

COMPLIANCE TODAY

CONTRIBUTORS

Full-Fledged Members

- Albert Tai Lee Chuan (Advisor)
~ Hong Leong Investment Bank
- J Visvanathan Jaganatha (Editor)
~ AmInvestment Bank
- Ismail Awang (Editor)
~ RHB Investment Bank
- Cheah Guat Sim
~ Affin Hwang Investment Bank
- Tan Gua Hui
~ Alliance Investment Bank
- Kok Yien Fui
~ CIMB Investment Bank
- Mohd Suapi Che Shaffai
~ KAF Investment Bank
- Choo Siew Fun
~ Kenanga Investment Bank
- Dennis Jee Chin Chee
~ Maybank Investment Bank
- Tunku Shariz Tunku Azmi
~ MIDF Amanah Investment Bank
- Devarajoo Sinniah
~ Public Investment Bank

Associate Members

- Jaswant Singh
~ TA Securities Holdings Berhad
- Lim Li Ai
~ UOB Kay Hian Securities (M) Sdn Bhd

Local & Global News

- MALAYSIA: Nicky Liow Claims Trail to Twenty Six Counts of Laundering RM36 Million; Court Sets Bail at RM1 Million
- MALAYSIA: Hackers Distributing Fake Shopping Apps to Steal Banking Data of Malaysian Users
- MALAYSIA: Funds Seized in Money Laundering Cases Will be Returned to the Public, Says Legal Expert
- MALAYSIA: Explain Decisions in High-Profile Cases to Show No Double Standard, AGC Told
- WORLD: Bitcoin Use on Rise to Launder Drug Money: Report
- WORLD: Why Triodos Bank UK Could be the Most Important Bank
- WORLD: Allianz to Pay USD6 Billion to Settle US Securities Fraud Cases

Anti-Money Laundering News

- WORLD: U.S Regulator Says Crypto Bank Violated Anti-Money Laundering, Compliance Rules
- WORLD: Former Goldman Sachs Investment Banker Convicted for Bribery and Money Laundering
- WORLD: International Investigation Finds Colombian Drug Cartels Laundered Money through US Banking System

Islamic Finance News

- MALAYSIA: Saham Aildifitri to Boost Awareness, Trading on Shahriah Listed Shares

Ethics & Governance News

- ASIA: SFC of HK Reprimands and Fines Emperor Securities Limited and Emperor Futures Limited HKD5.4 Million for Breaches of Anti-Money Laundering Regulatory Requirements
- WORLD: SEC Obtains Emergency Relief to Halt Pre-IPO Stock Fraud Scheme by Unregistered Broker-Dealer
- WORLD: SEC Charges Wells Fargo Advisors with Anti-Money Laundering Related Violations
- WORLD: Westpac Penalised AUD113 Million After Multiple ASIC Legal Actions

Knowledge Corner

- Turning Crisis into a Catalyst: What the Pandemic is Teaching Companies and Compliance Teams About Innovation, Agility and Resilience

Regulatory Alerts

- Circulars / Guidelines: Bank Negara Malaysia, Securities Commission & Bursa Malaysia



10 & 11 July 2022



30 July 2022



31 August 2022



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Local & Global News



Malaysia

MALAYSIA: Nicky Liow Claims Trial to Twenty Six Counts of Laundering Rm36 Million; Court Sets Bail at RM1 Million

Former fugitive Liow Soon Hee, also known as Nicky Liow, was charged with 26 counts of money laundering involving a sum of RM36 million.

All the charges were under Section 4(1)(a) of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act, also known as Act 613.

If found guilty, Liow can be sentenced to a maximum of 15 years in jail and a fine of not less than five times the sum or value of the proceeds of unlawful activity he is accused of, or RM5 million whichever is higher.

Source: <https://www.malaymail.com>



Malaysia

MALAYSIA: Hackers Distributing Fake Shopping Apps to Steal Banking Data of Malaysian Users

Threat actors have been distributing malicious applications under the guise of seemingly harmless shopping apps to target customers of eight Malaysian banks since at least November 2021. The targeted banks include Maybank, Affin Bank, Public Bank Berhad, CIMB bank, BSN, RHB, Bank Islam Malaysia, and Hong Leong Bank.

According to a report by Slovak cybersecurity firm ESET, the attacks involved setting up fraudulent but legitimate-looking websites to trick users into downloading the apps. The copycat websites impersonated cleaning services such as Maid4u, Grabmaid, Maria's Cleaning, Maid4u, YourMaid, Maideasy and MaidACall and a pet store named PetsMore, all of which are aimed at users in Malaysia.

The websites, distributed through Facebook ads, urge visitors to download what the attackers claim to be Android apps available on the Google Play Store, but in reality, redirect them to rogue servers under their control. "The threat actors use these fake e-shop applications to phish for banking credentials. The apps also forward all SMS messages received by the victim to the malware operators in case they contain 2FA codes sent by the bank", ESET said.

ESET added that, "While the campaign targets Malaysia exclusively for now, it might expand to other countries and banks later on. At this time, the attackers are after banking credentials, but they may also enable the theft of credit card information in the future".

Source: <https://thehackernews.com>

Local & Global News



Malaysia

MALAYSIA: Funds Seized in Money Laundering Cases Will be Returned to the Public, Says Legal Expert

The authorities or enforcement agencies can impose compounds with the consent of the prosecution in money laundering and corruption cases and the monies will be returned to the public through the Federal Consolidated Fund.

