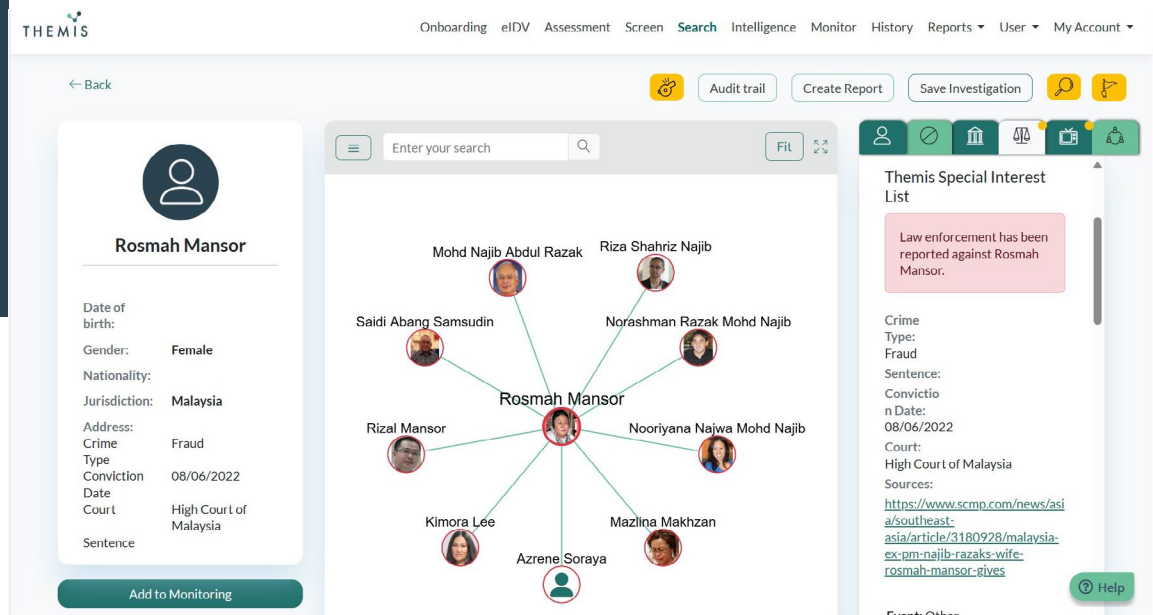
Wife of Former Prime Minister Convicted of Fraud

In 2018, 17 money laundering and tax evasion charges were brought against Rosmah Mansor – the wife of former Malaysian Prime Minister Najib Razak, who was implicated in the 1MDB scandal. She was accused of pocketing USD 700 million from the state development fund 1MDB and of using misappropriated funds to purchase luxury items—including jewellery (over 12,000 items of which were seized by police) and handbags (over 500 of which were seized by police)—worth as much as USD 273 million. In an inquiry, the US Department of Justice, for example, said Ms. Rosmah purchased a USD 23 million 22-carat pink diamond with money misappropriated from 1MDB. In September 2022, she was found guilty and sentenced to 10 years in prison for soliciting RM187.5 million in bribes in 2016 and 2017 from contractor Saidi Abang Samsudin so that his company, Jepak Holdings, could secure a RM1.25 billion government project to supply solar energy to 369 rural schools in Sarawak state. In 2023, she lodged an appeal against the charges and was acquitted of all money laundering and tax evasion charges by the high court in 2024, with the judge stating that the charges against her lacked probity, propriety and legality. She is still on bail pending appeal for the corruption conviction.

Why This Case Matters: This case offers a stark example of how corruption and financial crime can intersect at the highest levels of political and personal power in Malaysia. Rosmah Mansor's prosecution—and partial acquittal—underscores both the challenges and progress in holding influential figures accountable. It also illustrates the complex legal and reputational dimensions involved in grand corruption cases, particularly those linked to high-value assets and international investigations like 1MDB.

KEY TAKEAWAYS:

- **Heightened Risk Around PEPs:** The case highlights the elevated financial crime risks associated with individuals closely linked to senior political figures, including spouses and family members.
- **Asset-Based Red Flags:** High-value luxury assets—especially when inconsistent with known sources of income—remain a key indicator of potential money laundering or illicit enrichment.
- **Global Enforcement Collaboration:** The involvement of the US Department of Justice illustrates how cross-border cooperation is essential in tackling complex financial crime, with implications for firms operating internationally.
- **Legal Outcomes Are Fluid:** Acquittals and appeals demonstrate that legal outcomes can shift, and firms should continuously monitor developments rather than rely on static assessments of risk.



