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Asset Recovery as a Public Accountability Mechanism: Evidence from Malaysia's 1MDB Case

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ABSTRACT

Asset recovery is a key element in the fight against corruption and money laundering, but its potential as a tool for public accountability is still underutilised. This study explored Malaysia's domestic asset recovery mechanisms, specifically in the context of the 1MDB case, and how the recovery processes helped to ensure accountability for misappropriated public linked assets. This study used a qualitative case study design whereby data was collected using semi-structured interviews with practitioners supplemented by document reviews. The findings revealed that asset recovery is not just a legal process, but also an accountability process that involved financial tracing, evidence building, institutional coordination, timely restraint action and eventual asset recovery. The thematic analysis organised findings around five qualitative conceptual variables based on the Institutional Theory, consisting of clarity of statutory authority, institutional capacity, institutional practice and culture, inter-agency coordination mechanisms and operational asset recovery effectiveness. The results indicated that Malaysia had a legal framework for asset recovery in the form of AMLATFPUAA 2001, MACC Act 2009 and MACMA 2002. However, the effectiveness of this framework relied on the speed of institutional response, quality of documentation, information sharing, inter-agency coordination and authorities' capacity to prevent asset dissipation. This study contributes by placing asset recovery in the context of a public accountability mechanism to recover public resources and improve state financial governance.

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1. INTRODUCTION

Financial transnational crime has increasingly become a central issue of governance (Fichtelberg et al., 2025). In cases involving public-linked funds, the challenge is not only whether wrongdoing can be detected, but whether public institutions can demonstrate accountability by tracing, preserving and recovering misappropriated assets (Pavletic, 2022). Asset recovery is therefore not merely an enforcement outcome, but a mechanism through which the state restores public resources and rebuilds institutional confidence (Wardani et al., 2025). This makes asset recovery a central principle of anti-corruption law rather than a mere consequence of enforcement (Helfer et al., 2023; Moiseienko, 2018).

Current literature has also demonstrated that asset recovery was a challenging endeavor (Arifin et al., 2023) due to factors such as the nature of the vehicles used to cover up illicit wealth, including shell companies, nominees, cross border transactions and asset conversion schemes. These factors make it hard to trace the connection between the predicate offence and the recoverable property (Brun et al., 2020; Helfer et al., 2023). As such, the legal and institutional processes of asset recovery are crucial at the domestic level. Furthermore, the establishment of an effective international cooperation requires states to initially possess plausible domestic frameworks that can detect suspicious assets, maintain evidentiary worth and take law-sustainable recovery measures. It is under this wider issue that the current study discusses the domestic asset recovery mechanisms in Malaysia using the case of the 1Malaysia Development Berhad or the 1MDB.

The magnitude of the asset recovery issue renders this investigation timely and needed. According to the Financial Action Task Force, fewer than 1 percent of the illicit financial flows are ever recovered, which is an indication of the high implementation gap between the formal anti-money laundering commitments and the real recovery results (Financial Action Task Force, 2022). The involvement of official actions that are related to 1MDB demonstrates that this gap is not an abstract concept. The United States Department of Justice has alleged that between 2009 and 2015 over US$4.5 billion of 1MDB was misappropriated in a complex scheme involving bribery and international money laundering and in June 2024 it announced that it was returning approximately US1.4 billion of misappropriated 1MDB funds to Malaysia (United States Department of Justice, 2024). In March 2023, the Ministry of Finance of Malaysia announced that RM33.6 billion of 1MDB-related assets had been recovered, despite the state still having to pay large debt payments on the scandal (Ministry of Finance Malaysia, 2023). These recovery figures also showed why asset recovery should be understood as part of the public accountability cycle. Where public-linked funds are misappropriated, recovery efforts serve several accountability functions: they identify how assets moved, preserve claims over those assets, support institutional responsibility and return financial value to the state. In this sense, asset recovery does not only address the legal consequences of financial crime. It also helps restore fiscal accountability, public trust and the credibility of state financial governance (Lewis et al., 2023).

The 1Malaysia Development Berhad, also known as the 1MDB case is particularly important as it shows how far the domestic enforcement mechanisms can go in response to transnational asset movement. According to Jones (2020), the scandal was a symptom of systemic lapses in control and accountability, with embezzlement, bribery, fraudulent statements, and global network of shell companies and middlemen all being part of the scandal. Other studies have also positioned 1MDB as a paradigmatic corruption scheme with both domestic and international implications, in particular due to the flow of funds and other assets

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across several financial centres and legal jurisdictions (Jones, 2020; Lim, 2023). In the context of this, however, 1MDB was not considered as a scandal story per se. It was treated as an empirical lens on how domestic asset recovery operated as an accountability mechanism under conditions of institutional pressure, evidentiary complexity and transnational asset movement.

One challenge in asset recovery is that formal laws may not be effective when domestic mechanisms are inefficient or poorly coordinated (Wibowo, 2023). Illicit assets can be hidden behind proxies, transformed into other forms or moved beyond national jurisdiction before intervention occurs (Brun et al., 2023). In Malaysia, 1MDB has generated substantial legal, political and media discourse, but empirical literature remains limited on how domestic recovery processes operated on the ground. Existing studies have not sufficiently explained how legal authority, investigation, evidentiary preparation, institutional coordination and asset return operate together as a public accountability mechanism. This was the main research gap addressed in this study.