Universiti Teknologi MARA (UiTM) legal advisor Assoc Prof Dr Haidar Dziauddin said such compounds fell under Section 92 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (AMLA) 2001 and applied to cases where the accused was discharged not amounting to acquittal.

“Usually the compounds would involve large amounts and the authorities will reclaim the money used in corruption offences. The accused is expected to pay the set compound otherwise prosecution proceedings will begin once again upon their failure to pay.

He said many people assumed that a discharge not amounting to acquittal in a high profile case meant that the accused was free from prosecution and linked such verdicts to political sentiments.

“The assumption is wrong as there is a significant difference between being acquitted and discharged not amounting to acquittal, no matter if the individual is a public figure or an ordinary person. Being discharged not amounting to acquittal means that the prosecution can at any time recall the individual to face legal action.

“It’s worth remembering that the aim of such a discharge is to provide enforcement authorities time to obtain strong evidence relating to corruption as the process of tracking the illicit funds is complex, especially if new evidence comes to light,” Haidar said.

He said the court had the power to allow two such actions (discharge not amounting to acquittal and compounds) based on legal provisions not only enshrined in Malaysia, but accepted throughout legal circles worldwide.

Money laundering and corruption cases usually involved three stages to create a charge, placement, layering and integration to identify funds from illicit activities that have been deposited through complex transactions and then disguised as legitimate financial activities, he added.

“If someone is discharged not amounting to acquittal, it provides enforcement agencies the opportunity to identify corruption at its base and obtain more testimonies from parties involved, which will strengthen the case as it cannot be challenged by unsubstantiated evidence,” he said.

However, as there is no statute of limitations relating to someone who has been discharged not amounting to acquittal, Haidar suggested that a change be made to the legal process to introduce a reasonable duration to manage the case.

“Maybe there could be some amendments to the matter, if there is no statute of limitations, the accused could be seen as being in perpetual jeopardy because they could Malaysia be re-prosecuted at any time and that will cause them to undergo tremendous stress,” he said. Society should not compare offences under AMLA and the Penal Code, as they both have different burdens of proof, he added.

Source: <https://www.theedgemarkets.com>

Local & Global News



Malaysia

MALAYSIA: Explain Decisions in High-Profile Cases to Show No Double Standard, AGC Told

Legal experts have urged the Attorney-General's Chambers (AGC) to consider explaining its decisions in high-profile cases to assure the public that no double standard is applied.

Lawyer Haniff Khatri Abdulla said he was concerned that the public, in drawing conclusions about the judiciary and its decisions, might be guided by inaccurate information found on the internet.

There is no legal requirement for the AGC to explain the exercise of its discretion in the conduct of criminal cases. However, Haniff suggested that the AGC issue "proper and consistent statements" through a communications bureau to clear doubts as to whether it was carrying out its duties fairly.

He was commenting on Muda vice-president Lim Wei Jiet's call for transparency following the resignation of Securities Commission Malaysia chairman Syed Zaid Albar, which came a few days after criminal charges against four Serba Dinamik Holdings Bhd executives were withdrawn.

Lim also cited the case of Umno secretary-general Ahmad Maslan, who was cleared of charges of money laundering involving RM2 million after paying a RM1.1 million compound. The maximum penalty for the offence is five years' jail or a fine of RM5 million or both.

Haniff said that in a case in which the law provides for a compound, it would be the AGC's duty to offer it to the accused first instead of taking him to court right away.

The compound provision under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (Amla) allows criminal matters to be settled outside of court through payment of a fine approved by a deputy public prosecutor.

Former Malaysian Bar president Salim Bashir said the Federal Constitution and the Criminal Procedure Code gave the AGC the discretion to initiate or to discontinue criminal proceedings.

"There is no clear duty for the AGC to provide reasons for the exercise of its discretion, but practice and prudence demand such disclosure be made to the public to allay fears of biases," he told FMT.

Salim also said that if there were plea deals, it would be wise for the AGC to explain them to the public to show that the terms agreed upon reflect the seriousness of the crime.

Source: <https://www.freemalaysiatoday.com>.

Local & Global News



World

WORLD: Bitcoin Use on Rise to Launder Drug Money: Report

Drug cartels in Mexico and Colombia are increasingly using cryptocurrencies such as bitcoin to launder money, the UN-linked International Narcotics Control Board (INCB) said.

Mexican cartels estimated to launder USD25 billion a year in Mexico alone, the board's annual report said, describing them "as among the richest and most powerful organised criminal groups" in the world.

According to the report, the criminals employ methods to get around a Mexican law requiring cryptocurrency platforms to notify authorities of any transaction of more than USD2,830. They split their illicit cash into small amounts and deposit them into various bank accounts. Then, they repeatedly buy small amounts of bitcoin online to pay associates.

Source: <https://www.businesstimes.com.sg>



World

WORLD: Why Triodos Bank UK Could be the Most Important Bank

Ethical banks such as Triodos Bank UK are flourishing as consumers demand greater transparency from the industry. With just shy of 85,000 customers, it's very far from the biggest bank and its 2021 profit of £7.8m would barely cover the reward package of a high-street bank's CEO. However, with the upsurge in consumer demand for ethical banking, Triodos which was established in 1995, has become a star player in a national "ethical money sector" that the Ethical Consumer Research Association valued at £41.1bn in 2018.

