



NEWSLETTER



A Nation Without Corruption, A Society with Integrity

Volume 46 (August-November 2022). KDN Permit No: 11959/03/2019 (025399)

PRESIDENT'S MESSAGE

With 15th General Elections over and a new unity government has been formed, our work to fight corruption and push for institutional reforms continues. With no clear winners in the general election, the coalition government formed by PH, BN, GPS, GRS, Warisan and other independents, we look forward to have a stable government for the next 5 years. Under the leadership of Dato' Seri Anwar Ibrahim it is our hope that civil society organizations will have our voices heard and we will support if there is genuine commitment from the government to push for reforms.



It has been challenging for the past 3 years after the "Sheraton Move" to push for institutional reforms when the government of the day was not committed to reforms. This is clear from the CPI (Corruption Perception Index) scores for Malaysia since 2020 which has been deteriorating and Malaysia's global ranking has also plunged. The NACP (National Anti-Corruption Plan) launched is a 5-years plan ending in 2023 but approximately less than 40% has been completed or executed. TI-Malaysia has repeatedly urged the Chief Secretary to the government to take the lead to drive all the initiatives in the NACP.

Among the short and medium term, reforms that the unity government should implement are as follows:

1. Enact the Political Financing Act
2. Separation of power between the Attorney General and the Public Prosecutor
3. Asset declaration by Elected Representatives and Senior Government officials
4. Appointment of Head Agencies should be done through a Parliamentary Select Committee
5. Amendment to the Whistle Blowers Protection Act 2010
6. Upgrading the MACC to be Commission under the Constitution

It is our hope that all politicians from different parties who are in the unity government now will put aside their differences and think of the future of their country first and support the Prime Minister to govern the country well. It is our hope that while the top priority of the Prime Minister is to revive the economy, put inflation under control and create jobs, fighting corruption and institutional reforms should remain a key agenda of the unity government.

Dr Muhammad Mohan

President

Transparency International-Malaysia

EDITORIAL

I would like to start this editorial with a quote by Larry J. Sabato.

“Every election is determined by the people who show up.”

In a democratic country, one key mechanism through which citizens can combat corrupt elite behaviour is by exercising their voting right during elections. Rational voters who understand the costs of corruption will turn against the government in favour of a cleaner challenger. But it is puzzling that politicians and parties that have been involved in corruption scandals to a surprisingly large extent only suffer minor losses and often manage to get re-elected. Even though we have witnessed instances where the electorate *punished* the politicians and/or parties involved in corrupt dealings, there were still many exceptions to this. To-date, many voters *remain* loyal to their preferred leaders and parties no matter how tainted they are. Why do these voters are willing to vote for public officials that they know to be corrupt?

In Malaysia with very limited studies being conducted to find out why is this so and therefore we really do not know the exact reasons for such a trend. We can only assume the reasons through extrapolation against those derived by scouring similar studies conducted elsewhere.

It was reported several years ago in the Times of India, that with growing political corruption, people are being driven away from voting as they term all politicians are the same. Will Malaysia be taking the same path? Thus, many neglect their responsibility which shows their social mind set. This people fail to understand that to run the country they need to elect relatively good candidates to run the country. Unfortunately, the trend of not voting is evident in most educated class. As against this, the less educated make it a point to cast their vote. But they are also easy prey to be bribed by politicians. With maximum number of this group casting their votes there are strong possibilities of tainted and corrupt leaders being elected to run the country.

Dorai Balasundarum Sinnadur

FORUM SERIES ON POST SECTION 17A AND THE CHALLENGES IN ESTABLISHING ADEQUATE PROCEDURES ENHANCING DEFENSE MECHANISM OF CORPORATE AND SMEs

TI-Malaysia continues its forum series on Post Section 17A and the challenges of establishing Adequate Procedures. This time, we look to the east, where the forum was hosted in two different states: Sabah and Sarawak.

The Sarawak forum was held in Kuching in collaboration with the Sarawak Integrity and Ombudsman Department where 88 participants attended on August 15, 2022, while the Sabah forum was held in Kota Kinabalu on August 17, 2022 in collaboration with Integrity and Governance Department Sabah where 192 participants attended. The forum picks up where the last one left off, delving deep into the challenges inherent in establishing Adequate Procedures to combat corruption within enterprises and SMEs.