It is against this backdrop that the study sought to answer a key research question: How did Malaysia's domestic asset recovery mechanisms operate as a public accountability mechanism in the context of the 1MDB transnational financial crime case? More specifically, the purpose of the study was to analyse how domestic legal, procedural and institutional practices were used to trace, restrain, seize and pursue forfeiture of 1MDB-related assets as part of Malaysia's public accountability response to transnational financial crime. By doing this, the paper aimed to move beyond the abstract legal description and offer a more practical understanding of asset recovery of domestic assets in a high-profile transnational corruption case. This focus was in line with giving more attention to the institutional frameworks that enabled asset recovery practices instead of presuming that the treaty commitments or statutory authorities are directly translated into successful results (Brun et al., 2020; Helfer et al., 2023).

2. LITERATURE REVIEW

Recent studies considered asset recovery an essential but difficult component of the international anti-corruption regime (Helfer et al., 2023; Olujobi, 2021). This section reviews asset recovery in transnational financial crime, public accountability and domestic enforcement capacity. It also frames recovery as a process through which the state demonstrates institutional responsibility, restores public-linked assets and reinforces confidence in public financial governance.

2.1 Asset Recovery in Transnational Financial Crime

Asset recovery refers to the process of locating, tracing, freezing, seizing, confiscating and repatriating assets associated with criminal activity, particularly corruption and money laundering (Sarra et al., 2023). Although these steps appear linear in theory, actual recovery is shaped by evidentiary burdens, procedural complexity, contested ownership and strategic attempts to conceal criminal proceeds (Brun et al., 2020; Lusty, 2007; Helfer et al., 2023). Financial crime is especially difficult because illicit funds are often concealed through shell companies, nominee ownership, offshore vehicles and asset conversion schemes (Munyai, 2020). These stages also perform accountability functions. Tracing helps establish where assets moved and who may have controlled them. Freezing and seizure prevent further dissipation while authorities determine the evidentiary basis for recovery. Forfeiture and asset return provide a formal

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mechanism for restoring value to the state or affected public interests. Therefore, the recovery chain can be understood not only as a sequence of legal actions, but also as a sequence of accountability actions through which public institutions respond to financial misconduct.

One of the recurring discussion in the literature is that asset recovery in transnational financial crime cannot be viewed as an issue of international law. As much as cross border cooperation is critical, the process of recovery is initiated domestically. Before the international channels are used, states need to have credible domestic capabilities to probe suspicious deals, acquire records, determine advantageous ownership structures, and acquire judicial mandates that safeguard assets (Arifin et al., 2023; Pavletic, 2022). In this regard, domestic recovery capacity is the direct factor that determines the transnational outcomes. This argument is in line with the general body of literature that indicates that anti-money laundering systems perform better at deterring corruption when domestic legal authority, institutional coordination and investigative capacity are aligned as opposed to being viewed as independent functions (Reuter & Truman, 2004; Brun et al., 2020).

2.2 Theoretical Framework: An Institutional Perspective on Domestic Asset Recovery

The Institutional Theory guided this research as it offered a practical perspective on how formal institutions, organisational processes, and interactions between agencies influenced the results of enforcement in complicated governance (Meyer & Rowan, 1977; Scott, 2001). The Institutional Theory highlights the idea that the efficiency of regulatory systems cannot be defined only by the presence of formal rules but the ways those rules are interpreted, operationalised and implemented within institutional settings (Tolbert & Zucker, 1996; Scott, 2001). This view is specifically applicable in terms of asset recovery since recovery procedures imply a large number of actors, legal requirements, the presence of evidence, and the coordinated actions, which should work together in a time-stress situation (Helfer & Stephenson, 2023).

The institutional perspective of asset recovery can be thought of as a mechanism within a system of formal and informal arrangements (Scott, 2001). Formal institutions encompass statutory frameworks, legal powers and procedural rules, which authorise the tracing, freezing, seizure, and forfeiture of assets (Helfer & Stephenson, 2023; Raof & Sulaiman, 2023). These are reflected in the legislative tools that deal with the enforcement of anti-money laundering and anti-corruption in Malaysia (Raof & Sulaiman, 2023). But, according to the Institutional Theory, even the existence of such structures does not imply successful results (Meyer & Rowan, 1977; Persson et al., 2013). Rather, it is the interaction of these formal structures with the capacity of the institutions, the coordination and organisational practices in the real-world implementation that determines the recovery success (Quah, 2016; Persson et al., 2013).

This research took a process-based interpretation of Institutional Theory by structuring the analysis around five qualitative conceptual variables or constructs. These constructs were clarity of statutory authority, institutional capacity, institutional practice and culture, inter-agency coordination mechanisms, and operational asset recovery effectiveness. They were not treated as statistical variables, but as analytical dimensions used to explain how domestic asset recovery operated as a public accountability mechanism. Together, these constructs showed how legal authority, technical capacity, organisational behaviour, coordination mechanisms and operational outcomes interacted in shaping asset recovery in the 1MDB case.

