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Factors Associated with Perceived Anti-Money Laundering (AML) Compliance in Malaysian Law Firms: Evidence from Legal Gatekeepers

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ABSTRACT

This study examined anti-money laundering (AML) compliance among Malaysian law firms by investigating how firm characteristics influenced adherence to AML regulations. Although AML research has largely focused on financial institutions, empirical evidence on compliance within the legal profession remains limited. Grounded in the Routine Activity Theory, the study examined the relationships between law firm size, services offered, engagement with high-risk clients, and perceived AML compliance. A quantitative research design was adopted, using structured questionnaires administered to lawyers practising in Peninsular Malaysia, yielding 379 usable responses. The findings revealed that all three firm-level characteristics significantly and positively influenced perceived AML compliance. Larger firms demonstrated stronger compliance due to greater resources, structured governance, and dedicated compliance mechanisms. Similarly, firms offering a wider range of legal services and those serving high-risk clients reported higher compliance, reflecting greater exposure to regulatory requirements and financial crime risks. The study extends AML literature by providing theory-driven evidence from the legal profession, an underexplored reporting sector. The findings offer practical implications for legal practitioners, regulators, and the Malaysian Bar by supporting risk-based, firm-specific AML strategies. They also provide a foundation for future research on compliance behaviour within legal services and other designated non-financial businesses and professions.

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1. INTRODUCTION

Money laundering is a global issue impacting the financial sector and society's health. It involves disguising illegal funds, often via foreign banks or legitimate businesses (Hendriyetty & Grewal, 2017), undermining financial systems and enabling crime and corruption. AML laws prevent criminals from hiding illegally obtained funds as legitimate income. Law firms in Malaysia are increasingly linked to money laundering, often less regulated than the financial sectors (Kamaruddin & Hamin, 2019). Despite AML laws, they can be weak points in anti-money laundering efforts (Hamim & Othman, 2018a). Their expertise in complex structures and legal aid may, intentionally or unintentionally, facilitate the laundering of illicit funds (Maguchu, 2017), making them vulnerable to exploitation. Studies have highlighted the crucial role of legal professionals in AML prevention (Lisanawati et al., 2018). The heavy burden of reporting suspicious activities on lawyers and other regulated professionals raises concerns (Çelik, 2022). Lawyers may also act as crime enablers or reluctant gatekeepers, using trust accounts to launder money (Mniwasa, 2020).

Money laundering in Malaysian legal firms is a significant concern. The 2022 National Risk Assessment by Bank Negara Malaysia (BNM) labelled lawyers and firms as high risk due to their broad range of services, which can be exploited for illicit activities. In the same year, prominent lawyers were charged with money laundering for receiving RM15 million from a former prime minister. This case highlighted potential money laundering risks in the legal profession. Channel News Asia (2023, November 3) reported that the lawyer was investigated for involvement in the 1MDB scandal and MYAirline's failure. These examples showed how lawyers work with high-risk clients, such as politicians and Politically Exposed Persons (PEPs), raising questions about law firms' compliance, especially regarding Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures, and about how their services and clients affect perceived AML compliance.

Recent evidence has further indicated that institutional quality, legal enforcement, and regulatory maturity played a significant role in AML effectiveness, especially in emerging and developing economies. Kovalchuk (2026) showed that areas with stronger governance and enforcement tended to have higher perceived AML compliance, highlighting the role of external institutional pressures in shaping organisational behaviour. This was especially important for the legal sector, where regulatory oversight is less strict than in financial institutions. Bociga et al. (2025) stressed that the effectiveness of AML relies on the interaction among regulatory authorities, supervisory bodies, and professional intermediaries, underscoring that compliance was part of a broader institutional framework.

While research on AML compliance has grown internationally, most studies have focused on financial institutions such as banks and reporting entities, where regulations and enforcement were more developed (Mekpor et al., 2018). Conversely, the involvement of professional intermediaries, such as law firms, has received less attention, despite their growing recognition as key “gatekeepers” in the global AML framework (Financial Action Task Force [FATF], 2021; G20 Anti-Corruption Working Group, 2022). Additionally, a few studies have explicitly used the Routine Activity Theory to explain AML compliance in professional service firms. Most existing applications focused on traditional crime scenarios, with limited exploration of organisational and regulatory compliance contexts (Cohen & Felson, 1979; Felson & Boba, 2010). Consequently, the dynamics among motivated offenders (such as high-risk clients),

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suitable targets (such as legal services), and capable guardians (such as law firm features) were not thoroughly theorised or empirically examined in AML research.