In Sarawak the forum was attended by honored guests: Tn Wan Mohamad Bin Wan Drahman, Head of Special Project Section, Sarawak Integrity and Ombudsman Unit, Pn Karthini, Head of Integrity & Risk Management Unit, Sarawak Economic Development Corporation and Pn Rodziah Binti Mohamad, General Manager, Kuching

Water Board in Kuching, Sarawak. While in Sabah we were honored to receive Datuk Karunanithy, Director of MACC Sabah, Pn Hamizah binti Hussain, CIGO, Sabah Electricity Sdn Bhd (SESB), and Tn Syaheddrul Joddari, General Manager, Perbadanan Pembangunan Ekonomi Sabah (SEDCO) in Kota Kinabalu, Sabah.

Presentation centered on the topic of Section 17A corporate liability and in addition, invited speakers from large enterprises and SMEs offered in-depth challenges and difficulties and the processes involved in the implementation of adequate procedures. At the conclusion of the presentation, the floor was opened to the participants in an interactive engagement of question and answer, sessions on the topic to then a final remark speech, thus concluding both events successfully.

We are appreciative of the collaborative efforts with Sarawak Integrity and Ombudsman and Integrity and Governance Department Sabah in fighting corruption within corporations and SMEs



FORUM ON INNOVATIVE SOLUTIONS TOWARDS MANAGING CORRUPTION IN MALAYSIA TECHNOLOGY AS ANTI-CORRUPTION TOOLS

TI-M in partnership with Cyberview Sdn. Bhd. hosted a forum featuring leading experts in the fields of blockchain, data analytics, and data-driven risk detection to acknowledge the power of technology in the fight against bribery and corruption. In attendance were government agencies, GLCs and corporate bodies.

We were honored to have Datuk Mohd Najib Dato' Ibrahim, Cyberview's Managing Director, open the forum, followed by Jessica Chuah, Chainalysis' Country Manager (Malaysia), Dr. Mark Lovatt, CEO and Principal Consultant of Trident Technology, and Joleen Yoong, Director of Client Coverage, Handshakes Malaysia.

In Tan Sri Dato' Seri Mohd Zuki Ali, Chief Secretary to the Government's keynote address, he highlighted technology in making a difference by enabling efficient corruption investigations, making business processes more transparent and accountable, and leveling the playing field for all parties in a keynote address delivered by Sr. Salem Mohd Khailany; Chairman of Board's Audit, Risk & Integrity Committee (BARIC) & Board Member, Cyberview Sdn Bhd.

To combat corruption, Datuk Mohd Najib insisted on the need to keep up with technology and scalable tech solutions to improve processes, reduce human intervention, and increase transparency.

Jessica Chuah, COO of US-based start-up, Hyperledger adds that blockchain deals with immutable data that is unalterable and permanently logged with proof of record that reduces opportunity for corruption to happen. Then4 Dr. Mark Lovatt from Trident highlighted the role of artificial intelligence in fighting fraud and corruption by identifying broken processes in need of rework/fix and mainstream patterns of malpractice, fraud, and corruption for further human investigation.



For the closing remarks, Dr. Muhammad Mohan, President of Transparency International Malaysia added that, "TI-M hopes that there will be further effort from other organizations to help broaden the use of such technologies to combat corruption." He praised Cyberview Sdn Bhd's leadership in advancing technology's anti-corruption role, notably in corporate Malaysia.

AWARENESS ON ANTI-MONEY LAUNDERING & COUNTER FINANCING UNDERSTANDING ANTI-MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM

Transparency International-Malaysia (TI-M) hosted an online forum entitled "Awareness on Anti-Money Laundering & Counter Financing of Terrorism" with 35 participants in attendance, aiming to cultivate awareness and demystify the complexities of Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) Standards and the Regulatory Compliance procedures subjected to reporting institutions in Malaysia.

The forum focused on three key topics for raising awareness: the essential features of money laundering and terrorism financing; the disparity of methods between international and local regimes; and the obligations of "Know Your Customer" (KYC) and "Suspicious Transaction Report" (STR) for reporting institutions.