Although the Institutional Theory is commonly associated with coercive, normative and mimetic pressures (DiMaggio & Powell, 1983), these pressures were used here only as background institutional

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conditions. The analysis focuses instead on how statutory authority, institutional capacity, practice and culture, coordination mechanisms and operational effectiveness shaped domestic recovery outcomes. Using this institutional lens, the study transcended a strictly doctrinal analysis of the provisions of the law and instead looked at asset recovery as a process of operation that is informed by the interaction of statutory authority, institutional capacity, institutional practice and culture, inter-agency coordination mechanisms and operational recovery effectiveness. This method was aligned with the purpose of the study to explain the functioning of the domestic asset recovery mechanisms in Malaysia in the framework of the case of 1MDB. It enabled a more realistic explanation as to why recovery outcomes can be inconsistent with the expectations that formal legal systems suggest, especially in those cases where procedural stalling, difficulties in evidence gathering and institutional disintegration intervene. By so doing, the framework offered a conceptual framework to analyse the strengths and weaknesses of domestic asset recovery as an institutional capability as opposed to a legal construct.

2.3 Domestic Asset Recovery as an Accountability Mechanism

Domestic asset recovery can be understood as an accountability mechanism because it links detection, evidence development, institutional action and asset restoration. In cases involving public-linked assets, the recovery process is not limited to enforcing legal claims. It also demonstrates whether the state has the capacity to respond to financial misconduct, preserve assets before they disappear and restore value to public resources. This makes domestic recovery capacity an important component of state financial governance. The literature on the domestic asset recovery mechanisms highlights that legal powers are not sufficient in ensuring successful recovery (Pavletic, 2022). Instead, the recovery of assets is based on the interplay of statutory authority, investigative competence, prosecutorial strategy, judicial authorisation, and interagency coordination (Pavlidis, 2025). It has been demonstrated through institutional studies that effective recovery typically involves at least two agencies, such as financial intelligence agencies, anti-corruption agencies, prosecutors, regulators, and courts, each of which plays a different, yet mutually reinforcing role in recovery chain (Brun et al., 2020; Zolkaflil et al., 2023).

The current literature also indicated that one of the most prevalent causes of underperformance of the asset recovery is the failures in coordination. Where there are statutory authorities to restrain, seize, and forfeit, disjointed mandates, disjointed processes, delays in information sharing, and agency leadership ambiguity can undermine its implementation. For example, Zolkaflil et al. (2023) discovered that most of the systems are formally adherent to anti-money laundering and asset recovery requirements, yet they still have a problem in practice due to diffuse and weakly integrated operational mechanisms. This is reflected in the more general anti-corruption literature, which holds the view that successful recovery needs specific institutional set-ups, the strategic exchange of information, and some speed of procedure that many domestic systems continue to lack (Helfer et al., 2023; Munyai, 2020).

The recovery of assets greatly relies on the capacity of investigators and prosecutors to provide legally adequate connections between property and illegal activities (Christian et al., 2025). This is further complicated by disguised ownership, conversion of proceeds into luxury good or corporate assets or money that has transferred through various entities. Consequently, it has been emphasised that good financial investigation, document handling, and prosecutor preparation are crucial at the domestic level due to the fact that a weak evidence at the initial phase can undermine restraint and forfeiture at later stages (Lusty, 2007; Olujobi, 2021). The literature thus proposes that there should be an analysis of the domestic asset

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recovery not as a law framework but as an institutional process where law, evidence, timing and coordination must collaborate.

2.4 Public Accountability, Internal Controls and State Financial Governance in Asset Recovery

Public accountability is the responsibility of public institutions to explain, justify and remedy actions that impact on public resources (Mustafa & Kumalasari, 2024). Accountability is incomplete if wrongdoing is discovered but the misappropriated assets are not pursued or restored, as is the case in financial misconduct (Brun & Sotiropoulou, 2024). So, asset recovery is an important part of closing the accountability loop. It offers a process whereby authorities can demonstrate that financial damage to the state is remedied by tracing, restraint, forfeiture and return. Internal controls are also pertinent as the speed of detection of suspicious assets (Musyoki, 2023), preservation of evidence, and approval of restraint action and sharing of information between agencies influence the recovery outcomes. Even if there are legal powers in place, weak documentation systems, fragmented approval processes and poor information sharing can lead to the dissipation of assets (Brun & Sotiropoulou, 2024). In this regard, asset recovery is not just a matter of law, but also of the effectiveness of institutional mechanisms which facilitate prompt action.

In the context of financial governance of the state, asset recovery forms part of the broader management of public financial integrity (Pavletic, 2022). It aims to restore assets, mitigate fiscal damage, strengthen institutional accountability and prove that public funds attached to public entities are accountable even if they have been misused. This renders the issue of asset recovery very pertinent to public sector accountability, control systems and governance of state financial resources.

2.5 Malaysia's Asset Recovery Framework in the Context of 1MDB

The asset recovery system in Malaysia should be interpreted in the context of the anti-money laundering and anti-corruption system but the 1MDB case provides a particular meaning to this system. The case has gained significant coverage in the literature as one of the most impactful corruption scandals in Malaysia, with massive diversion of government-related funds over an international network of shell companies, financial intermediaries, and offshore transactions (Jones, 2020; Quah, 2020). In addition to the scandal itself, 1MDB has become a significant point of reference when it comes to assessing the enforcement capacity of Malaysia, particularly in the context of whether or not formal legal powers can be translated into effective tracing, freezing, confiscation and restitution of assets. For this reason, the 1MDB case is also a public accountability case because it involves the capacity of the Malaysian state to respond to the diversion of public-linked funds and to restore assets through domestic recovery mechanisms.