In addition, the international literature provided limited empirical evidence from emerging and developing economies, particularly in Southeast Asia. Much of the existing empirical work was concentrated in Western or highly regulated jurisdictions, which may not reflect the institutional realities of countries with evolving AML frameworks (FATF, 2018). Malaysia represented a particularly relevant context, where law firms were classified as high-risk entities for money laundering yet operated under comparatively less stringent oversight than financial institutions (Bank Negara Malaysia, 2022; Adilah et al., 2023). This has created a critical gap in understanding how context-specific institutional and organisational factors influenced perceived AML compliance behaviour within the legal sector.

Beyond its empirical focus on Malaysian law firms, this study contributes theoretically by extending the Routine Activity Theory (RAT) to the anti-money laundering compliance domain. While RAT has traditionally been employed to explain criminal opportunities and victimisation, its application to organisational compliance behaviour remains limited. This study developed a theory-driven framework that conceptualised law firm size as capable guardianship, legal services as suitable targets, and high-risk clients as motivated offenders. By empirically examining the interaction of these elements, the study advanced an understanding of how organisational and regulatory factors jointly shaped perceived AML compliance behaviour in professional service firms.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This study was based on the RAT (Cohen & Felson, 1979), which explained crime as a function of three elements: a motivated offender, a suitable target, and a lack of capable guardians. Unlike traditional theories that focused on offender traits, RAT emphasised situational factors that created opportunities for crime (Cohen & Felson, 1979). This view was especially relevant for understanding organisational exposure to financial crimes, such as money laundering. This study mapped its key constructs, firm size, services offered, and high-risk clients onto RAT's three components. Firm size proxies for a capable guardian: larger firms with more resources, compliance units, monitoring, and governance structures, can implement stronger AML controls (Hamin et al., 2015; SRA, 2023), making them more effective at detecting and preventing suspicious transactions. Smaller firms often lacked resources and formalised compliance systems, reducing AML enforcement (Tarmizi et al., 2022; Adilah et al., 2023). Variations in firm size thus affected the strength of guardianship and AML compliance. Second, law firms' services represented suitable targets within the RAT framework. Certain legal services, such as real estate conveyancing, corporate structuring, trust formation, and financial advisory, were inherently vulnerable to exploitation due to their complexity, high transaction values, and opacity (FATF, 2018; OECD, 2021). These characteristics made such services attractive vehicles for disguising illicit funds. The broader and more sophisticated the range of services offered, the greater the exposure of law firms to money laundering risks (Hardy & Danch, 2020; Mekpor et al., 2018). Therefore, the nature and diversity of services determined the extent to which law firms functioned as suitable targets for financial crime.

Third, high-risk clients were aligned with the concept of motivated offenders. Clients such as politically exposed persons (PEPs), foreign entities from high-risk jurisdictions, and high-net-worth individuals

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often possessed both the incentive and capability to engage in money laundering activities (FATF, 2013; Pol, 2020). Their involvement increased the likelihood that legal services will be used to facilitate illicit financial flows. Engaging with such clients necessitated enhanced due diligence and continuous monitoring; however, failure to implement these measures significantly increased the risk of non-compliance (Helgesson & Mörth, 2018; Hardy & Danch, 2020). Thus, the presence of high-risk clients reflected the degree to which motivated offenders interact with law firms. This study viewed perceived AML compliance as a result of interactions among guardianship (firm size), exposure (services offered), and offenders (high-risk clients). Strong governance reduced the risk of exploitation, even with high-risk clients and services. Weak governance raised vulnerability to money laundering, especially for high-risk profiles. This extended the R A T beyond criminology, applying its components to professional firms and enhancing the legal sector's crime prevention literature.

Studies have found that law firm size was associated with perceived AML compliance, with smaller firms less compliant. The Law Society of Singapore (2019) reported that half of the small firms did not submit Suspicious Transaction Reports (STRs). Poor reporting may aid money laundering. Hamin et al. (2015), SRA (2023b), and the Law Society linked larger firms to better AML adherence. Pol (2020) noted that smaller firms were more prone to facilitating money laundering due to lower perceived AML compliance, implying that size affected adherence. BNM (2020) observed that larger firms followed AML guidelines more closely, a finding supported by Jamil et al. (2023), who argued that larger firms can better afford AML costs. Tarmizi et al. (2022) agreed, stating that larger firms managed expenses more effectively and were more AML compliant. Overall, these studies connected law firm size to perceived AML compliance.