Case Study

Corruption involving former Prime Minister Tun Dr. Mahathir Mohamad and his sons

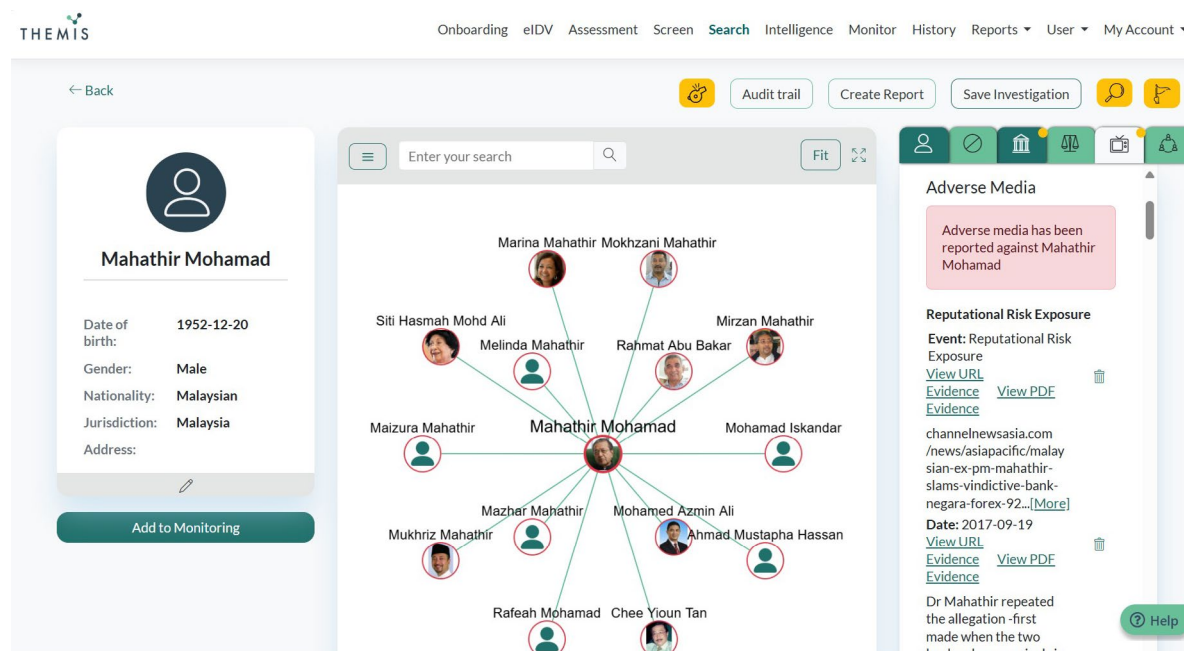
In early 2024, the Malaysian Anti-Corruption Commission (MACC) launched an investigation into alleged corruption involving former Prime Minister Tun Dr. Mahathir Mohamad and his sons, Mirzan and Mokhzani Mahathir. This investigation centres on concerns regarding potential illicit financial activities and the accumulation of assets during Dr. Mahathir's time in office. The MACC is examining whether the wealth accumulated by the Mahathir family during both of Dr. Mahathir's terms as Prime Minister — from 1981 to 2003 and again from 2018 to 2020 — was obtained through corrupt means. Mirzan Mahathir is a well-known businessman with interests across various sectors, including logistics and energy.

Mokhzani Mahathir has also made a name for himself in the business world, notably serving as the non-executive chairman of Maxis Bhd. The investigation stems from concerns about the family's financial dealings, including their holdings in key industries and assets that may have been gained during Dr. Mahathir's time as leader. Since January 2024, the MACC has been reviewing the financial disclosures and has been conducting further inquiries to determine if there is any link between their wealth and potential corruption during Dr. Mahathir's tenure as Prime Minister. Despite the lack of charges thus far, the case has attracted significant public attention due to the high-profile nature of the individuals involved and the political implications of such an investigation into a former leader and his family.

Why This Case Matters: This case study is significant in understanding financial crime in Malaysia as it highlights how corruption risks can persist at the highest levels of political leadership, and how wealth accumulation by PEPs can attract scrutiny long after their time in office. It underscores the critical role of transparency, asset declarations, and independent investigations in combating financial crime and maintaining public trust in institutions.

KEY TAKEAWAYS:

- **Enhanced PEP Risk Management:** Firms must implement rigorous due diligence processes when dealing with politically exposed persons, especially those with historic or ongoing influence in government or business.
- **Asset Transparency Is Crucial:** The case reinforces the importance of asset declarations and transparency in identifying potential red flags in clients' or partners' wealth origins.
- **Reputational Risk Awareness:** Engaging with individuals or entities under investigation — even without formal charges — can carry significant reputational risk.
- **Regulatory Expectations Are Rising:** Regulators in Malaysia are demonstrating increased willingness to pursue high-profile investigations, signaling a shift toward stronger anti-corruption enforcement.



Key Financial Crime Watchpoints

The following watchpoints highlight common financial crime risk indicators to lookout for as regards clients, partners, suppliers, and broader business transactions and relationships. They are designed to support client risk assessments, enhanced due diligence and transaction monitoring by identifying patterns frequently associated with financial crime in Malaysia.