It is widely known that Malaysia has a relatively developed anti-money laundering and corruption control system both in legal and policy terms. However, as the literature reveals, high-profile cases such as 1MDB put the practical limits of that framework to the test. Jones (2020) revealed that the scandal was symptomatic of systemic flaws in control and accountability, and Teichmann (2021) revealed that the international flow of 1MDB related money revealed the significance of banking channels, professional intermediaries, and complexity of jurisdictions. At the same time, the corruption and asset recovery literature stated that law is not sufficient when the enforcing agencies lack coordination, time delay, or have problems linking the assets to the crimes (Helfer et al., 2023; Olujobi, 2021). To this end, the Malaysian asset recovery framework on 1MDB should be deemed as institutionally challenging and legally significant.

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The case also reinforces the need to examine domestic recovery before focusing on international cooperation. Even where the scheme is transnational, domestic authorities must identify transactions, document financial flows, preserve evidence and initiate legal proceedings before restraint or recovery can occur.

Most literature discusses asset recovery broadly or treats 1MDB mainly as a corruption, governance or money laundering case. Less attention has been given to how domestic asset recovery functions as a public accountability mechanism through evidence development, institutional coordination, information sharing, restraint action and asset return. This study addressed that gap by using practitioner-informed qualitative evidence to explain how Malaysia's domestic recovery mechanisms operated in the 1MDB case, where they were constrained and why practice may fall short of formal legal expectations.

3. METHODOLOGY

This study used a qualitative case study design to explore the domestic asset recovery processes in Malaysia within the framework of transnational financial crime. The qualitative approach was deemed the most suitable since the study aimed to build an in-depth picture of legal processes, institutional practices, and practitioner experiences in their real world context and not to test relationships numerically (Creswell & Poth, 2018; Denzin and Lincoln, 2018). More specifically, the study used a case study approach since it is especially appropriate when a phenomenon is studied in its modern context and when the delimitations between the phenomenon and its context are not clear (Yin, 2018). The 1MDB case was chosen as the focal case since it was a critical and information rich case of grand corruption and transnational money laundering, with a complex financial transactions, numerous jurisdictions, and recovery efforts. When the aim was to create contextual understanding and analytical richness instead of statistical generalisation, purposive selection of an information rich case was suitable in qualitative research (Patton, 2015). Primary data were gathered by using semi structured interviews with the relevant practitioners who had direct and related experience with asset recovery, financial investigation, prosecution and institutional coordination. The use of semi structured interviews was appropriate as it gave the researcher the freedom to follow a clear line of questioning yet gives participants enough freedom to discuss processes, experiences, and institutional realities in their own words (Kallio et al., 2016; Brinkmann and Kvale, 2015). Relevant documentary materials such as legal and policy documents, institutional records, and supporting case related materials were used to supplement these interview data to enhance contextual knowledge and add to the base of evidence used in the study (Bowen, 2009).

A total of 14 semi-structured interviews were conducted with practitioners involved in asset recovery, anti-money laundering investigation, special operations, prosecution, operational targeting and strategic coordination. Most interviewees were from different MACC divisions, with additional perspectives from related institutional actors. Interview durations ranged from approximately 30 minutes to 1 hour 30 minutes. This sampling captured operational, supervisory, strategic and prosecutorial perspectives, although the findings should be read as depth-based enforcement insights rather than a fully multi-institutional account.

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Table 1. Profile of Interviewees

Interviewee	Position/Level	Division/Organisation	Interview Duration
Interviewee 1	Assistant Commissioner	Operations Division, MACC	1 hour 30 minutes
Interviewee 2	Senior Superintendent	AML Division, MACC	1 hour 15 minutes
Interviewee 3	Senior Officer	AML Division, MACC	1 hour 30 minutes
Interviewee 4	Head of Branch	Operational Targeting Branch, AML Division, MACC	1 hour
Interviewee 5	Senior Officer	Planning, Coordination and Strategic Branch, AML Prevention Division, MACC	1 hour
Interviewee 6	Head of High Profile Operations Sector	Special Operations Division, MACC	1 hour 30 minutes
Interviewee 7	Superintendent	AML Division, MACC	45 minutes
Interviewee 8	Head of Research and Development Sector	Special Operations Division, MACC	1 hour 15 minutes
Interviewee 9	Deputy Public Prosecutor	Special Operations Division, MACC	1 hour
Interviewee 10	Deputy Director	Special Operations Division, MACC	1 hour
Interviewee 11	Deputy Senior Director	Legal and Prosecution Division, MACC	40 minutes
Interviewee 12	Chief Integrity Officer	Malaysia Border Control and Protection Agency (AKPS)	1 hour
Interviewee 13	Group Chief Integrity Officer	PETRONAS Holding	45 minutes
Interviewee 14	Senior Executive	Criminal Investigation Branch, Inland Revenue Board of Malaysia	30 minutes

Thematic analysis was used to analyse the data collected and this allowed the researcher to identify, arrange and interpret repetitive patterns in the interview and documentary evidence. Thematic analysis was suitable because it provides a systematic and flexible means of studying meaning across qualitative data and is common to analysing patterns of institutional practice, perception and process (Braun & Clarke, 2006, 2021). The coding process was guided by both the study's Institutional Theory framework and the recurring patterns that emerged from the data. Initial codes were first identified from interview transcripts and documentary materials and were then grouped into broader themes. These themes were subsequently organised into five qualitative conceptual variables: clarity of statutory authority, institutional capacity, institutional practice and culture, inter-agency coordination mechanisms, and operational asset recovery effectiveness (Table 2). Data analysis was facilitated using ATLAS.ti Version 26.