Nurizzati Muhammad Nor, TI-M Senior Executive, moderated the forum, with contributions from Raymond Ram, TI-M Secretary General, Mohd Nazri, Researcher and Trainer, and Afiqah Ayub, TI-M EXCO Member, as speakers.

TRANSPARENCY INTERNATIONAL MALAYSIA

AWARENESS ON ANTI-MONEY LAUNDERING & COUNTER FINANCING OF TERRORISM

Topics:

- Essentials of ML/TF/PP
- International and Local Regime
- KYC & STR Obligations for RiA

MODERATOR

IZZATI
SENIOR EXECUTIVE
TRANSPARENCY INTERNATIONAL MALAYSIA

OUR SPEAKERS

RAYMON RAM
SECRETARY GENERAL
TRANSPARENCY INTERNATIONAL MALAYSIA

MUHAMAD NAZRI
RESEARCHER AND TRAINER

AFIQAH AYUB
COMMITTEE MEMBER
TRANSPARENCY INTERNATIONAL MALAYSIA

ABOUT OUR SESSION

Money laundering / Terrorism Financing and its methods are growing increasingly complicated and sophisticated. With terms such as KYC, STR, and CDD being thrown around, it is easy to feel out of the loop. The session is aimed at creating awareness on Anti-Money Laundering / Counter Financing Terrorism (AML/CFT) Standards and the Regulatory Compliance procedures subjected to Reporting institutions in Malaysia.

22 SEPTEMBER 2022
8.00 - 8.45 PM
ON ZOOM

FREE REGISTRATION:
[HTTPS://TINYURL.COM/AML-CFT](https://tinyurl.com/AML-CFT)

4083 7887 8008 | 40444444@transparency.org.my | www.transparency.org.my

SHORT TERM MACC REFORM PLAN

On Sept 25 2022, TI-Malaysia was involved in a meeting with All-Party Parliamentary Group Malaysia (APPGM) on Integrity, Governance and Anti-corruption discussing the short term, plan for Malaysian Anti-Corruption Commission (MACC). The meeting specifically focused on amendments to Section 13, 14 and 16 of the Act 694. The interim Chairman Tan Sri Syed Hamid Albar chaired the meeting. As parliament was dissolved, the APPGM will be appointing new law makers once a new government is formed and the new parliament speaker approves the formation of the APPGM on Integrity, Governance and Anti-Corruption.



MEETING WITH MIDAS OVER GDII

TI-Malaysia had a meaningful discussion with the Malaysian Institute of Defence and Security (MiDAS) on 25 October 2022. The discussion was held to further discuss the Government Defence Integrity Index (GDII); the key takeaways and how to improve Malaysia's scorecard in the next assessment. We are pleased to note MiDAS's commitment and support in promoting good governance in an effort to mitigate corruption risks in the defence sector.

It was truly an insightful discussion and interaction as we gained much information in exchanging our thoughts on various topics of accountability, transparency, integrity and other pertinent matters in defence.



DATO SRI SAIFUDDIN VISIT TO TRANSPARENCY INTERNATIONAL BERLIN

Transparency International Secretariat in Berlin received a visit from Malaysia's Foreign Minister Datuk Seri Saifuddin Abdullah on 25 September 2022 while he was visiting Germany for the Special Programme to Promote Language and Cultural Diplomacy from Sept 27 to Oct 2. Together with the Malaysian delegation, TI-Malaysia's former Secretary General Datuk Dr Anis Yusal Yusoff accompanied the minister.

The delegation was received by TI-Secretariat's Managing Director Dr Daniel Erikson and other members of the secretariat. The minister was updated on Malaysia's ranking and score in the Global Corruption Perception Index (CPI), Global Corruption Barometer (GCB) and the Integrity Pact tools. The research team explained to the Malaysian delegation on the methodology, data consolidation and rescaling of the various data sources before the scores are calculated. All the results are audited by the European Commission Joint Research Centre. The researchers explained to the visitors on what is captured and what is not captured in the CPI measure.

The minister was also briefed on the following as part of Transparency International's global strategy.