The G20 Anti-Corruption Working Group (2022) suggested that smaller law firms' simpler systems may increase the risk of fraud, but there was no clear link between firm size and money laundering or perceived AML compliance. Research across domains such as accounting and environmental law showed no consistent link between size and compliance (Rahman & Hamdan, 2019). Smaller firms faced vulnerabilities, but larger firms were not immune. Firm size alone did not predict perceived AML compliance, which was also influenced by culture, resources, and regulation. Larger firms had more resources, such as compliance teams, improving AML efforts (SRA, 2023), while smaller firms often lacked the infrastructure and funds for robust AML systems (Adilah et al., 2023). Recent studies (Husnaningtyas et al., 2023) have shown that smaller firms may overlook red flags due to weaker onboarding and monitoring. Therefore, the hypothesis was that size influences perceived AML compliance.

H1: There is a significant positive relationship between the size of law firms and perceived AML compliance by law firms.

Professional legal services were vulnerable to money laundering, particularly in high-risk areas such as real estate, corporate mergers, and international transactions (Hamin et al., 2015; OECD, 2021; Zacharias, 2004; FATF, 2018). Law firms needed enhanced due diligence, particularly in CDD, to mitigate these risks. Hardy and Danch (2020) found that firms in high-risk sectors, such as real estate, were more prone to facilitating money laundering. They emphasised that law firm services greatly influenced perceived AML compliance, with high-risk service providers being more vigilant due to regulatory scrutiny and

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reputational risks. This relationship indicated that law firms should proactively address the risks associated with their service profiles.

Jamil et al. (2023) highlighted firms' challenges in meeting AML regulations and found no link between services and compliance in law firms. Kamaruddin and Hamin (2019) said lawyers struggled with AML laws due to vague services, hindering compliance. Mekpor et al. (2018) reported only slight improvements in perceived AML compliance, suggesting that service type had little effect. Certain legal services, such as property deals, company setup, trust creation, or client fund management, were vulnerable to misuse (FATF, 2021). Firms offering these high-risk services without proper due diligence were often targeted in audits (SRA, 2023). Adilah et al. (2023) added that multidisciplinary firms with non-legal advisory arms faced higher AML risks because of unclear service boundaries and complex transactions. The second hypothesis was thus proposed.

H2: There is a significant positive relationship between the services offered by law firms and perceived AML compliance by law firms.

High-risk clients, such as those from international, PEP, or sanctioned countries, increased law firms' money laundering risk. Effective risk management required robust AML strategies, including thorough client screening and ongoing monitoring (Hamin et al., 2015; Hardy & Danch, 2020). Hamin et al. (2015) highlighted lawyers' vulnerability to money laundering when dealing with complex, high-risk clients. Hardy and Danch (2020) found that identifying high-risk clients and maintaining perceived AML compliance were challenging yet interrelated; firms working with such clients tended to follow AML rules.

Pol (2020) stated that serving high-risk clients, such as PEPs and those from sanctioned countries, increased the risk of money laundering, especially for small law firms with a low perceived level of AML compliance. Identifying such clients was key to AML, as FATF (2013) linked high-risk clients to AML efforts and provided best practices. Taylor & Beizley (2022) found that law firms with high-risk clients were generally perceived to have better AML compliance, regardless of size, but some firms serving high-risk clients exhibited low compliance due to poor KYC procedures. Tarmizi et al. (2022) argued that received client vulnerabilities did not influence perceived AML compliance among Malaysian accountants. Çelik (2022) noted that high-risk clients did not always mean strong perceived AML compliance, stressing the need for regular audits, training, and a compliance culture. Client risk profiling was vital for AML success. High-risk clients from corrupt areas, PEPs, or complex entities needed enhanced due diligence (EDD). Many law firms, especially without automated screening, struggled with EDD (Yu et al., 2024). Recent regulatory developments, such as the introduction of Tranche 2 AML/CTF reformed, extended anti-money laundering obligations to professional service providers, including law firms, recognising their role as critical gatekeepers in financial crime prevention (AUSTRAC, 2025; Norton Rose Fulbright, 2025). These reforms required legal professionals to implement customer due diligence, transaction monitoring, and reporting mechanisms, reflecting increased regulatory scrutiny and institutional pressure. Based on the above arguments, the hypothesis was proposed as follows:

H3: There is a significant positive relationship between the high-risk clients served by law firms and perceived AML compliance by law firms.