Table 2. Coding Structure and Qualitative Themes

Qualitative Conceptual Variable / Construct	Main Codes	Related Themes
Clarity of Statutory Authority	AMLATFPUAA 2001, MACC Act 2009, MACMA 2002, legal power, enforceability, interim restraint, evidentiary threshold	Operational application of statutory authority
Institutional Capacity	Financial intelligence, money trail reconstruction, banking records, company ownership data, affidavits, documentation, prosecutorial preparation	Technical investigation, evidence development and prosecutorial readiness
Institutional Practice and Culture	Internal scepticism, reluctance to share information, trust, organisational behaviour, documentation discipline, willingness to cooperate	Institutional behaviour and information-sharing culture
Inter-Agency Coordination Mechanisms	Task force, joint meetings, inter-agency meetings, direct liaison, SOPs, online meetings, coordinated correspondence	Coordination as the operational linker between institutions
Operational Asset Recovery Effectiveness	Delay, speed, legal sustainability, freezing, seizure, forfeiture, asset return, asset dissipation risk	Practical effectiveness of preserving and recovering assets

Trustworthiness was strengthened through triangulation of interview narratives and documentary evidence (Lincoln & Guba, 1985; Nowell et al., 2017). Participant identities were anonymised due to the legal, professional and reputational sensitivity of the topic. Document triangulation further enhanced the credibility and verifiability of the findings (Bowen, 2009).

4. FINDINGS

The results below were based on interviews with 14 practitioners who held operational, supervisory, strategic and prosecutorial positions in asset recovery and anti-money laundering enforcement. Since the interviewees were placed at various functional levels within the domestic enforcement system, the data provided insights not only into the legal basis of asset recovery, but also into how recovery mechanisms operated as public accountability processes. The findings were organised according to the five qualitative conceptual variables developed within the Institutional Theory framework: clarity of statutory authority, institutional capacity, institutional practice and culture, inter-agency coordination mechanisms, and operational asset recovery effectiveness.

4.1 Overview of Malaysia's Domestic Asset Recovery Mechanism

The findings indicated that the domestic asset recovery process in the 1MDB case was a multi-phase and coordinated accountability process that entails legal action, financial investigation, evidence building, prosecution, inter-agency coordination and asset preservation. It was an intelligence-driven process, which entails the continuous interaction between investigators, prosecutors, regulators and their international counterparts. Figure 1 shows important milestones achieved during the asset recovery of 1MDB timeline.

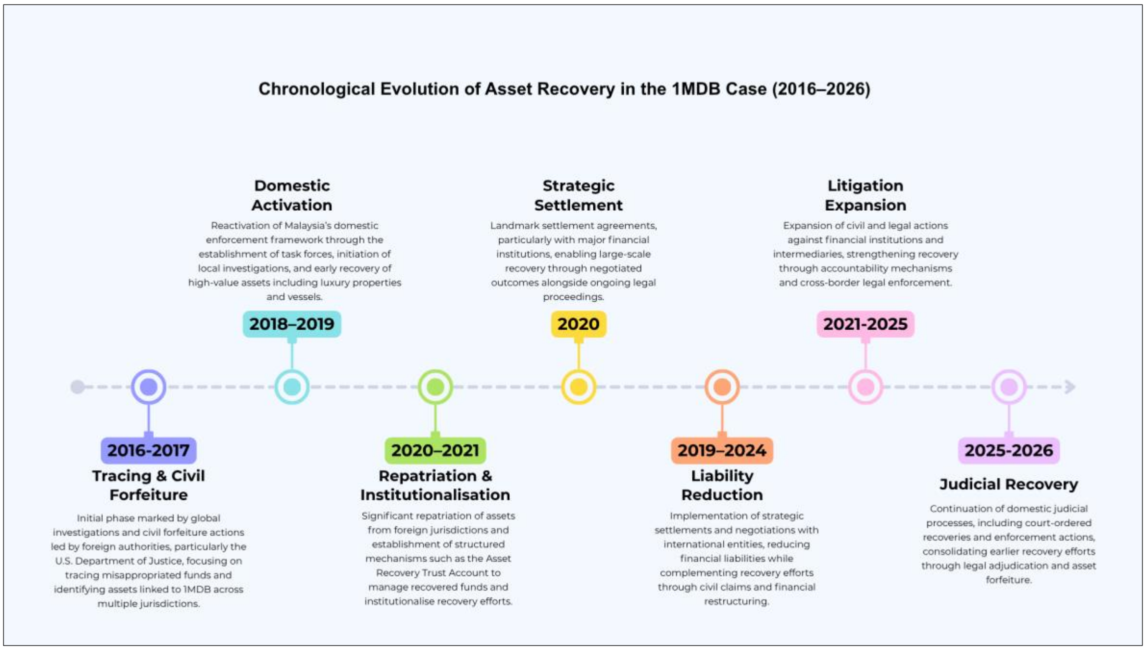

Fig. 1. Asset Recovery of 1MDB Timeline

The findings showed that asset recovery was not merely a legal exercise, but an evidence-intensive accountability process. More specifically, it consisted of several stages of documentation, approval, and legal validation as shown in Table 3.

