Customer Protection and Money Laundering in the Era of Digital Currencies: Are Malaysian Regulations Enough to Combat?

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ABSTRACT

The study aimed to assess the robustness of Malaysia's current digital currency regime by critically examining the various pieces of legislation and gathering first-hand information from stakeholders. The study used a qualitative approach to accomplish the research objectives. Semi-structured interviews with regulators, legal councils and investors were conducted to gain in-depth and practical knowledge concerning the connection among digital currencies, money laundering and customer protection. According to the study, Malaysia has positive intentions towards digital currencies concerning protection through robust legislation. However, current practices and laws enacted by the government and regulators are contradictory. It has resulted in confusion among the public concerning adopting or rejecting such currencies. Further, this confusion provided opportunities for scammers and caused the trapping of innocent investors by scammers. These loopholes and contradictions among different legislations offer a favourable environment for criminals, especially money launderers, to exploit the Malaysian digital currencies regime. Therefore, to address this situation and protect customers, authorities should clarify the roles of various regulators and educate the public about the dangers of using unauthorised digital currency platforms.

Keywords: Digital Currencies, Money Laundering, Regulations, Customer protection

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INTRODUCTION

Financial globalisation has increased the people's capacity to invest in monetary instruments beyond national borders (Lim, 2013). Digital currency is one of the top FinTech innovations that has fundamentally changed our existing global financial sector (Moorthy, 2018). Crypto is a subset of digital currency –the purest example of a peer-to-peer mechanism of funds transfers without involving any regulated financial entity but through a publically available distributed ledger known as blockchain. The digital currency became the first successful application of blockchain technology as blockchain allows cryptocurrency to embrace its value-storing capability (Joo et al., 2019). The popular Cryptocurrencies include Bitcoin, Ethereum, and Solana. As of April 2020, there have been 5,315 types of cryptocurrencies worldwide (Nawang & Azmi, 2021).

Despite its rapid evolution, regulators in several jurisdictions have not recognised cryptocurrency (Sukumaran et al., 2022) but have warned the public not to trade in such currencies. Despite this, cryptocurrency is gaining acceptance as several jurisdictions regulate it, i.e., the USA, Australia, Canada, and Japan (Global Legal Research Center, 2018). Furthermore, the appeal of cryptocurrency is growing as several blockchain start-up companies use cutting-edge innovation in developing jurisdictions to improve the efficiency of the existing banking system (Sukumaran et al., 2022). Furthermore, it has gained popularity among criminals as a means of concealing illegal proceeds (Keatinge et al., 2018; Teichmann, 2018). As a result, international organisations like the Financial Action Task Force have issued guidelines to jurisdictions and encouraged them to regulate.

Crypto has provided unique techniques to support organised crimes by abusing financial institutes (FIs) as their volume and uses increase (Scoular, 2021; Attorney General's Cyber-Digital Task Force, 2020). The main reasons for FIs abuse are anonymity and its decentralised nature, which has increased the probability of money laundering (ML) (Lee, 2022). Crypto transactions do not require criminals to provide personal and confidential information that can help identify an individual, unlike standard banking transactions, thus making it easy to perform ML activities (Johari et al., 2020), as it has practically bypassed the customer due diligence checks imposed by regulators. Developing and emerging jurisdictions are more vulnerable to digital currencies, and Malaysia is no exception.

Fifty-six businesses deal in digital currencies and have registered with Bank Negara Malaysia (BNM) as reporting institutions (Lim, 2021). Last year, Malaysia's retail markets traded more than MYR16 billion in cryptocurrency (Lee, 2022). However, over the years, there has been an increase in cryptocurrency scams in Malaysia. As a result, an effective cryptocurrency regime must rely on public trust and currency supply and demand (Thomas, 2021).