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3. RESEARCH METHOD

This study used a questionnaire and convenience sampling to select 379 lawyers registered with the Malaysian Bar in Peninsular Malaysia, which had 21,570 lawyers as of February 2023. To achieve a 5% margin of error at 95% confidence with a 50% response distribution, a minimum of 378 samples was needed, ensuring the sample reflected the broader community. Although convenience sampling was employed due to accessibility constraints within the legal profession, several measures were taken to enhance the sample's diversity and representativeness. Respondents were drawn from different categories of legal practitioners, including partners, sole proprietors, and legal associates, representing firms of varying sizes and levels of professional experience. The distribution of respondents broadly reflected the structure of the Malaysian legal profession, in which small and medium-sized firms constituted the majority of legal practices. Furthermore, participants were recruited through multiple channels, including email, professional networks, messaging applications, and social media platforms, to maximise coverage across different segments of the legal community.

This study developed questionnaires based on the literature and reports from organisations such as The Law Society of Singapore and FATF (2018). The survey had 32 questions in five sections, starting with six demographic questions. It covered firm size, services, high-risk clients, and AML practices. Using a five-point Likert scale ('1' = 'strongly disagree', '5' = 'strongly agree'), the survey was distributed in November 2023 and closed after collecting responses in December 2023. The questionnaire was mainly distributed online for broader reach and convenience. Lawyers received invitations via email, messaging apps (WhatsApp, Telegram), and social media (Facebook, LinkedIn), each including a survey link, to ensure a quick, efficient collection of responses by the deadline. Multiple measures were adopted to minimise response bias. Participants were assured of anonymity and confidentiality to lessen social desirability bias. The questionnaire was carefully constructed with neutral, non-leading questions and a balanced Likert scale to prevent response skewing. A pilot test was conducted to ensure clarity and eliminate ambiguity. Furthermore, participation was voluntary, and respondents were informed that there were no right or wrong answers, promoting honest responses.

The measurement of perceived AML compliance in this study was based on respondents' self-reported assessments of compliance practices within their law firms. Due to confidentiality restrictions and limited access to regulatory inspection records, objective indicators such as AML audit findings, suspicious transaction reporting data, and enforcement outcomes were unavailable. Consequently, the study evaluated perceived AML compliance rather than independently verified compliance behaviour. This approach was consistent with prior organisational compliance research, which frequently used self-reported perceptions as proxies for organisational practices.

4. RESULTS AND DISCUSSION

4.1 Demographic Analysis

This section presents demographic analyses of participants, focusing on response frequencies and percentages for nominal questions. Table 1 shows the distribution of respondents by their roles within law firms. The study included respondents' roles: legal associates (124, 32.7%), sole proprietors (105, 27.7%), and partners (150, 39.6%). This revealed a diverse range of legal positions, notably among many partners.

Table 1. Frequency of the Respondents' Roles

	Frequency	Per cent
Legal Associate	124	32.7
Sole Proprietor	105	27.7
Partner	150	39.6

Source: Author (2026)

Table 2 displays respondents' legal experience by years. The sample was divided between newer and more experienced lawyers: 45.4% had fewer than 7 years of experience, while 54.6% had more than 7 years of experience, indicating a balanced mix of senior and junior professionals. About 29% were sole practitioners managing their firms independently. Most worked in small firms with 2-5 partners, making up 55.7% of the 211 respondents. Fewer were from medium-sized firms with 6-30 partners (11.9%), and even fewer from large firms with over 31 partners (3.4%). These figures highlighted the dominance of small and medium-sized firms and the diversity in firm sizes.

Table 2. Frequency of the Respondents' Years of Practice & Firm's Size

	Frequency	Per cent
Years:		
Below seven years	172	45.4
More than seven years	207	54.6
Firm Size:		
Sole proprietor	110	29.0
2-5 partners	211	55.7
6-30 partners	45	11.9
31 and above partners	13	3.4

Source: Author (2026)

As shown in Table 3 52.2% of respondents were from small firms with 1-5 lawyers, highlighting the prevalence of small firms. Mid-sized firms with 6-30 lawyers accounted for 39.6%, and large firms with over 31 lawyers accounted for 8.2%. While small and mid-sized firms dominated, the presence of larger firms reflected diversity. This aligned with Malaysian Bar statistics, which showed small firms were most common, followed by medium and large firms. Table 3 also categorised law firms by location within or outside the Klang Valley. A significant majority, 76.8%, were Klang Valley law firms, indicating a regional concentration. Conversely, 23.2% worked outside Klang Valley.