Table 3. Accountability Functions in the 1MDB Asset Recovery Process

Asset Recovery Process	Description	Public Accountability Function
Tracing and Identification	Recognition of suspicious assets through intelligence input, reconstruction of money trails and identification of related parties.	Establishes where public-linked assets moved, who controlled them and whether they can be linked to suspected misconduct.
Developing evidence	Development of sufficient evidence using financial documents, transaction histories, corporate records, affidavits, banking records and company ownership data.	Converts suspicion into documented accountability claims that can support formal recovery action.
Freezing and seizure	Preservation of assets through legal restraint once sufficient evidence is available.	Prevents further dissipation of assets and protects the state's claim over recoverable resources.
Prosecutorial and Court Process	Assessment of evidence, preparation of court applications and handling of forfeiture processes.	Subjects recovery claims to formal scrutiny and institutional validation.
Forfeiture and Asset Return	Final recovery and return of assets through conviction-based or non-conviction-based processes.	Restores public-linked assets and closes the accountability loop.

Although these stages appear procedural, interviewees stressed that each depended on documentation quality and internal processing speed. The process was therefore evidence intensive and highly time sensitive. As Interviewee 9 noted:

> *"In cross-border cases, even if we identify assets quickly, the need to obtain court orders and transmit them via MLA can cause delay. Speed is critical. In financial crime, money moves faster than legal procedures."*
>
> (Interviewee 9)

This showed that recovery outcomes were shaped by how quickly authorities converted information into preservation measures before the asset trail was lost. The stages were conceptually sequential but often run in parallel, especially in complex cases such as 1MDB.

4.2 Clarity of Statutory Authority

The first qualitative conceptual variable was clarity of statutory authority. One obvious trend in the interviews is that interviewees considered the domestic asset recovery framework in Malaysia to be legally founded and operationally based on a small group of core laws. The laws that were most commonly identified were the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATFPUAA 2001), the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009) and the Mutual Assistance in Criminal Matters Act 2002 (MACMA 2002). According to interviewees, these laws assisted in tracing, freezing, seizure, confiscation, forfeiture and repatriation of assets. Specifically, AMLATFPUAA 2001 was often defined as the key tool to detect criminal proceeds, suspicious transactions and pursue freezing and forfeiture, whereas the MACC Act 2009 was perceived as a key tool for corruption-related enquiries. MACMA 2002 was also considered part of the domestic legal foundation since it allows Malaysia to formally seek assistance in locating, restraining and repatriating assets in foreign jurisdictions.

In addition to naming the statutes, interviewees also emphasised the operational effectiveness of legal provisions. The common characteristics included clarity of authority, expediency of action, enforceability, workable evidence thresholds and the possibility of obtaining interim restraint before assets are transferred. This showed that legal authority was meaningful when it can be translated into timely intervention. As noted by Interviewee 3:

> *"Effective asset recovery must be clear, fast, enforceable, and coordinated to translate investigation findings into actual recovery of illicit assets."*
>
> (Interviewee 3)

The finding showed that clarity of statutory authority is a necessary construct in domestic asset recovery because legal powers must be clear enough to support timely tracing, restraint, forfeiture and repatriation. However, the findings also showed that statutory clarity alone was insufficient unless it was supported by institutional capacity, coordination and operational speed.

4.3 Institutional Capacity

The second qualitative conceptual variable was institutional capacity. The findings indicated that asset recovery was a process that was intensive in terms of evidence, documents and procedures, and that the success of the process is dependent on the investigators' capacity to convert financial intelligence into legally actionable intelligence. As noted by interviewees, investigators need to build enough evidence to move forward with legal action after assets are identified. This encompassed financial records, transaction histories, corporate records, affidavits, banking records, company ownership information and intelligence reports.

Institutional capacity included technical financial investigation and reconstruction of the money trail. Interviewee 6 said that financial intelligence is the initial phase followed by reconstruction and identification of money trail and related persons. Interviewee 4 also emphasised the importance of book of accounts, and the need to use proxy indicators to identify ownership links. These findings suggested that, in addition to legal authority, documentation capability, financial investigation skills and evidence development are essential for domestic recovery.

Another aspect of institutional capacity was prosecutorial readiness. One important conclusion was that prosecutors play a pivotal role in moving cases from investigation to prosecution. Interviewee 9 explained that prosecutors assess evidence, prepare court applications and handle forfeiture, ensuring that recovery action complies with legal standards and practices. This highlights the fact that asset recovery was not just at the investigation stage but also in the preparation of the prosecution and in having evidence that is legally sustainable.

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4.4 Institutional Practice and Culture

The third qualitative conceptual variable was institutional practice and culture. Although interviewees generally agreed that Malaysia possesses a well-developed legal framework, they also indicated that the effectiveness of recovery action may be affected by organisational behaviour, internal trust and willingness to share information. Some interviewees referred to internal scepticism, limited information exchange and the lack of capacity building as issues that reduce the effectiveness of domestic recovery efforts. According to one of the interviewees:

> *"The Malaysian authority is still facing internal skepticism and is reluctant to share information."*

This finding was crucial because it does not focus on formal law, but on institutional culture. It suggested that organisational behaviour, confidence and information-sharing practices may be among the greatest barriers to domestic asset recovery, and these barriers may not necessarily appear in statute books. The findings therefore indicated that domestic asset recovery was limited not only by legal and procedural challenges, but also by institutional preparedness, trust, communication patterns and the willingness to share information while the asset trail remains active.