- **High-Risk Sectors:** Continued focus should be placed on casinos, real estate, MSBs, and offshore financial centres, particularly the Labuan IBFC.
- **Beneficial Ownership Gaps:** The lack of effective mechanisms for beneficial ownership disclosure facilitates misuse of corporate structures.
- **PEP and Corruption Risks:** Due diligence on politically exposed persons remains inconsistent. The legacy of IMDB still affects institutional trust.
- **DNFBP Supervision:** Accountants, lawyers, and other gatekeepers need improved supervision and enforcement under AMLA.
- **Cybercrime Surge:** Online scams and digital fraud are growing rapidly, demanding more robust digital forensics and cross-border cooperation.
- **Environmental Crime Supply Chains:** Illegal logging and wildlife trafficking are embedded in complex transnational networks that require targeted disruption.



How Themis Can Help

Financial crime has evolved faster than traditional systems. Themis delivers a new AI-powered, end-to-end platform purposebuilt to help businesses detect, prevent, and respond to threats in real time. A modular solution that fuses advanced analytics, automation, and proprietary intelligence to tackle risk at scale and fast. As financial crime becomes more complex, Themis delivers clarity, speed, and impact. This isn't an evolution. It's the platform the future demands — powered by data, powered by Themis.

Themis aims to be a leader in applying AI-led solutions to the problems of financial crime, and we are uniquely placed to do so. With strong working relationships with governments and businesses of many shapes and sizes, our software is developed with the needs of the whole financial crime compliance ecosystem in mind. By combining a focus on innovative technology with

leading human intelligence and insight, Themis is capable of not only meeting those needs as they currently are but also anticipating them as they evolve in an uncertain future.

Our Reports and Services

Enjoyed this briefing? Keen for a more detailed analysis that's specific to your business? We deliver longer, bespoke reports and executive briefings about specific countries or sectors. Whether you're investing in new markets, expanding your own footprint or ensuring your financial crime country risk assessments align with the Wolfsberg Group's principles, our Risk Intelligence team can help. We specialise in complex, strategic projects where financial crime risks are new, emerging, or poorly understood.

Get in touch to find out more.

Our Team of Experts



Nadia O'Shaughnessy

Head of Insight
nos@wearethemis.com



Olivia Dakeyne

Principal, Research
od@wearethemis.com



Eliza Thompson

Financial Crime Researcher
et@wearethemis.com



Henry Wyard

Senior Policy Analyst
hjw@wearethemis.com



Nikhil Gandesha

Global Financial Crime Training Lead
ng@wearethemis.com



Emily Hsu

Financial and Environmental Crime Researcher
eh@wearethemis.com



Discover Other Country Risk Briefings

Research-driven analysis that informs and inspires action to tackle financial crime

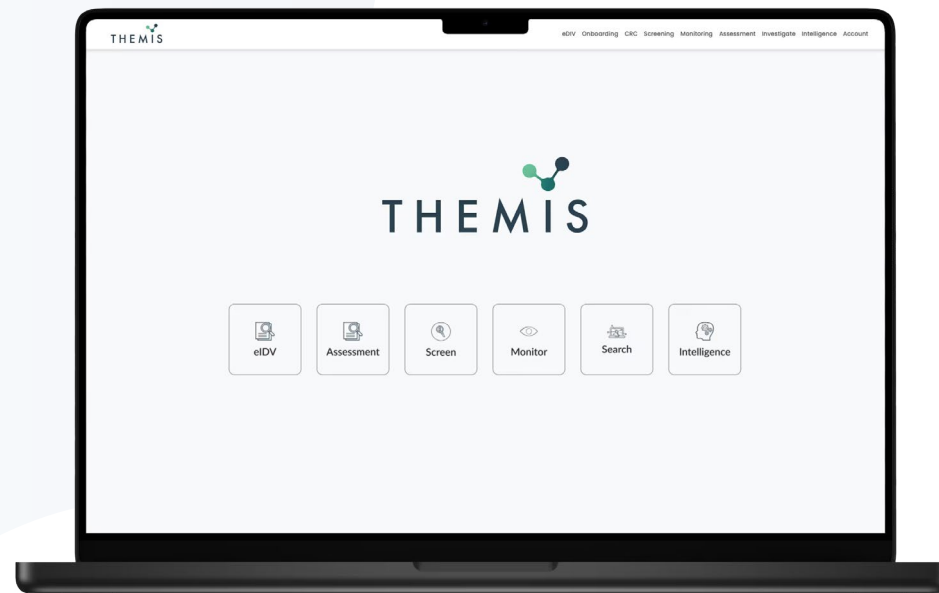
Discover all



 UK: +44 (0) 20 8064 1724 | UAE: +971 (0) 58 526 8765

 info@wearethemis.com

 www.wearethemis.com



© Copyright 2025. Themis International Services Ltd. All rights reserved.