Table 3. Total Lawyers in the Law Firm

	Frequency	Per cent
Total Lawyers:		
1-5 lawyers	198	52.2
6-30 lawyers	150	39.6
Lawyers 31 and above	31	8.2
Location:		
Within the Klang Valley	291	76.8
Outside the Klang Valley	88	23.2

Source: Author (2026)

4.2 Descriptive Statistics

Table 4 shows 9 perceived AML compliance questions for law firms, with response ranges, means, and standard deviations on a 1-5 Likert scale. Higher means indicated agreement that larger firms had better AML practices: Question 6 had a mean of 4.36 (SD = 0.799), indicating consistency. Question 9 on small firms neglecting AML had a mean of 4.38 (SD = 0.834), indicating strong agreement. Questions 7 and 8 expressed concern about poor systems attracting money launderers, with means of 4.31 and 4.26. Respondents believed that small firms had low perceived AML compliance, linking concerns to firm size and system quality. As the study proceeded to questions 3, 4, and 5, which covered the regular conduct of background checks on existing clients, having an AML policy, and subscribing to AML solutions providers, the mean scores were 2.06, 1.87, and 1.59, respectively. The lower mean scores here suggested that these practices were not as uniformly recognised or valued across the surveyed law firms. The standard deviations for these questions varied, with the lowest for question 5, suggesting greater consistency in responses regarding subscription to AML solution providers, albeit acknowledging that it was a less common practice.

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Table 4. Perceived AML Compliance by Law Firms

No.	Perceived AML Compliance	Mean	Std. Deviation
1	My law firm conducts KYC and CDD before accepting any brief, case, or new client	1.96	1.200
2	My law firm will refuse to accept an appointment from a client with a suspicious background or activity	2.88	1.308
3	My law firm regularly conducts KYC or background checks on its existing clients.	2.06	1.122
4	My law firm has an AML policy	1.87	1.098
5	My law firm subscribes to an AML solutions provider	1.59	0.920
6	Large law firms are perceived as having better AML compliance and practices	4.36	0.799
7	Law firms with poor systems and control are attractive targets for money launderers	4.31	1.233
8	Small law firms have low perceived AML compliance	4.26	0.795
9	Small law firms may not prioritise perceived AML compliance	4.38	0.834

Source: Author (2026)

Question 1 of Table 5, with a mean of 4.14 and a standard deviation of 1.213, showed high agreement that law firms, regardless of size, facilitated money laundering, with broader views than other questions. Question 2, with a mean of 3.99 and a standard deviation of 1.115, indicated agreement that small law firms were more attractive to money launderers. Responses revealed a perception of significant involvement by law firms in money laundering, with some variability, but overall, responses were centred on the mean.

Table 5. Size of Law Firms

No.	Size of Law Firms	Mean	Std. Deviation
1	Regardless of their size, law firms are among the most effective facilitators of money laundering.	4.14	1.213
2	Small law firms are more appealing to money launderers	3.99	1.115
3	Small law firms are more likely to be involved in facilitating money laundering activities	4.26	1.089
4	Large law firms are more proficient at money laundering facilitation	4.23	1.014

Source: Author (2026)

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Table 6 shows statistics on six questions about law firms' services and their appeal to money launderers. Questions 1 and 2 scored highest, with respondents agreeing that firms in real estate, conveyancing (mean 4.65), and financial services (mean 4.58) were more attractive to money launderers, likely due to their transactional nature. Low standard deviations (0.667 and 0.647) indicated consensus. Question 6, about company secretarial services, had a high mean of 4.33, suggesting many found them appealing, but a high standard deviation of 1.081, reflected broad opinions. Question 3 had the lowest mean of 3.05, indicating less agreement that civil litigation appealed to launderers, with a standard deviation of 0.907, indicating substantial differences in opinion.

Table 6. Services Offered by Law Firms

No.	Services offered by Law Firms	Mean	Std. Deviation
1	Law firms that primarily focus on financial services and transactional practices are appealing to money launderers.	4.58	0.647
2	Law firms primarily focusing on real estate and conveyancing practices are appealing to money launderers.	4.65	0.667
3	Law firms primarily focusing on civil litigation practice are appealing to money launderers.	3.05	0.907
4	Law firms specialising in debt recovery litigation are appealing to money launderers.	3.15	0.898
5	Law firms primarily focusing on criminal litigation practice are appealing to money launderers.	3.56	1.025
6	Company secretarial services offered by law firms are appealing to money launderers.	4.33	1.081

Source: Author (2026)

Table 7 shows that law firms serving high-net-worth clients and PEPs were perceived as more likely to facilitate money laundering, and that questions about foreign clients also indicated agreement. Question 4 had the highest mean, 4.39, and the lowest standard deviation, 0.932, indicating consistent perception. Questions 1 and 5 followed, with means of 4.31, and standard deviations of 0.86-0.94, indicating moderate response variation. Question 2, with a mean of 4.01, indicated general agreement that firms serving PEPs may facilitate laundering, with responses similar to those for other questions.