4.5 Inter-Agency Coordination Mechanisms

The fourth qualitative conceptual variable was inter-agency coordination mechanisms. The findings showed that asset recovery is operationally collective. Interviewees repeatedly mentioned that the recovery process could not be done by one agency, particularly in complex corruption cases such as 1MDB. Instead, a multi-agency task force model was adopted, where the lead agency is usually the agency with the strongest investigative mandate and subject matter expertise, typically the MACC in corruption-related cases. The Attorney General's Chambers, financial intelligence units, bank regulators, enforcement bodies and, in certain instances, foreign counterparts provide support. This indicated a division of labour where investigative leadership, legal preparation, regulatory intelligence and external liaison work together in a coordinated recovery effort.

Coordination was not informal or incidental. Interviewees referred to joint task forces, inter-agency meetings, SOPs, direct liaison channels, online meetings and coordinated correspondence. In 1MDB-type cases, these mechanisms became crucial because intelligence, investigation, legal preparation and asset management had to proceed simultaneously. Thus, inter-agency coordination operated as the crucial linker that translated statutory authority and institutional capacity into recovery outcomes.

4.6 Operational Asset Recovery Effectiveness

The fifth qualitative conceptual variable was operational asset recovery effectiveness. The findings showed that effectiveness was shaped by the speed, legal sustainability and actual outcome of preserving and forfeiting illicit wealth. One of the major operational issues mentioned by interviewees is timing. Legal processes may lag behind the rapid pace at which illicit funds can be moved, layered or hidden, even after investigators have identified suspicious assets. This implies that the time lag between identification and official restraint is among the weakest links in the domestic recovery process. As mentioned by Interviewee 9:

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> *"In cross-border cases, even if we identify assets quickly, the need to obtain court orders and transmit them via MLA can cause delay. Speed is critical. In financial crime, money moves faster than legal procedures."*
>
> (Interviewee 9)

These findings reinforced the view that asset recovery was not only a question of legal power, but also one of institutional speed. Practical recovery outcomes are shaped by how quickly authorities can convert information into preservation measures before the asset trail is lost.

Operational effectiveness was also affected by procedural and evidentiary weaknesses. Interviewees mentioned delays in obtaining freezing or forfeiture orders, the transfer of documentation to required levels of review and approval, fragmented processes and inconsistent handling of cases due to different agency priorities. These delays were important because they may allow assets to be dissipated, moved abroad or invested in more sophisticated holdings. The findings therefore showed that operational asset recovery effectiveness depended on the ability of institutions to act quickly, preserve evidence, sustain legal action and prevent assets from disappearing before forfeiture or return can be achieved.

5. DISCUSSION

The 1MDB case supported a key argument in the asset recovery literature: clarity of statutory authority is necessary, but insufficient. AMLATFPUAA 2001, the MACC Act 2009 and MACMA 2002 provided the legal foundations for domestic recovery, but their practical usefulness depends on whether they can expedite action, support evidence development and integrate with enforcement measures. This is consistent with Brun et al. (2020), who treat tracing, freezing, seizure, confiscation and return as part of a connected recovery process, and with Helfer et al. (2023), who argued that recovery remains difficult even where national and international frameworks exist. The findings also expanded the Institutional Theory by showing that formal rules produce outcomes only when implemented through capacity, coordination and institutional practice (Scott, 2014). In 1MDB, the issue was not the absence of law, but the pressure placed on domestic institutions to respond to layered transactions, camouflaged ownership and extreme time sensitivity.

The second major finding was that inter-agency coordination functioned as the operational linker between institutional capacity and recovery effectiveness. Recovery began with intelligence, financial analysis and reconstruction of the money trail, followed by documentation, approvals, restraint applications and, where necessary, mutual legal assistance. This supports Brun et al. (2020), who emphasised the translation of financial intelligence into legally sustainable action, and Zolkaflil et al. (2023), who showed that formal AML compliance may still underperform when coordination was weak. The present study extended this literature by showing that coordination was not merely administrative. In high-profile cases such as 1MDB, task forces, direct liaison, joint meetings and lead agency arrangements became tactical responses to complexity, evidential pressure and the need to move several workstreams in parallel.

Institutional weaknesses also limited domestic recovery. Delay, inconsistent procedures, evidentiary burden, poor information sharing and asset dissipation risk correspond to institutional practice and culture, institutional capacity and operational recovery effectiveness. These findings support Helfer et al. (2023) and Zolkaflil et al. (2023), who noted that asset recovery was often weakened by slow, fragmented and weakly coordinated systems. In the Malaysian context, the core issue was the disconnect between legal feasibility and practical implementation. Once assets are hidden through layered transactions, proxies, shell companies or cross-border structures, delays in documentation, approval or information flow can significantly reduce the likelihood of preservation and forfeiture.