Therefore, considering the proliferation of digital currencies and related crimes, Malaysia's financial authorities (Ministry of Finance, BNM, Securities Commission) have come forward to promote and protect investors' trust and investments. They collaborated in 2020 to establish particular policies concerning digital assets and protection and sustainable growth of the financial sector against its abuse of ML (Sukumaran et al., 2022). As a result, the Malaysian government promulgated the Capital Markets and Services Order 2019, which came into force on 15 January 2019. It classifies all digital coins, tokens, and assets safeguarded under the Securities Commission Regulations. After these regulations, anyone involved in unauthorised initial coin offerings/digital asset exchanges in Malaysia shall be punished for a ten-year term with an RM10 million fine (Zmudzinski, 2019).

With the rapid growth of technology, its diversity, complexity, valuation difficulties, price volatility, data and modelling obstacles, and regulatory and legal dilemmas make it hard to pin down crypto currency's legal and regulatory framework. Therefore, the Malaysian response is considered a lukewarm approach due to the complexity and overlapping of legislation concerning cryptocurrency regulations. Thus, the government complicated the adoption and implementation by introducing a variety of regulations such as Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Digital Currencies (Sector 6), Securities Commissions Guidelines on Digital Assets, and Guidelines on the Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries. However, these laws and guidelines provide governing bodies with the flexibility to grant exceptions varying the requirement of guidelines upon their application (D'Cruz & Surin, 2021), thus, leaving many gaps within the regulation to potential abuse, especially concerning the protection of investors and their connection with ML.

Although digital currencies are not legalised in Malaysia, BNM does not proscribe trading in Bitcoin. The BNM has declared cryptocurrency exchangers as the designated reporting institutions in Malaysia but is silent about other related sectors. Therefore, Malaysia's hybrid approach toward digital assets is confusing. It might be because the adoption of digital currencies in Malaysia is in its infancy (Ku-Mahamud et al., 2019; Yeong et al., 2019; Yusof et al., 2018). Therefore, these misperceptions of stakeholders need to be addressed at the earliest. If these confusions are prolonged, cryptocurrencies will provide an enabling environment for launderers (Johari et al., 2020).

As a result, these regulations have significant flaws; for example, regulations do not extend to security protocols and consumer protection, proper licencing guidelines, and tax treatment (Kepli & Zulhuda, 2019). As a result, Malaysian policymakers and regulators appear unsure of how to deal with this innovation and appropriately employ this new technology (Nawang & Azmi 2021). Furthermore, limited studies have discussed the combination of digital currencies and their regulations, money laundering, and consumer protection in the Malaysian context. However, some researchers, such as Ku-Mahamud et al., (2019) have found that people trust blockchain. Still, they want proper protection from regulators: Hanafi and Rahman (2019) discussed the challenges faced by the central bank in developing legislation: Azhar (2022) discussed the technical aspects of adopting blockchain: Zulhuda and Sayuti (2017) discussed the challenges of policymakers, and Hosain (2018) found the complexities of Cryptocurrencies. However, they did not explore the connection between investor protection, the potential abuse of currencies for ML, and why it takes too long to adopt such currencies. Therefore, this study investigated how an unclear digital asset regime can aid organised crime while undermining consumer trust and protection.

LITERATURE REVIEW

Cryptocurrency is a digital currency. There are two digital currencies: centralised digital currencies are viewed as closed systems controlled and regulated by a centralised authority with stipulated procedures and guidelines (Lee, 2015). Contrary to this, decentralised digital currencies use

encryption techniques to regulate the creation of currency units, authenticate the transfer of funds, and operate independently of a centralised controlling authority (Zulhuda & Sayuti, 2017). The matter of concern for this study was non-centralised currency and the technology it uses for operations, i.e. blockchain.

The World Bank defines blockchain as "a particular type of data structure used in some distributed ledgers which stores and transmits data in packages called 'blocks' that are connected in a digital 'chain' where it utilises "cryptographic and algorithmic methods to record and synchronise data across a network in an immutable manner" (World Bank, 2018; Daj, 2018). A 'block' means that it contains four major components, hash functions, a summary of the included transaction, a timestamp, and proof of work into the creation of the secure block. Blockchain technology uses well-known computer science mechanisms and cryptographic primitives such as cryptographic hash functions, asymmetric key cryptography, and digital signatures (Yaga et al., 2018) encoded with traditional record-keeping concepts such as a ledger.