Bevis Watts, CEO of Triodos said, 'ethical banking' can range from a ban on financing ethically dubious industries to the active support of low-carbon enterprises, but one common factor is the notion that "money is not neutral". Banks' choices about whom they accept money from and how they use those funds have profound implications for the environment, for democracy and for everyday customers.

Triodos philosophy is catching on more and more banks with explicit ethical and/or ecological mandates are emerging. The segment's growth is no accident. Public attitudes are certainly changing, but successful marketing campaigns have also given consumers the impetus to change their banks.

Source: <https://www.raconteur.net>



World

WORLD: Allianz to Pay USD6 Billion to Settle US Securities Fraud Cases

Allianz Global Investors US ("Allianz Global"), a US unit of the German financial firm, admitted to violating US securities laws with its "Structured Alpha" scheme which dates to at least January 2016. Allianz Global and the three portfolio managers doctored key financial figures to make losses look smaller than they were. But when Covid-19 struck the US in March 2020, the pandemic-induced market crash showed Allianz Global had misled investors about risk, and "the fund suffered catastrophic losses and investors lost billions.

According to the Securities and Exchange Commission US "The victims of this misconduct include teachers, clergy, bus drivers, and engineers, whose pensions are invested in institutional funds to support their retirement. A recent string of cases in which derivatives and complex products have harmed investors across market sectors".

Allianz Global and its German parent will pay USD6 billion in restitution and fines over the multi-billion fraudulent scheme that hit American teachers, clergy and other investors. Allianz Global, as well as two of three portfolio managers named in the complaint, also agreed to plead guilty in a parallel criminal case.

Source: <https://www.malaymail.com>

Anti-Money Laundering News



World

WORLD: U.S Regulator Says Crypto Bank Violated Anti-Money Laundering, Compliance Rules

The Office of the Comptroller of the Currency said that flagship crypto bank Anchorage Digital Bank National Association violated rules for monitoring for suspicious activity and preventing money laundering.

The Sioux Falls, South Dakota-based firm failed to adopt a compliance program that meets Bank Secrecy Act and anti-money laundering requirements, OCC said in its order. Anchorage Digital receiving a conditional bank charter from the regulator in January 2021.

The OCC's order requires the company appoint a compliance committee within 15 days and have that board submit a progress report and plan for remediation to the regulator.

Source: <https://www.reuters.com>



World

WORLD: Former Goldman Sachs Investment Banker Convicted for Bribery and Money Laundering

Roger Ng Chong Hwa, the former Managing Director of Goldman Sachs Group Inc. ("Goldman Sachs") was found guilty of conspiring to violate the Foreign Corrupt Practices Act ("FCPA") by paying bribes to a dozen foreign officials in Malaysia and the UAE, conspiring to violate the FCPA by circumventing the internal accounting controls of Goldman Sachs, and conspiring to launder billions of dollars related to 1MDB.

Between approximately 2009 and 2014, Ng and his co-conspirators laundered billions of dollars misappropriated and fraudulently diverted from 1MDB, including funds 1MDB raised in 2012 and 2013 through 3 bond transactions it executed with Goldman Sachs, known as "Project Magnolia", "Project Maximus" and "Project Catalyze". They also laundered the proceeds of their criminal conduct through the US financial system.

Ng and his co-conspirators, including co-defendant Low Taek Jho aka Jho Low, used Low's close relationship with high ranking government officials in Malaysia and the UAE to obtain and retain business for Goldman Sachs through the promise and payment of hundreds of millions of dollars in bribes. In the course of executing the scheme, Ng conspired with others at Goldman Sachs to and did circumvent the investment bank's internal accounting controls.

Through its work for 1MDB during that time, Goldman Sachs received approximately USD600 million in fees and revenues, while Ng received USD35 million for his role in the bribery and money laundering scheme. In total, Ng and the other co-conspirators misappropriated more than USD2.7 billion from 1MDB.

Source: <https://www.justice.gov/>

Anti-Money Laundering News



World

WORLD: International Investigation Finds Colombian Drug Cartels Laundered Money through US Banking System

Officials gathered at the Moakley Federal Courthouse in Boston to announce the results of an international investigation into the alleged laundering of millions of dollars in drug trafficking proceeds through banks, including some in Massachusetts.

According to U.S. Attorney Rachael Rollins, the case involves Colombian drug cartels who used the banking system in the United States and elsewhere to launder their proceeds from narcotics. Rollins said the investigation lasted more than five years and involved the infiltration of the criminal organization, which was based in Colombia.

Along with Rollins, the announcement involved representatives of the Drug Enforcement Administration, Internal Revenue Service and law enforcement officials from Colombia and Jamaica.

Rollins said the 19 suspects will all face charges in the case, which involved the laundering of at least USD6 million. Five of the suspects were arrested in Florida and Jamaica on Tuesday and 13 others were arrested in Colombia and Florida last month.

"It is alleged that the defendants took part in a conspiracy to move millions of dollars in drug proceeds from Colombian cartels through banks in the United States, including Massachusetts, and elsewhere. In doing so, they allegedly aided in concealing drug trafficking activities and profits," Rollins said.

The network of suspects allegedly used a black market peso exchange in Colombia and a network of bank accounts held by front companies or individuals to conduct its business.

"Through money laundering schemes, these criminals repatriate drug proceeds allowing them to reinvest in the production, transportation and distribution of more narcotics. Money is the fuel that allows them to keep the cycle going. By attacking the financial structure, we have a greater impact on neutralizing their ability to spread their poison," said Brian D. Boyle, Special Agent in Charge of the DEA's New England Field Division.