- Protecting Public Resources
- Stop the Flow of Dirty Money
- Secure Integrity in Politics
- Drive Integrity in Business
- Pursue Enforcement and Justice
- Expand Civic Space for Accountability
- Build Community Leadership Against Leadership

The minister expressed his deep concern on the deterioration of Malaysia's score and ranking in the CPI and assured that he will convey the message to the Prime Minister and investigate ways on how the government could accelerate the implementation of the National Anti-Corruption Plan (NACP).

Moving forward Dr Daniel expressed his hope to have more engagement in future with the Malaysian government to support reform initiatives that has started. It is believed that such collaboration will go a long way to improve Malaysia's position in the Global Corruption Perception Index.





TI-M IN THE NEWSPAPER

Face the truth on Malaysia's corruption score and take steps to do better, says TI-M president

By [New Straits Times](#) - July 26, 2022 @ 7:16pm



CPI sees corruption in its entirety and not like some of us who assume that corruption is related to the work solely done by the MACC. - NSTP file pic

KUALA LUMPUR: Tan Sri Azam Baki's statement that Transparency International-Malaysia's (TI-M) Corruption Perception Index (CPI) is not factual shows a lack of understanding of how the index works, TI-M president Dr Muhammad Mohan said.

The Malaysian Anti-Corruption Commission (MACC) chief commissioner had said the gauge was not representative of the situation in Malaysia as it measured perceived corruption.

"A country's score is given based on several surveys and expert assessments, which look at various factors in the nation, including democratic aspects, openness to foreign investors and economic factors," Muhammad said in a statement.

He added that the CPI index was a "measured indicator" and such indicators provided signals on things that were happening in the country which correlate with corruption and the authorities need to pay attention to it.

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Reveal findings into GLC with RM29b in debt: NGO tells MACC

Published: Sep 12, 2022 11:20 AM - Updated: 4:23 PM

Transparency International Malaysia (TI-M) today called for the MACC to reveal what they found so far regarding a government-linked company (GLC) which was RM29.68 billion in debt.

The anti-corruption NGO also called for a Royal Commission of Inquiry (RCI) into the Finance Ministry-owned Pembinaan PFI Sdn Bhd.

In a statement, TI-M president Muhammad Mohan questioned the lack of accountability and transparency over the handling of the case.

"When these purported 'private-financing' initiatives are guaranteed and financed by government agencies, and funding is provided by banks which are mostly owned by government-linked investment companies (GLICs); one must ask, are these projects only 'private' in name, to avoid accountability?"

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TI-M demands Hadi reveal sources and data behind corruption claim

Surin Murugiah / theedgemarkets.com
August 22, 2022 10:34 am +08

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PAS president Datuk Seri Abdul Hadi Awang

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Sinar PRU Sinar Premium Sinar Daily Sinar Plus Sinar Bestari SI+

TI-M sanggah Azam Baki

oleh MOHAMAD HISYAMUDDIN AYUB 26 Julai 2022 08:30am Masa membaca: 3 minit



Azam - Foto Bernama

A A A

Untuk informasi lebih menarik, jangan lupa ikuti Telegram dan TikTok kami

SHAH ALAM - Transparency International Malaysia (TI-M) menyifatkan kenyataan orang nombor satu Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) berhubung Indeks Persepsi Rasuah (CPI) sebagai kurang kefahaman.

Presidennya, Dr Muhammad Mohan berkata, kenyataan Ketua Pesuruhjaya SPRM, Tan Sri Azam Baki bahawa CPI sekadar satu 'persepsi' adalah satu kesilapan terutama bagaimana cara indeks tersebut diperoleh dan keberkesannya dalam mengukur tahap gejala rasuah di sesebuah negara.



The Case for Transparency to The Public

By François Valérian

Member of the International Board of Transparency International and of the Board of Transparency International France
Professor of Finance, Regulation and Supervision at Mines ParisTech and Associate Professor of Finance at Conservatoire
National des Arts et Métiers

Summary: A recent ruling from the European Court of Justice, which is a clear setback for the anti-corruption fight in Europe and elsewhere, also gives us the opportunity to explain why we demand transparency to the public everywhere opacity serves crime.