The cryptographic hash functions are pawns in blockchain technology to address derivation, creation of unique identifiers, block data, and header security, as block headers include the hash representation of block data. Block data is also secured when the block header digest is stored in the next block (Yaga et al., 2018). It is because, as findings have shown, digital currencies are a combination of the instant processing capabilities, functionality, adaptability, and security of cryptocurrencies with the relative stability of fiat currencies that employ a range of mechanisms to ensure the price remains pegged to the asset is why the increase of adaptability within digital assets (Lee, 2022).

Hashing: method of applying cryptographic hash functions to data that will calculate a relatively unique output for the input of any size (Yaga et al., 2018). Specific cryptographic hash functions implemented in many blockchains (Secure Hash Algorithm) enable many computers to support the algorithm, thus allowing it to compute fast; in perspective, the has rate (per second) of an entire Bitcoin network in 2015 was 300 quadrillion hashes per second (Yaga et al., 2018). Blockchain keeps records in a publicly distributed ledger as permanent records that any users cannot modify, and

the decentralised structure of blockchain allows no central authority access to records within the system (Joo et al., 2019). Asymmetric-key cryptography creates trust between users who do not know or trust one another by verifying the integrity and authenticity of transactions while simultaneously allowing transactions to remain public (Yaga et al., 2018).

The transactions concerning cryptocurrencies represent a cryptocurrency transfer between blockchain network users (Yaga et al., 2018). Accepted transactions are created and added to the Bitcoin blockchain network without requiring any central oversight. Transactions in blockchain are transparent and open to everyone to see the details of each record, known as a 'block'.

However, according to estimates, US$2.5bn has been laundered via Bitcoin between 2009 and 2018 (Canellis, 2018). Approximately 46% of Bitcoin transactions facilitate illegal activities, thus promoting black e-commerce (Foley et al., 2019) and other transnational organised crimes such as money laundering (ML). For example, US authorities traced two recent ML attempts through DC amounting to $2.8m in New York and $300m in Ohio (Khatri, 2019: Petersen, 2020). These attempts help in understanding the gravity of the matter.

Therefore, VCs are believed to be often used for ML and terrorism financing (TF) (Keatinge et al., 2018: Teichmann, 2018). The criminal balance of VCs has risen from $3b in 2020 to $11b in 2021 (Chainanalysis, 2022a). The main reasons are that DCs' fictitious and decentralised structure makes them exceptionally suitable for such criminal activities (Haffke et al., 2020). Moreover, DC transactions do not require criminals to provide personal and confidential information that can help identify an individual, unlike standard banking transactions, thus making it easy to perform ML activities (Johari et al., 2020). As a result, the traditional concept of customer due diligence (Sultan & Mohamed, 2022a: Sultan & Mohamed, 2022b: Sultan, 2022) would no longer apply to crypto transactions.

Digital currencies have been rising in Malaysia since their inception, and Malaysia has emerged as a regional hub for decentralised digital currency (Golden, 2022). Malaysian authorities remain under pressure, thus struggling to develop and promulgate legislation concerning digital

currencies since their inception (Moorthy, 2018). Malaysian authorities responded promptly, and the Securities Commission Malaysia developed a regulatory framework and became the first in the ASEAN region (Golden, 2022). The Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019 emphasises close monitoring, especially the initial coin offerings, to promote fair trading (Golden, 2022). However, the regulations focus more on fostering suitable trading of currencies but lack a more explicit definition and divergence in practical application by intermediaries. The timeline of significant events concerning the development of digital currencies in Malaysia is as follows:

Table 1: Chronology of Digital Currencies Regime in Malaysian

Year	Event
2014	BNM withhold from accepting cryptocurrencies as legal tender.
2017	The Chairman of the Securities Commission announced a close collaboration with BNM to regulate digital assets/currencies.
2018	Jessica Chew Cheng Lian (Deputy Governor BNM) announced the usage of Fintech and blockchain in FIs. Nine banks collaborated to deploy blockchain in trade finance.
2019	Securities Commission promulgated rules for digital currency and tokens.
2019	HSBC announced the letter of credit on blockchain in Malaysia.
2019	The Iranian President floated the idea of Muslim cryptocurrency, and the Malaysian primer acknowledged the idea.
2020	Initial Coin Offering (ICO) is declared illegal. However, Initial Exchange Offering (IEOs) is the only legal process to conduct the token trade.
2020	The SC published guidelines on digital assets.
2020	Binance announced its debit card, intending to run its test drive in Malaysia.
2020	Tokenize Malaysia's operations were legalised in Malaysia.
2021	The SC announced that 3.85 billion (MYR 16 billion) of trade in cryptocurrencies and assets was conducted between 2020-2021.

(Source: Compiled by authors)

Digital currencies are gaining acceptance as 61 % of Malaysian adults believe cryptocurrency is a good investment, particularly in the older population (Cheah, 2022). Furthermore, acceptance is more visible in urbanised people when rurals are compared. The availability of the Internet and related services is the primary reason.

Malaysians are increasingly accepting of digital currencies. Malaysia, for example, is ranked seventh out of the 27 countries, with a crypto ownership rate of 19.9 per cent (Golden, 2022). Malaysia is the most critical global cryptocurrency platform market (Bernama, 2022). Malaysia has 12

local digital currency groups on social media apps (Zulhuda & Sayuti, 2017). In less than a decade, cryptocurrency adoption in Malaysia has increased. On the other hand, consumers have little to no understanding of the risks and regulations associated with digital currency.

Illegal crypto mining is rising unprecedently in Malaysia; in 2021, 570 papers were investigated against 20 in 2020. It established the rising acceptance of currencies and trapping of investors by scammers. Encouraging and protecting the consumers and financial sector against crypto-threats is paramount. Therefore, authorities made it mandatory for any Malaysian entity dealing in digital currencies to obtain a licence as a trader and be treated as a reporting entity (Yuneline, 2019). Such entities are subject to related rules of AMLA like other FIs, i.e., CDD, record keeping, monitoring, and reporting (Hanafi & Rahman, 2019).

Several potential risks might be faced by Malaysian concerning cryptocurrencies, including loss or theft, unauthorised use, transaction processing errors and inadequate disclosures (Zalina, 2016), false marketing, and attraction to investors and criminals (Azhar, 2022; Kuek, 2020). Further, digital currencies violate the basic definition of legal tender because they are not issued by a centralised authority (Yuneline, 2019). However, most public would invest in digital currencies if the government provided protection (Visser, 2018). Therefore, to earn customers' trust and protect them against risks, a robust set of international and national legislation is required (Kepli & Zulhada, 2019).

The deficient adoption and protection mechanism of digital currencies confuses customers despite their willingness to invest in digital currencies. Further, customers negatively perceive a lack of clarity in regulations and believe they are doing trade at their own risk (Raj, 2020). The regulations are further considered lopsided as they merely focus on financial services and do not address blockchain technology appropriately (Murugiah, 2019).

Malaysian SMEs accept digital currencies as a medium of exchange for business transactions (Lee, 2022). It further validates an acceptable medium for e-commerce (Zubir et al., 2020). SMEs could use blockchain and crypto for efficient business operations through streamlined business processes (Wong et al., 2020). With the intrinsic value of digital currency,

Malaysians are using digital currency as a method of storing for speculative investment(s) or savings protection (Al-Amri et al., 2019).

Government intervention and regulations are paramount in the digital currencies regime to deter illicit activities, price manipulation, and fraud, especially with a growing number of Malaysian users. Therefore, Malaysian authorities should adopt the techniques of regulating digital currencies adopted by developed jurisdictions (Schaupp & Festa, 2018).