Evidence photos displayed on either side of the podium during the announcement showed thousands of kilos of cocaine and bags full of cash seized as a part of the investigation.

Source: <https://www.wcvb.com>

Islamic Finance News



Malaysia

MALAYSIA: Saham Aidilfitri to Boost Awareness, Trading on Shariah Listed Shares

Bursa Malaysia Berhad recently launched the Kempen Saham Aidilfitri 2022, an initiative under the Invest Shariah Retail Campaign that aims to increase awareness and trading activity of Shariah listed shares and investment products on Bursa Malaysia – i, the world’s first end-to-end Shariah compliant securities trading and investing platform.

“Kempen Saham Aidilfitri is one of the many initiatives under the Invest Shariah Retail Programme that aims to attract retail investors to trade Shariah-compliant products on Bursa Malaysia’s end-to-end Shariah-compliant securities trading platform,” said Bursa CEO Datuk Muhamad Umar Swift.

He said that there are currently more than 760 Shariah-compliant securities listed on the Exchange for investors to choose from.

“As an added incentive to raise awareness about these Shariah products, services and platforms available on the Exchange, we are offering our investors a chance to win up to RM35,500 worth of Harvey Norman e-vouchers by opening a Shariah trading account and trading with our participating Islamic brokers between 1 April and 30 June 2022.”

In the effort to increase trading activity on Bursa Malaysia-i, the campaign will also recognise traders in the following categories:

1. Overall Highest Total Traded Value (TTV);
2. Highest TTV in Shariah-compliant ETFs (i-ETFs);
3. Highest TTV in Shariah-compliant REITs (i-REITs);
4. Highest TTV in Shariah-compliant ETBS; and
5. Women Participating Retail Investors with Highest TTV.

This campaign is supported by seven participating brokers who offer Islamic stockbroking services, namely Affin Hwang Investment Bank Bhd, AmInvestmentBank Bhd, CGS-CIMB Securities Sdn Bhd, Kenanga Investment Bank Bhd, MalaccaSecurities Sdn Bhd, RHB Investment Bank Bhd and UOB Kay Hian Securities (M) SdnBhd.

Members of the investing public are encouraged to seek more information about this campaign with the aforementioned brokers.

Source: <https://themalaysianreserve.com>

Ethics & Governance News



Asia

ASIA: SFC of HK Reprimands and Fines Emperor Securities Limited and Emperor Futures Limited HKD5.4 Million for Breaches of Anti-Money Laundering Regulatory Requirements

The Securities and Futures Commission (SFC) has reprimanded and fined Emperor Securities Limited (ESL) and Emperor Futures Limited (EFL) (collectively, Emperor) HKD5.4 million for failures in complying with anti-money laundering and counter-terrorist financing (AML/CFT) regulatory requirements. Specifically, the SFC found that Emperor failed to implement adequate and effective policies and procedures to mitigate the risks of money laundering and terrorist financing associated with third party deposits and payments.

The SFC's investigation revealed that between 1 December 2016 and 10 December 2017, ESL and EFL routinely processed 732 and 32 third party fund transfers, totalling around HKD1.05 billion and HKD17.6 million respectively, without properly scrutinising whether these transfers were reasonable. In particular:

- although Emperor's policy required clients to provide justifiable reasons for third party fund transfers, some of their transfers were nevertheless approved even when there were no accompanying explanations;
- in cases where reasons for the transfers were provided, Emperor staff relied on information provided by the clients without making enquiries or requiring them to provide supporting documents for verification; and
- while clients needed to explain their relationship with the third parties, Emperor's policy did not require them to provide documents to support their explanations.

As such, despite the presence of red flags in some of the third party fund transfers requested by clients, Emperor did not identify the suspicious transfers and make appropriate enquiries.

The SFC is of the view that Emperor's conduct was in breach of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the Guideline on Anti-Money Laundering and Counter-Terrorist Financing and the Code of Conduct.

Source: <https://apps.sfc.hk>

Ethics & Governance News



World

WORLD: SEC Obtains Emergency Relief to Halt Pre-IPO Stock Fraud Scheme by Unregistered Broker-Dealer

The Securities and Exchange Commission (SEC) announced that it obtained asset freezes and other emergency relief against StraightPath Venture Partners LLC, StraightPath Management LLC, Brian K. Martinsen, Michael A. Castillero, Francine A. Lanaia, and Eric D. Lachow (collectively, the defendants) to halt ongoing securities violations, including allegedly selling pre-initial public offering (IPO) shares they did not own, pocketing undisclosed fees, and co-mingling investor funds, resulting in Ponzi scheme-like payments.

The SEC alleges that the defendants, running an unregistered broker-dealer with a vast network of sales agents, raised at least USD410 million from more than 2,200 investors from November 2017 through February 2022. The defendants repeatedly told investors that each investment would be kept separate, but instead they freely co-mingled investor funds, paid themselves more than USD75 million, and paid their sales agents nearly USD48 million from illegal, undisclosed markups on the pre-IPO shares. The defendants also allegedly concealed from investors that two of the three founders, Castillero and Lanaia, ran the funds despite being barred from the brokerage industry. When SEC staff sought copies of the emails sent by the defendants' sales agents during its investigation, Castillero and Martinsen allegedly deleted them from their servers.