On November 22, 2022, the European Court of Justice, the European Union's highest judicial authority, issued a ruling of the utmost importance not only for Europe but for people around the world who are concerned about fighting those who hide their illicit gains behind opaque legal entities.

The court declared invalid the unconditional public access to registers of beneficial owners that had been provided for in the 2018 European Anti-Money Laundering Directive and that had triggered in recent years the creation and public opening of registers containing information on the ownership of every company across Europe. These publicly available registers have played a major role in helping to identify financial schemes by which recipients of corrupt or illicit money hide it behind opaque structures.

The court's ruling is a major setback for the fight against corruption in Europe, where money from corrupt activities around the world is often invested in hidden villas or other luxury assets. Several European countries, such as Luxembourg, Malta, the Netherlands, Ireland and Austria, closed their registers to the public within days of the ruling.

Given that Europe likes to present itself as being at the forefront of the fight for transparency in this area, this is a setback for all those countries and activists around the world who were trying to use the European precedent to advance their own national legislation.

The Court's ruling should however also be seen as a boost for our advocacy. In Europe in particular, civil society organizations may have been overconfident that their views had become commonplace and went unchallenged. This has not been the case, and this requires us to improve our advocacy, making it more audible, effective and accurate on these critical issues.

What was the Court's reasoning? It can be summarized in three points:

- Public access to the identity of beneficial owners of companies violates those individuals' privacy;
- If necessary, access could be limited to civil society organizations and investigative journalists who would be the only ones with a "legitimate interest" in accessing the information;
- The general objective of transparency should be limited to public institutions or public finances.

Beyond the ruling, these three points represent a major challenge to what we believe is necessary to combat financial crime and the use of its proceeds by its perpetrators. We have to prove them wrong.

1. **Basic knowledge about companies and their owners is no invasion of privacy.**

For centuries, corporations have been created to allow individuals to practice various trades within a human society. The exercise of these occupations has always required interaction with other people. It can also involve undesirable impacts, often called negative externalities, on local populations or the population of a country.

For these reasons, the individuals behind a business must be known. They must be known to their business partners, but also to the population of a country, which in most legal regimes offers these individuals limited liability for the damage their business may cause. Indeed, each individual behind each company, in its most common form, receives an implicit assurance from the country of registration of the company that liabilities cannot exceed the value of the shares held. This implicit assurance is borne by the entire population of the country.

It is at the origin of the legal form of companies as it developed in Europe from the 17th century onwards, and the importance of information disclosure has accompanied the development of capital markets throughout the 20th century, since the regulation of the post-1929 crisis. It could be argued that the core of all stock market regulations is made of transparency requirements that have never been considered invasive of privacy.

Beyond listed companies, the stakeholder and corporate social responsibility theories, which began to be formulated in the 1970s but whose antecedents go back to the 1930s, demonstrate that every company must behave responsibly towards all its stakeholders, including society at large. This responsible behavior implies a minimum of information about how the company operates, and therefore about those who make decisions or receive benefits within the company.

There is therefore an almost century-old tradition of setting out the minimum requirements for accountability and transparency that apply to companies operating in a given country.

A company exists to do business for its owners, it does not exist to hide those owners. If the owners create a company in order to hide behind it, they distort the very concept of a company. If they now use privacy protection to justify this practice, they distort the very concept of privacy protection. In fact, hiding behind company is not new and may be as old as the companies themselves, but it has always been considered unethical behavior and the antiquity of the practice does not justify it in any way. There is nothing private about the name of an individual engaged through a company in a trade that involves counterparts in the society. Whether that business is selling cast iron pipes or buying an expensive villa, the individual behind it must be known.

2. CSOs and investigative journalists are not an elite apart from civil society

The idea that civil society organizations and investigative journalists might enjoy access to information that is denied to the general public is misleading. As their generic name suggests, civil society organizations are organizations within civil society, that is, organizations that are independent of political and economic powers, and their work is to organize civil society's struggle for the improvement of rights, freedom, welfare, the environment, all the causes we know. These organizations cannot be isolated from the civil society in which they live, there is a constant flow of people and ideas between them and the public at large. The same is true for journalists, whose duty is to inform the public, not to be privy to information that cannot be disclosed.