METHODOLOGY

Although digital currencies are highly volatile and have an inadequate regulatory framework, research on the fundamental reasons for investing in digital currencies is still limited (Gupta et al., 2020). Furthermore, gathering extensive quantitative data is difficult due to the subject's sensitive nature. The primary appeal of cryptocurrency is anonymity. It also establishes the absence of relevant quantitative data. Furthermore, the subject nature and involvement of individuals' insecurities toward regulated FIs have significantly contributed to the lack of quantitative data availability. Another major challenge is quantitative data quality, as no centralised body maintains data. Therefore, due to the non-availability of relevant and meaningful data, this study opted for a qualitative approach to achieve the research objective.

To improve the scientific contribution of this study, different qualitative techniques, such as document analysis, jurisprudence analysis, and semi-structured interviews, are used to collect meaningful data. This method assisted in obtaining first-hand, relevant, and experienced information. The document analysis method (Bowen, 2009; Saiti et al., 2021) was used to analyse reports, policy documents, research, news articles, and legal documents to investigate the relationship between digital currency regulations, money laundering, and consumer protection in the Malaysian context. Because the nature of the research question necessitated connecting the dots and explaining the findings, a qualitative methodology was appropriate (Ahmad et al., 2021; Saiti, 2021).

The document analysis method includes finding potentially relevant documents, screening documents for inclusion in the analysis, extracting

relevant information and synthesising the data for correlation, and developing plausible explanations (Bowen, 2009; Labuschagne, 2003). The documents included research articles, newspaper articles, reports, and policy documents. The qualitative analysis of documents may provide essential data about a specific matter or social reality and enable researchers to develop noteworthy explanations and conclusions based on the information extracted from contents, analysis, and findings of non-technical reports and non-academic articles; these can be integrated with academic literature reviews to advance knowledge on the specified matter.

The research further included jurisprudential analysis in assessing standards, regulations, and guidelines. The jurisprudential facet in this research context involved critically evaluating Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT), Digital Currencies (Sector 6), Securities Commissions Guidelines on Digital Assets, and Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries and the FATF recommendations and guidelines. Jurisprudence is the philosophy of law or the process of legal discussion. Therefore, Jurisprudence in this framework does not deal with 'human impressions about the human person and their relations'; nonetheless deals with the discussion of verbal criteria (Dun, 2009).

Accordingly, the research investigated the regulations concerning digital currencies to understand the legal framework and practice. The investigation attempted to understand the establishment of the relevant laws and standards and the actual procedures. Furthermore, the professional guidelines were examined to understand what the professional bodies have suggested for managing the risk of fraud, enabling the researcher to understand the consequences of actual practices and provide improvements for consumer protection and acceptance of digital currencies.

Lastly, semi-structured interviews were conducted to seek expert opinions to understand digital currencies' protocols and their abuse of ML in Malaysia. Interviews with BNM officials, legal professionals, AML specialists, and investors were conducted for a holistic understanding. The study selected one interviewee from each sector. However, it was challenging to approach high-profile individuals in regulatory bodies and seek personal financial information from investors. Therefore, the number

of respondents remained the bare minimum. However, their experience was rich and versatile. The data was managed through Nvivo and manually.

FINDINGS

Acceptance without Awareness

The study found that acceptance, especially among youths, would further upsurge with increased controlled advertisement and promotion of digital currencies. Society reacts psychologically to digital currency mainly due to its lucrative financial benefits with almost zero documentation. This facilitation helps in the rapid adaption of such digital instruments. The behavioural intention theory poses the most significant influence on consumers' intention to utilise digital currencies as it would initiate a new era of financing within the country. On the same grounds, a respondent describes another advantage:

> The adoption of digital currencies can be seen as an opportunity for the country to move a step forward towards a cashless society (Respondent-2)

As a result, acceptance was increasing, but awareness about risks, rights, and obligations was not reaching the masses with the same zeal and zest. Customers must be aware of the fundamental mechanism of digital currencies, which differs fundamentally from traditional currencies. At the same time, traditional banking's financial services and products are no longer valid in digital currencies. For example, irrevocable transactions (Menon, 2022) a lack of accountability (Marian, 2021), and the traditional risk of theft as physical currency are some of the unique risks associated with digital currencies. Furthermore, 22 per cent of 990 Bitcoin users have already lost money due to security breaches and even self-inflicted errors, owing to the users' lack of familiarity with the functions of digital currency protocols and a misunderstanding about transaction privacy.