The SEC's complaint, charges the defendants with violating anti-fraud and other provisions of the federal securities laws. The complaint seeks permanent injunctive relief, return of allegedly ill-gotten gains, and civil penalties. The SEC obtained a court order to freeze the assets of Martinsen, Castillero, Lanaia, StraightPath Venture Partners, and StraightPath Management. The order further temporarily enjoins the defendants from violating these provisions of the federal securities laws and orders them not to destroy any additional relevant documents.

Source: <https://www.sec.gov>



World

WORLD: SEC Charges Wells Fargo Advisors with Anti-Money Laundering Related Violations

The Securities and Exchange Commission announced charges against Wells Fargo Advisors ("WFA") for failing to file at least 34 Suspicious Activity Reports (SARs) in a timely manner between April 2017 and October 2021. Wells Fargo Advisors, the St. Louis-based broker-dealer, has agreed to pay USD7 million to settle the charges.

This is due to WFA's deficient implementation and failure to test a new version of its internal anti-money laundering (AML) transaction monitoring and alert system adopted in January 2019, which resulted in the system failure to reconcile the different country codes used to monitor foreign wire transfers.

As such, 25 SARs related to suspicious transactions in its customers' brokerage accounts involving wire transfers to or from foreign countries that it determined to be at a high or moderate risk for money laundering, terrorist financing, or other illegal money movements were not filed on time.

Wells Fargo Advisors also failed to timely file at least nine additional SARs due to a failure to appropriately process wire transfer data into its AML transaction monitoring system in certain other situations.

These incidents put the investing public at risk because they deprive regulators of timely information about possible money laundering, terrorist financing, or other illegal money movements from suspicious transactions involving fraud or a lack of an apparent lawful business purpose.

Source: <https://www.sec.gov>

Ethics & Governance News



World

WORLD: Westpac Penalised AUD113 Million After Multiple ASIC Legal Actions

The Federal Court in Australia has ordered Westpac to pay penalties in the amount of AUD113 million for widespread compliance failures across multiple businesses, where six separate civil penalty proceedings were filed by the Australian Securities & Investments Commission (“ASIC”) against Westpac.

The six matters against Westpac were:

- 1) Charging fees to deceased customers (Penalty: AUD40 million)
- 2) Unethical sales of insurance policies by distributing duplicate insurance policies to customers for the same property at a time and issued insurance policies to customers who had not consented to entering into an insurance policy. (Penalty: AUD15 million)
- 3) Charging fees for financial advice to customers without disclosing, or properly disclosing those fees to the customers. (Penalty: AUD6 million)
- 4) Charging fees to deregistered company accounts and allow these accounts to remain open for utilisation (holding approximately AUD120 million in funds) that should have been remitted to ASIC or the Commonwealth. (Penalty: AUD20 million)
- 5) Sold its consumer credit card and flexi-loan debt to debt purchasers with incorrect interest rates resulting in customers, who were likely to be in financial distress, being overcharged interest. (Penalty: AUD12 million)
- 6) Insurance premiums charges paid by some of its members included commission payments, despite commissions having been banned under the Future of Financial Advice reforms. (Penalty: AUD20 million)

According to the ASIC Deputy Chair Sarah Court, these breaches demonstrate a profound failure by Westpac to implement appropriate systems and processes to ensure its customers were treated fairly. Westpac, like all licensees, has an obligation to be honest and fair in its provision of financial services. Despite this, Westpac had failed to prioritise and fund the systems upgrades necessary to help fulfil this obligation. Ms. Court further reiterated that the sheer scale of this impact suggests that, at the time, Westpac had a culture that did not prioritise compliance.

Westpac admitted to the allegations in each of the proceedings and will remediate more than AUD80 million to customers. Westpac consented in each of the matters to the orders made and to the penalties and cooperated with ASIC in resolving the matters.

Source: <https://asic.gov.au>



Turning Crisis into a Catalyst: What the Pandemic is Teaching Companies and Compliance Teams About Innovation, Agility and Resilience

Disruption is a test, but it also offers powerful tools

A strict focus on compliance can stifle creativity and innovation. But a work environment that encourages those traits is key to agility and longevity. The pandemic puts these attributes to the test, spurring business leaders to embrace change and disruption as powerful tools of competitive advantage. Compliance leaders and teams need to consider how they can sustain an ongoing role as partners in this process, writes Protiviti's Jim DeLoach.

Agility is an important driver of success in a mercurial environment. For many companies, digital maturity and future readiness correlate with the ability to innovate. That is why business leaders must position themselves to help their organizations not merely survive but also compete and thrive.

What this requires is a strategic approach to cultivating innovation and enabling that innovation to scale, whether in good times or during a crisis. The pandemic experience reinforces this point. Below are nine lessons taught to us by the pandemic.

1. A crisis can be the ultimate determinant of who is resilient — and who isn't

Sustaining operations during the pandemic was a challenge for many companies. Those that could embraced web-based and cloud-based collaborative applications to transform how their people work, team, meet and attend events — the workplace went remote. For sectors dependent on gatherings of people, the crowds disappeared.

Thus, the pandemic turned the fundamentals in many industries upside-down. But future-ready companies, with their digitally enabled capabilities to innovate processes, products and services, were prepared. Remote work, flexible work arrangements, click and collect, online channels, 24/7 video healthcare, online shopping, home delivery and automation in all its forms are just some examples of digitalization in action.

