



## DIGITAL CURRENCY EXCHANGER

Pursuant to a recent amendment to the First Schedule of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (“**AML Act**”),:

*“any person who provides any or combination of the following services:*

*(a) exchanging digital currency for money;*

*(b) exchanging money for digital currency;*

*(c) exchanging one digital currency for another digital currency,*

*whether in the course of carrying on a digital currency exchange business or otherwise.”*

is now a reporting institution under the AML Act.

The term “digital currency” is defined under the AML Act as:

*“a digital representation of value that functions as a medium of exchange and is interchangeable with any money, including through the crediting or debiting of an account, but does not include electronic money, as defined under the Financial Services Act 2013 [Act 758] and the Islamic Financial Services Act 2013 [Act 759], issued by an approved issuer of electronic money under those Acts.”*

Following the aforesaid amendments to the AML Act, the Bank Negara Malaysia (“**BNM**”) issued the Exposure Draft on Anti-Money Laundering and Counter Financing of Terrorism Financing (AML/CFT) – Digital Currencies (Sector 6) (“**Exposure Draft**”) to invite feedback and comments on the Exposure Draft from the public.

Generally, the Exposure Draft sets out the proposed minimum requirements and standards that digital currency exchangers must observe as reporting institutions (“**RI**”) which includes the following:

- risk assessment, risk control and mitigation and risk profiling by the RI;
- conduct of customer due diligence, enhanced customer due diligence and on-going due diligence by the RI;
- record keeping by the RI;
- appointment of compliance officer by the RI;
- submission of suspicious transaction report by the compliance officer of the RI.

It is also important to note that BNM has made it clear in the Exposure Draft that “digital currencies are not recognised as legal tender in Malaysia” and that the Exposure Draft shall not be taken to indicate BNM’s “licensing, authorisation, endorsement or validation of digital currencies or any entities involved in the provision of digital currencies exchange services”.

For more information, please contact :

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