The acceptance of digital currencies faces another fundamental challenge. Section 63 of the Central Bank of Malaysia Act 2009 views that the only currencies/coins issued by BNM are to be regarded as legal tender

(Nawang & Azmi, 2021). However, digital currency is not considered legal tender in Malaysia despite being coins. Contrary to this, digital currencies in Malaysia are declared securities (Azhar, 2022). This categorisation has brought confusion, especially among the general public, as they perceive the central bank as the only issuer of legal tender. It has also questioned the authority and control of regulators, i.e., BNM, financial intelligence unit and SC.

Confusion

Further, the name of digital currencies and digital assets is mingled up. Indeed, the masses are unaware and find it difficult to distinguish between these technical differences. The Malaysian Federal Foreign Exchange Dealers Association (FEDA) has helped the Malaysian government to formulate laws and legislation for the exchange trade and the growth of the Malaysian forex market (Miraz et al., 2021). Under the rules, the traders must request permission from the Securities Commission to trade in digital currency (Comben, 2020).

One respondent has pointed out the same:

The legal fate of digital currencies is not clear. However, the Securities Commission has issued licenses for trade. That has created confusion instead of promoting its acceptance. Therefore, clarity is required when dealing with digital currencies (Respondent-4).

To clarify the position, the Finance Minister stated that BNM has no intentions to recognise digital currency as legal tender mainly due to volatility in price, cyber threats, fraud, and scams etched with digital currency (FMT, 2022). However, it would have brought many potential benefits to the economy. Therefore, declaring digital currency as legal tender is impossible as it does not exhibit the universal characteristics of money (Lee, 2022). One of the respondents mentioned:

Although, the BNM has explicitly declared digital currencies as non-legal tender. However, considering its growing acceptance, BNM and other stakeholders should follow neighbouring Singapore as a case study for digital currencies' development and acceptance mechanism (Respondent-2).

If BNM has taken the matters of digital currency, it will help the masses to understand more clearly, as mentioned by one of the respondents:

> Instead of the Securities Commission, BNM should deal with digital currencies. Taking up the case by BNM would help enhance public acceptance (Respondent-3).

Another alluring and outstanding issue is that cryptocurrency cannot be held physically, and the currency has no physical face. Numbers, bytes, an algorithm of programming and technology are holding the currency which again has less acceptance by rurals and a less educated population. It could further disturb the wealth and currency distribution, as mentioned by one respondent:

> There is no physical storage of digital currencies, and no record is maintained for issuance. It would result in imbalanced distribution of currency to different sectors and geographical areas (Respondent-1).

The intention to adopt digital currency ignores the risks if it offers attractive returns on investment (Gillies et al., 2020). Further, facilitation conditions also influence to fast adoption of digital currency. The unified theory of acceptance has supported the same, which describes that as more people and businesses adopt digital currency, there will be more supportive means to facilitate the use of digital currency. In turn, the behavioural intention to use digital currency would also increase (Gillies et al., 2020).