However, these capabilities weren't new. "Born digital" companies had been deploying them for many years. Companies already using digital tools were able to embrace the new business realities imposed by the pandemic almost overnight with minimal impact. The only challenge they faced, in some cases, was an inability to cope with demand spikes and accelerated growth.

2. The pandemic spawned a startup mentality: openness to new thinking and a willingness to fail

In many industries, the pandemic introduced a window to innovate. For example, financial services is among several traditionally conservative sectors that are resistant to innovation. But over the past two years, even conservative organizations and industries have been willing to innovate. The pandemic forced many to rethink, even reinvent, how they do business.

A key element of innovation is having the latitude to fail. During the crisis, companies had no choice but to take risks to survive and thrive. For example, many accelerated their use of technology to do things they had never considered before. In effect, they adopted a startup mentality — a mindset organizations typically embrace when they're at their most disruptive. There's a willingness to fail, largely because there isn't much to lose.

In normal times, executive management must set this tone as the organization strives to innovate. But patience is needed. Often, there is a perceived low return from failure in terms of career development. If that's the case, executive management should be aware of it and monitor actions set in motion to change perceptions.



3. A crisis shines the same spotlight on innovation that should be there in less-turbulent times

When a business struggles, it's easier to push through change, yet change is often harder for companies in good times. When operations cease, revenues are cut off and no one can work in the office — and it's all-hands-on deck to reimagine processes, products and services. The elapsed time to innovate compresses from months and years, transitioning rapidly to days and weeks. It's a matter of survival.

When times are good, there's a reluctance to pursue change that can affect core revenue streams, shift the focus away from what's working well and cannibalize existing products and services. While understandable, executive management and boards should not allow this hesitation to stifle innovation. In a rapidly changing environment, organizations should think big with bold, audacious, innovative goals.

For example, when Satya Nadella became Microsoft's CEO, he shifted the organization's focus, competencies and skills from the PC (Microsoft's comfort zone at the time) to enable greater innovation in the cloud. What followed was the development and launch of the now highly lucrative Microsoft Azure cloud services business.

Large incumbents are often seen as laggards in innovation compared to smaller, nimbler born-digital competitors. But when a crisis manifests itself in a manner that affects shareholders, incumbents start thinking differently. Necessity becomes the mother of invention. Inflection points may not always result in immediate change, but they often lead to massive shifts over time. That's why innovation should be a priority in both good times and bad.

4. 'You can't fight gravity.'

Amazon CEO Andy Jassy imparted this four-word bit of wisdom during an interview in 2021. Amazon's original business model emphasized selling products it procured and stored. Twenty years ago, with its stock plummeting over 80 percent and eBay and other online marketplaces taking share, Amazon launched Amazon Marketplace following intense debate about whether to allow third parties to sell on the Amazon site. Amazon weighed the pros and cons and introduced Marketplace — and the rest is history.

As Jassy summed up the lesson: "If something is going to happen, whether you want it to happen or not, it is going to happen. And you are much better off cannibalizing yourself or being ahead of whatever direction the world is headed than you are howling at the wind or wishing it away or trying to put up blockers."

Thus, executive management and their boards should be mindful of the trap of "fighting gravity." How important was Amazon's decision to innovate and change? Today, roughly half of Amazon's retail business consists of products sold by over 500,000 third parties.

5. If everyone is thinking alike, then someone isn't thinking

In a dynamic world, it's important to challenge the status quo continuously and think outside the box on everything the company and its competitors do. In short, companies should strive to rethink industry business models and not merely copy their competitors. Just because every player in the industry does something a certain way doesn't mean that's the best way. Sometimes, innovations may be small, resulting in incremental process changes.

Other times, innovation entails thinking about how to do things differently. Innovation can also involve major transformations, resulting in fundamental changes in business models. With advances in technology primarily driving the pace of change, companies are forced to reinvent themselves.

With the board's support, executive management should empower talented people throughout the company who have the curiosity to ask the tough questions and the creativity and persistence to constantly seek and achieve better outcomes. Continuous improvement and innovation is a mindset.



6. A strong customer focus is where it starts

Innovation stems from thinking about how to change the customer experience. This is about more than just monitoring the data and analytics around evolving customer preferences, needs and wants. It's also recognizing that technological change is the primary driver of the pace of change in today's marketplace. In essence, innovation is about preparing the organization to be an important part of the digital age. That is why the innovation process should consider how fresh applications of technology in the industry will transform the customer experience.

If the company doesn't advance its processes, products and services, its competitors will. Worse, if companies have digital-skeptic tendencies and do "digital things" because they think they need to — and not because they want to differentiate their products and services — they're not likely to succeed. Keeping up with the pace of change is a challenge every organization will face over the next decade.

7. An innovative culture is more likely to complete the cycle and get results

The process of coming up with ideas is relatively easy for many organizations. People always have great ideas about what can be done. The hard part is nurturing those ideas beyond the prototype stage to ultimate business reality. The full end-to-end process includes not only upfront ideation but also a process that filters, prioritizes, nurtures, and develops those ideas into an implementable design.

Change-enablement skills to act on that design to get measurable results are crucial. But more important, the right organizational culture and mindset are needed to ensure skills are continuously refreshed to sustain transformative innovation and reinvention as the world and technology continue to change. The tone for that culture starts at the top. With the board's support, executive management should strengthen and nurture this culture and mindset so that good ideas are pushed around the track to the finish line.