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Table 7. High-Risk Clients Served by Law Firms

No.	High-Risk Clients Served by Law Firms	Mean	Std. Deviation
1	Law firms serving PEPs are appealing to money launderers.	4.31	0.937
2	Law firms serving PEPs are more susceptible to facilitating money laundering activities.	4.01	0.862
3	Law firms serving high-net-worth individuals or entities are appealing to money launderers.	4.15	0.840
4	Law firms serving high-net-worth individuals or entities are more susceptible to facilitating money laundering activities.	4.39	0.932
5	Law firms serving foreign clients are appealing to money launderers.	4.32	0.862
6	Law firms serving foreign clients are susceptible to facilitating money laundering activities.	4.04	0.861
7	Law firms serving foreign clients from geographically high-risk areas are susceptible to facilitating money laundering.	4.31	0.933

Source: Author (2026)

4.3 Reliability Analysis

Table 8 shows Cronbach's Alpha (α) for four variables. Perceived AML Compliance had an α of 0.807, or 0.884 when standardised across nine items, showing good consistency. The size of Law Firms had an α of 0.835, or 0.889 when standardised, indicating strong internal consistency and reliability. The Cronbach's Alpha for law firm services was 0.785, indicating acceptable consistency among six items. The standardised Alpha dropped to 0.720, the lowest among the variables, suggesting variability in how these services related to one another within the scale. High-Risk Clients served by law firms had a Cronbach's Alpha of 0.850 and a standardised alpha of 0.804 for the seven items. These values reflected high internal consistency, indicating the items were homogeneous and measured the same construct. The Table showed the scales had good reliability, with Cronbach's Alpha exceeding 0.700 (Nunnally, 1978).

Table 8. Reliability Statistics by Individual Variables

Variables	Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	Items
Perceived AML Compliance	0.807	0.884	9
Size of Law Firms	0.835	0.889	4
Services Offered	0.785	0.720	6
High Risk Clients	0.850	0.804	7

Source: Author (2026)

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4.4 Pearson Correlation Analysis

Table 9 shows correlations among four variables: Perceived ML Compliance, Law Firm Size, Services Offered, and High-Risk Clients. The correlation between perceived AML Compliance and Law Firm Size was 0.654, a moderate positive link: larger firms tended to have better perceived AML compliance. The correlation with Services Offered was 0.531, indicating that firms offering more services generally had higher perceived AML compliance. A correlation of 0.608 between perceived AML Compliance and High-Risk Clients suggested that firms with high-risk clients may also have better AML practices.

Table 9. Pearson's Correlation Test Result

Variables	Perceived AML Compliance	Size of Law Firms	Services Offered	High Risk Clients
Perceived AML Compliance	1			
Size of Law Firms	0.654	1		
Services Offered	0.531	0.594	1	
High Risk Clients	0.608	0.542	0.668	1

Source: Author (2026)

The size of law firms correlated positively with the number of services offered (0.594) and the number of high-risk clients (0.542), indicating that larger firms tended to offer more services and serve more high-risk clients. Services offered also correlated with high-risk clients (0.668), implying firms with diverse services may have more high-risk clients. These patterns suggested that larger firms with diverse services and more high-risk clients tended to have higher perceived AML compliance.

4.5 Multiple Regression Analysis

Table 10 shows regression results with standardised Beta coefficients, t-values, p-values, and collinearity statistics. Size of Law Firms (0.210), Services Offered (0.230), and High-Risk Clients (0.148) had positive Beta values, indicating positive links with perceived AML Compliance. All were significant ($p < 0.05$), with Services Offered and Firm Size highly significant ($p < 0.01$). Collinearity statistics such as Tolerance (0.477–0.609) and VIF (1.641–2.096) suggested low collinearity, as values near 1 indicated independence. Kim (2019) noted that VIF > 5-10 showed multicollinearity.

Since all constructs were measured using a single questionnaire administered to the same respondents, the potential for common method variance (CMV) was assessed using the collinearity approach recommended by Kock (2015). Under this method, variance inflation factor (VIF) values below 3.3 indicated that common method bias was unlikely to be a serious concern. The VIF values for the study constructs ranged from 1.641 to 2.096, all of which are substantially below the recommended threshold. The results indicated that CMV was unlikely to introduce substantial common method bias (CMB) into the observed relationships among the constructs.