The principle of isolating civil society organizations and investigative journalists from the rest of civil society is therefore deeply flawed. It also threatens the actual work of these organizations and individuals. Indeed, while civil society organizations and journalists inform civil society, the reverse is true. Civil society organizations and journalists are informed by the public, by whistleblowers, by people who have information about wrongdoings

and who share that information with those who are in the best position to combat them and prevent their recurrence. Closing registries to public access will therefore hamper the work of organizations and journalists who cannot rely on their own research to find information and who also depend on information received from the public. Publicly available registries without restriction have proven to be a powerful tool for civil society organizations to uncover hidden ownership of assets laundering illicit gains.

Furthermore, restricting access to civil society organizations and investigative journalists would compromise their independence from political power. Whether they have to request information on a case-by-case basis or are given registration to access files whenever they feel the need, in both cases they are dependent on accreditation from their own government to be able to carry out their work. This is of great concern when the work in question often exposes questionable links between government and powerful economic interests. In addition to the loss of independence, a government-led registration process in each European country would expose registries to the risk of government discretion and increase regulatory arbitrage. Those wishing to conceal illicit gains would choose to do so in the realm of governments that most restrict access to civil society organizations and investigative journalists.

Political fragmentation is the greatest threat to tackling global problems, such as the fight against climate change, the fight against corruption in its international component or the access to vaccines. The European Union is a large political and economic area with some form of unity. The more it moves towards regulatory cohesion, the more it can implement bold policies to address these issues. If Europe again encourages political fragmentation, it will only encourage those rulers around the world who fight global handling of global problems in order to defend and strengthen their national power and their private arrangements with economic interests.

The European Court of Justice's argument for restricting access to civil society organizations and investigative journalists is that they have a legitimate interest in such access that the general public does not. This view contradicts decades of progress made around the world in providing access to information to the general public. All citizens have a legitimate interest in accessing information about the common good of society and, as noted above, information on company owners is one such type of information.

This last point, however, faces a final challenge from the European Court of Justice. Even if the affairs of companies are not private affairs, it would be excessive, according to the Court, to apply to them a principle of transparency that should be reserved for public institutions or public finances.

3. We do not want transparency for the sake of transparency, we demand transparency where opacity serves crime.

This last argument about the principle of transparency echoes what we still hear from individuals or institutions uncomfortable with the anti-corruption fight, who argue that anti-corruption fighters would want transparency "for the sake of transparency", or transparency per se, without consideration of where and how to apply this principle.

This view is, as we know, erroneous. Anti-corruption organizations have never and will never ask individuals to reveal their political views, religious feelings or medical history.

Transparency is necessary wherever opacity serves crime. Transparency about a political candidate's income, interests or assets prevents conflicts of interest; transparency about election financing prevents state capture; transparency about government procurement prevents corruption in contracting.

Transparency on the names of company owners prevents the laundering of the proceeds of corruption or other crimes, which is detrimental to society as a whole. If money is stolen from one country where it is no longer available for the needs of the population, and reinvested in another country where as a result real estate prices are soaring, making it impossible for low-income households to afford housing in several cities, no less than two countries are victims of this laundering. This should be enough to prove that transparency cannot be limited to public institutions or finances.

Company ownership is a public matter. The public as a whole has a right to know who is behind each company.

Disclaimer: The views, information and opinions expressed in this article are the author's own and do not represent Transparency International Malaysia. TI-M is not responsible for any inaccuracy or error.

MEET OUR TEAM

Introducing our new intern in TI-Malaysia:

Puteri Nadine An-Nur Binti Erwandy

Here is our new intern to join us, Ms. Nadine. She is a third-year student currently studying Bachelor of Arts and Social Sciences with a nominated major in Global Studies, Monash University. Nadine is a strong advocate of equality through her work with her university club Ensemble Monash in cultivating safe spaces for marginalized communities and through her previous internship with IFRC, has had exposure in capacity-building. She hopes to improve upon those experiences and contribute to Transparency International Malaysia fight against corruption.

