

# ISLAMIC BANKING & FINANCE

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## PRINCIPLES, INSTRUMENTS & OPERATIONS

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Hanifah Haydar Ali Tajuddin*



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**CHAPTER** REGULATION OF ISLAMIC BANKS  
**12** IN RELATION TO ANTI-MONEY  
LAUNDERING AND COUNTER  
FINANCING OF TERRORISM  
(AML/CFT): THE MALAYSIAN  
SCENARIO

*by Professor Dr. Norhashimah Mohd. Yasin\**

**12.1 Introduction**

Money laundering covers the various methods that criminals use to hide the source of their funds derived from various types of illegal activities. The term 'money laundering' appears to have first been used in the United States in the 1920s when the Mafia had to hide their sources of ill-gotten gains. By setting up front businesses such as pizza restaurants and self-service laundrettes. Hence, the term can be referred to as the process of making dirty money clean or washing the ill-gotten proceeds so that it will 'look clean.'

The Central Bank of Malaysia defines money laundering as to 'cover all activities and procedures to change the identity of illegally obtained money so that it appears to have originated from a legitimate source'.<sup>1</sup> While terrorism-financing generally refers to carrying out transactions involving funds that may or may not be owned by terrorists or that have been, or are intended to assist the commission of terrorism.<sup>2</sup>

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1 Central Bank of Malaysia, UPW/GP1: Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), November 2006, at 1.

2 *Ibid* at 2.