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The Table showed a strong positive link between law firm size and perceived AML compliance, supporting H1. With a beta of 0.210, t-value of 3.258, and p-value of 0.001, the relationship was significant and consistent. This finding indicated a significant positive association between law firm size and perceived AML compliance. Respondents from larger law firms generally reported stronger AML compliance practices than those from smaller firms. This pattern may reflect the greater availability of resources, formal governance structures, and compliance mechanisms typically found in larger organisations (Hamin et al., 2015; Tarmizi et al., 2022). However, given the cross-sectional and perceptual nature of the data, the results should be interpreted as indicating an association rather than a causal effect. From the perspective of Routine Activity Theory, firm size reflected the strength of a capable guardian. Larger firms, with more formalised controls and monitoring systems, were better positioned to prevent and detect suspicious activities, thereby reducing opportunities for money laundering. However, this relationship may also be influenced by external institutional factors. Larger law firms were more visible and subject to heightened regulatory scrutiny and oversight, thereby increasing the likelihood that professional bodies will monitor them. This external pressure reinforced their role as capable guardians, suggesting that guardianship was not only internally developed but also externally enforced.

Similarly, the findings revealed a significant positive relationship between law firms' services and perceived AML compliance ($\beta = 0.230$, $p = 0.002$). Firms offering a broader range of services were associated with higher reported levels of AML compliance (Hardy & Danch, 2020; Mekpor et al., 2018). Within the Routine Activity Theory framework, these services constituted suitable targets, as their complexity and financial magnitude make them more attractive to illicit actors. At the same time, alternative explanations were relevant. Law firms engaged in high-risk services such as real estate, corporate structuring, and financial transactions were more likely to face increased regulatory oversight, compliance audits, and reporting obligations. These external pressures may compel firms to strengthen AML controls, indicating that the presence of suitable targets triggered both internal safeguards and external regulatory intervention.

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Table 10: Multiple Regression Analysis

Variables	**Standardised Coefficients**	***t***	**Sig. (*p*-value)**	**Collinearity Statistics**	
	Beta			**Tolerance**	**VIF**
(Constant)		21.570	0.000		
Size of Law Firms	0.210	3.258	0.001***	0.609	1.641
Services Offered	0.230	3.154	0.002***	0.477	2.096
High Risk Clients	0.148	2.121	0.035**	0.521	1.920

*$p<0.10$; **$p<0.05$; ***$p<0.01$

Source: Author (2026)

The positive correlation between law firms' engagement with high-risk clients and their perceived AML compliance was evident, with a beta coefficient of 0.148, a t-statistic of 2.121, and a p-value of 0.035. Hence, H3 was accepted. This finding indicated a positive association between engagement with high-risk clients and AML compliance (Helgesson & Morth, 2018). One possible explanation is that exposure to higher-risk clients increases regulatory scrutiny and risk awareness, encouraging law firms to strengthen their AML controls. However, the reverse relationship was also plausible. Law firms with stronger AML systems, greater compliance expertise, and more developed governance structures may be better equipped to attract and retain high-risk clients, as they possessed the capabilities to meet enhanced due diligence requirements. Consequently, the cross-sectional nature of the study prevented definitive conclusions regarding causal direction, and the relationship should be interpreted as associative rather than strictly causal (Helgesson & Mörth, 2018; Hardy & Danch, 2020). In the Routine Activity Theory, high-risk clients are motivated offenders with the intent and opportunity to use legal services for money laundering. This may also reflect institutional pressure from perceived risk. Law firms serving PEPs, foreign clients, or wealthy individuals expect more regulatory scrutiny and sanctions. They adopted stricter compliance to defend themselves, reinforcing their guardianship role against motivated offenders.

Overall, the findings demonstrated that perceived AML compliance in law firms was shaped by the interaction of capable guardians (firm size), suitable targets (services offered), and motivated offenders (high-risk clients), as proposed by Routine Activity Theory. Importantly, this interaction was further influenced by external regulatory pressures, audit exposure, and risk perceptions, suggesting that perceived AML compliance is not solely an internal organisational outcome but also a response to the broader institutional environment.

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5. DISCUSSION AND CONCLUSION

This study examined factors associated with AML compliance among law firms in Malaysia, focusing on organisational characteristics and exposure to money laundering risks. The findings indicated that law firm size, services offered, and engagement with high-risk clients were significantly associated with perceived AML compliance among Malaysian law firms. These results highlighted the importance of organisational characteristics and risk exposure in understanding variations in AML compliance practices within the legal profession. From a theoretical perspective, this study extended the application of Routine Activity Theory to professional service firms. Specifically, firm size reflected the strength of capable guardians, services offered represent suitable targets, and high-risk clients correspond to motivated offenders. The results confirmed that perceived AML compliance was influenced by interactions among these elements, with stronger governance mechanisms mitigating risks associated with exposure to vulnerable services and high-risk clients.