Most of the literature has discussed asset recovery as general principles or discussed 1MDB primarily as a corruption scandal and governance failure, and not as much has been made on the domestic operational mechanics to spell out whether recovery can actually be successful (Jones, 2020; Lim, 2023). The results of the current study implied that the problem facing Malaysia was not merely to ensure that the formal legal system exists but to reinforce the institutional prerequisites that enable the said system to be effective in times of strain. Conceptually, this raises the issue of conceptualising domestic asset recovery as an institutional capability issue as much as legal. In practice, it suggests that reforms must be directed not only at the sufficiency of legislation, but also at the expediency of procedure, standardised coordination, evidence management, and an enhanced information sharing culture across agencies. It also aligned with the current international trends of asset recovery and return, which are increasingly focused on effectiveness, accountability, and transparency in its implementation (Rose, 2024).

The five constructs are synthesised into a diagnostic matrix for assessing domestic asset recovery systems in other transnational financial crime contexts, as shown in Table 4.

Table 4. Diagnostic Matrix for Assessing Domestic Asset Recovery Systems

Diagnostic Dimension	Key Diagnostic Question	Main Warning Sign
Clarity of Statutory Authority	Are legal powers clear enough to support tracing, freezing, forfeiture and return?	Unclear powers or slow authorisation
Institutional Capacity	Can agencies turn financial intelligence into usable evidence?	Weak documentation or limited technical expertise
Institutional Practice and Culture	Do institutions trust each other and share information?	Internal scepticism or reluctance to cooperate
Inter-Agency Coordination Mechanisms	Are agencies connected through task forces, SOPs and direct communication?	Siloed action or delayed communication
Operational Asset Recovery Effectiveness	Can assets be preserved and recovered before they disappear?	Delay, asset dissipation or missed recovery

This matrix was intended as a qualitative diagnostic guide rather than a quantitative measurement tool. It showed how future researchers and practitioners may identify where an asset recovery system is strong, where it is vulnerable and which institutional conditions may prevent legal powers from becoming actual recovery outcomes. In this way, the 1MDB case provided not only an empirical account of Malaysia's recovery experience, but also a transferable framework for assessing asset recovery systems in other complex transnational financial crime cases.

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6. CONCLUSIONS

This study examined domestic asset recovery in Malaysia through the 1MDB case. Using the Institutional Theory, the study structured the findings around five qualitative conceptual variables: clarity of statutory authority, institutional capacity, institutional practice and culture, inter-agency coordination mechanisms and operational asset recovery effectiveness. The findings indicate that Malaysia has a legal framework for domestic recovery which is identified through AMLATFPUAA 2001, MACC Act 2009 and MACMA 2002. However, speed of operations, readiness of evidence, institutional culture and inter-agency coordination are essential for effective recovery. The study contributes in two main aspects: firstly, in reframing domestic asset recovery as a public accountability mechanism and secondly, in illustrating the interplay between legal authority, capacity, culture and coordination in practice. It also emphasised inter-agency coordination as the operational "linker" that made statutory authority and institutional capacity asset preservation and recovery outcomes. The diagnostic matrix also added to the usefulness of the study as a practical guide to the evaluation of recovery systems not just for 1MDB.

The findings have important theoretical, policy and practice implications. The study proposes, theoretically, to regard domestic asset recovery not merely as a legal framework matter, but as an institutional accountability process, which is influenced by statutory authority, capacity, institutional culture, coordination and operational effectiveness. It also calls for more efficient procedural tracks, improved evidence management, more uniformed inter-agency operations, enhanced information sharing culture, and more effective mechanisms for turning statutory powers into recovery results.

Nevertheless, there were some limitations to this study. Since it was a qualitative case study that focused on the 1MDB situation, the results are to be analysed in depth but not widely generalised in terms of statistics. Future research could thus build on this work by comparing the asset recovery process domestically, across a variety of cases or jurisdictions, or by further exploring the interaction between the domestic and international recovery process over time. In spite of these constraints, the study demonstrated that the effectiveness of the asset recovery in transnational financial crime starts with the effectiveness of the domestic system. One key takeaway from the Malaysian experience is that legal power matters, but only if they can be mobilised effectively, in a timely and coherent way.

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7. CONFLICT OF INTEREST STATEMENT

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare the absence of conflicting interests with the funders.

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8. AUTHORS' CONTRIBUTIONS

Mohamad Zamri Zainul Abidin: Conceptualisation, methodology, formal analysis, investigation, validation and writing-original draft; **Eley Suzana Kasim**: Conceptualisation, supervision, writing- review and editing, and validation; **Farah Aida Ahmad Nadzri**: Conceptualisation, supervision, writing- review and editing.

9. DECLARATION OF GENERATIVE AI IN THE WRITING PROCESS

Generative AI tools were used only to support language editing, sentence refinement and overall readability of the manuscript. All research design, data collection, analysis, interpretation and conclusions were developed and verified by the authors. The authors take full responsibility for the content of the manuscript.

10. DATA AVAILABILITY/SUPPLEMENTARY MATERIALS

The datasets used and/or analysed during the current study are available from the corresponding author on reasonable request.

11. ETHICS STATEMENT

The study was conducted in accordance with established research ethics principles. Participation was voluntary, and informed consent was obtained from all participants prior to data collection. Participants were informed of the purpose of the study and their right to withdraw at any time. Confidentiality and anonymity were maintained by removing identifying information and using participant codes in reporting the findings. Ethical approval for the study was obtained from [name of ethics committee/institution] (Reference No.: REC/08/2026 (PG/MR/441).

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