8. A sustainable innovative culture should be aligned with the strategy

The organization's innovation mindset and approach should be aligned with the growth strategy. As the market changes, the organization's incentive structure merits careful review.

- Does it reward innovation?
- Does it accept failure?
- Or does it reward people for focusing on what they're doing today, rather than developing new ideas and approaches?

In other words, is the reward system incenting people to play it safe? Who is being rewarded and promoted — the people driving the business forward and creating the future, or those riding the wave that someone else created?

As for the company's innovation plans and road map for the business, do they consider how customer preferences and pain points may shift in the foreseeable future? Dashboard reports linked to those plans should inform executive management and the board periodically as to progress. Robust data and analytics on customer preferences and behavior and other relevant external trends should be used to inform the innovation plan. The organization should strive to learn at the speed of change.



9. Diversity matters

Understanding the digital economy, emerging technologies and relevant megatrends affecting the industry and the ability to relate them to the business and its strategy are now critical boardroom and C-suite skills. To help guide the organization's innovation mindset and activities, executive teams and their boards can benefit from greater diversity. For example, millennials tend to experience technology differently. Hearing from as wide a range of perspectives as possible is essential, as organizations will be giving a voice to and relying more on the perspectives of a younger, more diverse group of employees as they navigate changes in society.




Questions for executive teams and boards

Following are some suggested questions that boards of directors may want to consider, based on the risks inherent in the company's operations:

- Do we have a vision on what role our business will play in the marketplace and how our value proposition will be framed, say, five years or more from now? Are we aligned on this vision and what needs to be done to get there? Does every leader in the business understand his or her role in helping the organization deliver on this vision?
- What role does innovation play, and are we fostering a culture that drives innovation? Does our organization really know what it means to embrace risk, innovate, and accept and learn from failure? Do we receive a dashboard report on innovation and devote sufficient time to innovation matters?
- Do we have a clear vision of how technology and analytics are likely to disrupt our industry? Are we realistic about the likely pace of change? Are there any obstacles in our way when it comes to driving innovation? If so, how do we deal with them?
- How do we innovate without unintentionally or prematurely destroying our core business(es)? Is innovation left in the hands of a few rather than emphasized across all aspects of the business, including third-party partnerships? Are sufficient staffing and resources assigned to innovation projects with clear accountability for results?
- Does our organization have any digital-skeptic tendencies? If so, how can we eliminate them? Is it clear what the organization needs to do to raise its digital maturity to a competitive level? If not, what are we doing to obtain that clarity? If we're a "digital follower," are we agile enough to pivot quickly so that we don't fall behind industry leaders?

Source: <https://www.corporatecomplianceinsights.com>



REGULATORY ALERTS

Circulars/Guidelines				
	21.02.22	Amendments to the Rules of Bursa Malaysia Depository to Facilitate Greater Operational Efficiency and Reflect Regulatory Changes and Updates	The Depository Rules have been reviewed and amended to create a more effective and facilitative regulatory framework to further simplify and facilitate efficient depository operations, to ensure greater operational efficiencies, ease of compliance and reduced cost, including implementation of the Bursa Depository's new initiatives i.e. New Transmission of Title Process and the Reclassification of Investor Segment in Central Depository System ("REIS"). The amendments also provide clarity on transfer, termination and cessation of appointment of ADA and authorised direct members ("ADM")	Effective: 07.03.22
 BANK NEGARA MALAYSIA <small>Bank Negara of Malaysia</small>	25.03.22	Malaysia Islamic Overnight Rate (MYOR-i)	<p>BNM has issued a PD which sets out the benchmark design, methodology and governance framework of the MYOR-i, which is the new transaction-based Islamic benchmark rate for Malaysia.</p> <p>In line with the continued development of the Islamic financial market, the Financial Markets Committee ("FMC"), in consultation with the AIBIM-FMAM1 Islamic Market Technical and Development Committee ("IMTDC"), recommended for the replacement of the Kuala Lumpur Islamic Reference Rate ("KLIRR") with a new Islamic benchmark rate, named the Malaysia Islamic Overnight Rate ("MYOR-I").</p> <p>MYOR-i is designed based on the International Organization of Securities Commissions ("IOSCO")'s Principles for Financial Benchmarks.</p>	Effective: 25.03.22
 BANK NEGARA MALAYSIA <small>Bank Negara of Malaysia</small>	25.03.22	Regulatory Calendar for 2022	<p>BNM has issued a regulatory calendar to inform the industry of BNM's regulatory policy priorities for the year. This will enable the industry to plan their resources to effectively participate in the policy development process and implementation of new regulatory policies and requirements.</p> <p>The Calendar sets out BNM's planned policy consultations and issuances, and their expected rollout dates. The Calendar also includes areas of regulatory interest in which BNM intends to engage the industry during the year, and roadmaps for multi-year policy reforms.</p>	Effective 25.03.22