Larger law firms may not have stronger AML capabilities simply because they have more resources. Instead, their visibility and scrutiny might lead to more regulatory oversight and reputational risk. Larger firms may feel more compelled to demonstrate compliance than smaller ones, suggesting that external pressures and resources influence this relationship. A noteworthy finding was a significant positive relationship between services offered and AML compliance, despite prior studies reporting mixed results. One explanation is that legal professionals increasingly recognise AML risks in transactional services like real estate, corporate structuring, and financial advisory activities. As regulatory expectations continue to evolve, firms operating in these areas may proactively strengthen compliance practices to mitigate reputational and regulatory risks. This suggests that service-related risk exposure may have become a more salient driver of AML compliance than previously reported in the literature.

Findings suggested that perceived AML compliance depended on external factors, such as regulatory scrutiny and audits, rather than solely on internal capabilities. Larger firms, high-risk service providers, and those with high-risk clients faced greater regulation, which encouraged stricter AML compliance. Guardianship was driven by both internal resources and external oversight. The positive link between high-risk clients and AML compliance offered an interesting point. Firms with more high-risk clients might face greater compliance issues and a higher vulnerability to money laundering. The findings suggested that exposure to high-risk clients may heighten awareness of regulatory obligations and prompt more robust due diligence. Alternatively, firms with advanced compliance capabilities might accept high-risk clients due to their resources and expertise in managing risk. This interpretation suggested a more complex relationship than originally proposed and highlights the possibility of reciprocal influences between client risk profiles and AML compliance practices.

This study's contribution goes beyond Malaysian law, advancing the Routine Activity Theory by showing its relevance to organisational compliance, not just criminal events or victimisation. It operationalised RAT's three core components in a professional setting and empirically confirms their impact on perceived AML compliance. Findings suggested that guardianship within regulated organisations was an internal capability, augmented by external oversight and pressures. This broadened RAT's scope and introduced a new framework for understanding AML compliance in professional services. It offered insights from a developing-country context, enriching global understanding of AML compliance in underexplored

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sectors. The findings highlighted the need for risk-based, tailored AML strategies that accounted for firm characteristics and exposure. Regulators and bodies like the Malaysian Bar should strengthen targeted supervision and support, especially for smaller firms with weaker compliance capacity.

Despite its contributions, this study has its limitations. Convenience sampling may limit representativeness and introduce bias, as more aware respondents are more likely to participate. It focused on lawyers in Peninsular Malaysia, which may limit generalisability to other regions. Although the sample was adequate and diverse, future studies should use probability sampling, longitudinal designs, and broader geographic coverage to enhance external validity. A further limitation relates to the potential for reverse causality. Although the theoretical framework suggests that high-risk client exposure influences AML compliance, the cross-sectional design could not confirm causality. Firms with better compliance systems may attract high-risk clients due to their resources and expertise. So, findings showed associations, not causation. Future research with longitudinal data or objective measures could clarify causal relationships. Future research should incorporate additional organisational and institutional variables to further refine the understanding of perceived AML compliance behaviour in professional service settings.

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7. CONFLICT OF INTEREST STATEMENT

The authors agree that this research was conducted without any self-benefit, commercial, or financial conflicts and declare no conflicts of interest with the funders.

8. AUTHORS' CONTRIBUTIONS

Norziaton Ismail Khan: Conceptualisation, methodology, research design, supervision, validation, data interpretation, manuscript writing, review and editing, and final approval of the manuscript; **Haeme:** Conceptualisation, methodology, research design, validation, data interpretation, manuscript writing, review and editing.

9. DECLARATION OF GENERATIVE AI IN THE WRITING PROCESS

The authors used a generative artificial intelligence (AI) tool solely to assist with checking grammar, spelling, punctuation, and typographical errors during the preparation of this manuscript. The AI tool was not used to generate, interpret, or analyse research data, develop the study's methodology, or formulate the scientific conclusions. All content was critically reviewed, verified, and edited by the authors, who take full responsibility for the accuracy, integrity, and originality of the manuscript.

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10. ETHICS STATEMENT

The authors declare that this research did not involve human or animal subjects. All experimental procedures were performed in accordance with the institutional Safety, Health, and Environmental (HSE) protocols of [Insert Institution Name] and were reviewed and approved by the Institutional Ethics Committee (Approval No: FERC/AC/45/2023). All procedures involving human participants/animal subjects complied with the ethical standards of the 1964 Helsinki Declaration. Informed consent was obtained from all participants, and data anonymity was strictly maintained throughout the study.

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