Challenges

However, the ease of doing business via digital currencies and unregistered service providers may target foreign investors and criminals. It would bring reputational risks and expose the country to financial crimes such as ML and terrorism financing (Loh, 2022b). Therefore, crypto players must cease all marketing or advertising their offerings to retail investors in public spaces from both a general and virtual standpoint (Loh, 2022a). The cryptocurrency players cannot solicit customers through ads on social media platforms, public domains, public transport, advertising boards on venues, broadcasts, and print media (Loh, 2022a). For example, engaging

with external parties, such as social media influencers, to promote crypto-based offerings to the public in Singapore is also not allowed (Loh, 2022a). The reason behind this is that the calling of the trade for such assets a hazardous, and it is not a suitable trade for the general public (Loh, 2022a). The Singaporean government has announced its stance on Bitcoin as a legal tender and takes a hands-off approach ahead of many of its ASEAN peers (Sonksen, 2021).

It serves to prove the point of the behavioural theory, as mentioned above. As the influx of advertising of cryptocurrency increases in society, crypto-users will increase, which would majorly involve retail investors. The community would be taking an unnecessary risk due to the persuasion of advertising promoting the interest reaps they could potentially bring in. Therefore, a dire need to balance the promotion of Fintech innovation while trying to mitigate the associated economic risks through the appropriate legal and regulatory framework surrounding digital currency. The Malaysian authorities require the same.

The role of digital currency in promoting and protecting criminals from conviction aids the laundering process by providing ease and secrecy. Therefore, it is considered the most significant threat to new technologies. With this outlook, the rapid adoption of digital currency would provide abundant opportunities to use Malaysian IT infrastructure to launder. Malaysia apprehensively is a technologically knowledgeable country (Miraz et al., 2021). The main characteristic of digital currency is anonymity coupled with security, which might be the most prominent attraction for criminals.

The Status of Regulations

The insufficiency of stringent regulations towards digital currencies only exposes consumers and the Malaysian financial economy to many financial risks that can damage the industry and the country's economy. Blockchain technology's uncertainty and instability already show a need to raise harsher regulations within the three components that structure a government: economic, administrative, and social. As the years pass, technology will only get more advanced, uncertain, and, more importantly, unregulated. This minimalistic approach that the Malaysian government

has taken soon will not be enough to protect consumers. Still, the basic regulations in the place itself would be (Miraz et al., 2021). Therefore, Malaysia should act adequately if it wants to extend its jurisdiction concerning AML regulations. As mentioned by one respondent:

> The future direction to regulate digital currencies is dependent on the intentions of authorities, especially if they want to continue extending them under AMLA (Respondent-4).

Tax evasion is among the top predicate offences to ML. However, regulations are not very clear about the tax recovery from digital currency investors. A respondent mentioned the same:

> Many investors earn substantial amounts by investing in digital currencies. However, the tax authorities are unable to recover tax from them. Further, digital currencies could be easily utilised for tax evasion and ML (Respondent-2).

Malaysia does not consider digital currency as a capital asset or accept crypto as a legal tender; hence digital currency in Malaysia is tax-free. The Inland Revenue Board of Malaysia (IRBM) has not yet issued conclusive guidelines concerning cryptocurrency tax. However, IRBM mentioned section 3 of the Income Tax Act 1967("ITA"), which could be applied to active digital currency traders.

Further, due to the transnational nature of crimes and the provision of accessible and affordable services to launderers, it would be an uphill task to investigate, freeze and prosecute criminals as mentioned below:

> The investigation of transnational financial crimes is seriously undermined due to digital currencies' borderless nature (Respondent-5).

CONCLUSION

The study concluded that accepting contemporary Fintech innovations is inevitable. As a result, national regulators should embrace emerging

technologies, and Malaysia is no exception. Digital currencies have significant acceptance in Malaysian customers especially in youth. However, they are confused due to the ambiguous approach adopted by the regulators concerning the protection. The regulators also accept the popularity of digital currencies. However, they are more concerned about its appropriate use and the protection of the public against sanmmers. But, the technical complexities due to ever-changing digital currencies are considered the critical factor in cautious and slower responses by policymakers. Further, the abuse of digital currencies by launderers has significantly enhanced the sensitivity of legislation. Therefore, it is critical to consider the ease and security of blockchain technology to earn customers' trust. Otherwise, criminals could exploit consumers' hard-earned money and personal and financial information.

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