REGULATORY ALERTS

Circulars/Guidelines				
			<p>In 2022, the BNM's regulatory priorities will be anchored on–</p> <ul style="list-style-type: none"> (a) Strengthening governance, capital, liquidity, Shariah and risk management standards to address risks and reinforce financial system resilience; (b) Promoting best market practices and high standards of conduct and professionalism; (c) Promoting financial sector reforms to support digitalisation and the long-term development of the financial sector and economy; (d) Advancing efforts to enhance industry's capacity and preparedness to manage climate-related risks and to support an orderly transition towards a low carbon economy; (e) Promoting more efficient and robust e-payments infrastructure and landscape; and (f) Promoting greater financial inclusion by enhancing delivery channels and outreach of financial products and services for consumers. 	
	04.04.22	<p>SC Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives</p>	<p>SC has revised a Guideline which requires a new section (i.e. Section 9A - Investment Advice by Dealer's Representative) inserted which sets out requirements that both the Capital Market Service License ("CMSL") holder and Capital Markets Services Representative's License ("CMSRL") holder must comply with in order for the CMSRL holder to offer investment advice on listed securities.</p>	<p>Effective: 04.04.22</p>
	04.04.22	<p>Amendments To The Best Practice No. 7.16-001 (Best Practices In The Islamic Stockbroking Services Undertaken By Participating Organisations) ("Best Practices For Islamic POs")</p>	<p>The salient amendments to the Best Practices for Islamic POs are as follows:</p> <ul style="list-style-type: none"> a. Included a guidance on Shariah discretionary trading. A new Section F sets out, among others, the provisions on the creation of a Shariah Discretionary Account and the applicable Shariah contracts between an Islamic PO and its Client for the provision of Shariah discretionary trading services i.e. Wakalah, Mudarabah and Musharakah; b. Included for consistency, a guidance in relation to Islamic Securities Selling & Buying – Negotiated Transaction ("ISSBNT"), which reflects the model set out in the Frequently Asked Questions on ISSBNT available on the Exchange's website; and c. Amended the existing terms used in the Best Practices for Islamic POs for clarity and introduced new defined terms consequential to items a and b above. 	<p>Effective: 16.05.22</p>

REGULATORY ALERTS

Circulars/Guidelines				
	25.05.22	Consequential Amendments to the Main Market Listing Requirement ("LR") in relation to Fit and Proper Policy Requirements for Real Estate Investment Trust ("REITs") and Clarification on Implementation Dates for Enhanced Director Amendments	<p>Consequential amendments to the Main LR on Directors' fit and Proper Policy for REIT management company.</p> <p>The enhanced Director Amendments & Miscellaneous Changes take effect as follows:</p> <ol style="list-style-type: none"> a. Listed issuers (including the listed REITs) must publish their Directors' Fit and Proper Policy on their websites by 1 July 2022; b. Listed issuers with market capitalisation of RM2 billion and above as at 31 December 2021 must have at least 1 woman director on their boards by 1 September 2022. The rest of the other listed issuers must have at least 1 woman director on their boards by 1 June 2023; and c. Listed issuers must comply with the amended definition of independent director where all long serving independent directors of more than 12 years must resign or be redesignated and other consequential amendments by 1 June 2023. 	Effective: 25.05.22
	25.05.22	Amendments on ACE Market Listing Requirement ("LR") in relation to Clarification on Implementation Dates of the Enhanced Director Amendments & Miscellaneous Changes	<p>The enhanced Director Amendments & Miscellaneous Changes take effect as follows:</p> <ol style="list-style-type: none"> a. Listed corporations must publish their Directors' Fit and Proper Policy on their websites by 1 July 2022; b. Listed corporations with market capitalisation of RM2 billion and above as at 31 December 2021 must have at least 1 woman director on their boards by 1 September 2022. The rest of the other listed issuers must have at least 1 woman director on their boards by 1 June 2023; and <p>Listed corporations must comply with the amended definition of independent director where all long serving independent directors of more than 12 years must resign or be redesignated and other consequential amendments by 1 June 2023.</p>	Effective: 25.05.22

REGULATORY ALERTS

Circulars/Guidelines				
 <small>BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA</small>	30.05.22	<p>Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework & Lodgment Kit (Revised)</p>	<p>SC has made amendments as follows:</p> <ol style="list-style-type: none"> a. to provide clarity that the remedy must not exceed seven business days from the date on which the payment is due; b. to reflect the party responsible to lodge the duly executed trust deed with the SC, change in timeline for the submission of post-issuance notice to the SC; c. to reflect the change in redemption notice requirements and submission timeline to the SC; d. to reflect the Responsible Party permitted to submit the redemption notice for the respective type of issuer; e. to highlight that the Responsible Party responsible for submitting the redemption notice must be specified in the lodgement; f. To reflect the requirement to notify the SC as soon as practicable in the event there is a change in the maturity date submitted in the post-issuance notice of the corporate bonds or sukuk; g. to reflect the change in the requirement for submission of copies of announcements on revision to principal terms and conditions and the party responsible to submit all relevant information and documents for lodgement with the SC and comply with all relevant requirements; h. to reflect the change in the requirement for submission of copies of announcements on upsizing; i. to reflect the change in timeframe for SPV to accept transfers of the assets or issue ABS from 60 business days to 90 business days from the date on which the securitisation transaction is lodged with the SC; j. to reflect that the issuer must lodge all information and documents as set out in the Lodgement Kit through its Lodgement Party; k. to reflect the change in timeframe for issuance from 60 business days to 90 business days from the date of lodgement; l. to reflect the party responsible to submit all relevant information and documents for lodgement with the SC and comply with all relevant requirements under Section B, Part 3 of these Guidelines <p>Lodgment Kit</p> <ol style="list-style-type: none"> a. Section 7: Information and Documents to be Submitted to the SC for Post-Issuance Revision; and b. Part 5: Convertible Notes and Islamic Convertible Notes to Specific Registered Persons. 	<p>Effective: 01.06.22</p>