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PERSONAL TRAITS AND ATTITUDE AS DETERMINANTS OF COMPLIANCE OFFICERS IN REPORTING SUSPICIOUS TRANSACTION (STRS)

Nur Iman Syuhada Sainey[1]*, Masetah Ahmad Tarmizi [2], Mohd Taufik Mohd Suffian[3], Liyana Ab. Rahman[4], Siti Marlia Shamsudin[5]

[1]Fakulti Perakaunan, Universiti Teknologi MARA, Shah Alam, Malaysia.
syuhadasainey@gmail.com https://orchid.org/0009-0005-6403-8758
[2] Fakulti Perakaunan, Universiti Teknologi MARA, Cawangan Perak, Kampus Tapah, Malaysia.
maset810@uitm.edu.my https://orchid.org/0000-0002-3988-4662
[3] Fakulti Perakaunan, Universiti Teknologi MARA, Cawangan Perak, Kampus Tapah, Malaysia.
taufik815@uitm.edu.my https://orcid.org/0000-0002-6527-119X
[4] Fakulti Perakaunan, Universiti Teknologi MARA, Cawangan Perak, Kampus Tapah, Malaysia.
liyana748@uitm.edu.my https://orchid.org/0009-0008-0033-1068
[5] Fakulti Perakaunan, Universiti Teknologi MARA, Cawangan Perak, Kampus Tapah, Malaysia.
sitim008@uitm.edu.my https://orcid.org/0000-0002-5218-6156
*Corresponding Author

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Abstract:

The increasing sophistication of money laundering and terrorism financing has intensified the need for effective Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) compliance within the global financial sector. In Malaysia, Reporting Institutions are legally required under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) to identify and report suspicious financial activities through Suspicious Transaction Reports (STRs). As the frontline personnel responsible for detecting and escalating suspicious transactions, compliance officers play a critical role in protecting the integrity of the financial system. Nevertheless, recent regulatory enforcement actions by Bank Negara Malaysia suggest that deficiencies in STR reporting continue to occur, highlighting the importance of understanding the human factors that influence reporting effectiveness. This conceptual paper examines the roles of personal traits and attitudes in shaping the STR reporting capability of compliance officers within Malaysian banking institutions. Drawing upon relevant literature in organizational behavior, ethics, and regulatory compliance, the paper argues that individual characteristics

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such as conscientiousness, integrity, ethical orientation, and positive attitudes toward regulatory compliance are fundamental in influencing professional judgement and reporting behavior. The paper further discusses how these behavioral attributes may enhance compliance officers' ability to identify, assess, and report suspicious financial activities accurately and in a timely manner. By synthesizing existing literature, this paper provides a conceptual understanding of the relationship between personal traits, attitudes, and STR reporting capability. The proposed framework contributes to the growing body of AML/CFT literature by highlighting the importance of behavioral factors in strengthening regulatory compliance. It also offers practical insights for financial institutions and regulators in developing recruitment, training, and professional development initiatives aimed at enhancing the effectiveness of suspicious transaction reporting and financial crime prevention

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Attitude, Money Laundering, Personal Traits, Suspicious Transaction Report, Compliance,

Introduction

Globalisation, technical innovation, and the quick expansion of cross-border financial transactions have all contributed to the sophistication of financial crimes, especially money laundering and financing terrorism. The emergence of international financial markets, fintech services and digital banking has facilitated criminals to launder money and evade its origin. Such actions have severe implications for national security, economic development, public confidence in financial institutions, and the integrity, openness and stability of the international financial system. Therefore, prevention of money laundering and financing terrorism has become one of the most significant issues for financial institutions, governments and regulators around the world.

In order to build successful Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) regimes, international collaboration has become crucial due to the transnational nature of these financial crimes. Founded in 1989, the Financial Action Task Force (FATF) is the international standard-setting organization in charge of creating regulations to prevent money laundering, funding of terrorism, and financing of proliferation. In establishing effective institutional, legal, and regulatory frameworks to prevent, detect, investigate, and prosecute financial crimes, FATF provides a comprehensive framework of Forty Recommendations which guide countries. Mutual assessment helps to regularly review compliance with the AML/CFT guidelines and encourages countries to continually enhance their AML/CFT framework based on the best international standards.

To combat financial crimes, many countries have strengthened local legislation and regulatory bodies in accordance with these international standards. By passing the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLATPUAA 2001), which is the main piece of legislation controlling AML/CFT enforcement, Malaysia has shown its commitment. In this study, we refer to AMLATPUAA 2001 as AMLA. The Act contains comprehensive legal provisions for the prevention, detection, investigation, and prosecution of money laundering and terrorism financing, and renders them activities unlawful. Financial institutions and other designated reporting entities are also required by law to set up efficient internal controls for spotting and disclosing questionable financial activity.

AMLA will depend on the efficiency of compliance and regulatory supervision of institutions. Bank Negara Malaysia (BNM) is the competent authority for Malaysia to monitor, regulate and oversee reporting institutions to ensure compliance with AML/CFT regulations. BNM prescribes regulations, guidelines and industry specific standards to ensure financial institutions have a robust AML/CFT program that is able to respond to the threat of money laundering and terrorism financing. These programs address many important compliance requirements, such as customer due diligence (CDD), knowing your customer (KYC) protocols, customer risk assessment, continuous transaction monitoring, record keeping, employee training, and the submission of suspicious transaction reports (STRs).

Banks are especially significant of all the reporting organizations due to their volume of financial transactions both domestic and international, making them very vulnerable to money laundering. Hence, institutions need to have sound AML/CFT procedures in place for detecting and preventing suspicious transactions before the money generated through illegal means can be introduced into the legal financial system. The competency of those in charge of putting these controls into place is just as important to their efficacy as organizational policies and legal requirements.

One of the most crucial elements of a bank's AML/CFT system is its compliance officers. They are in charge of making sure that operational procedures successfully include regulatory requirements since they are the first line of defence against financial crime. Conducting customer due diligence, keeping an eye on transactions, spotting suspicious behavioural patterns, looking into odd financial activity, evaluating money laundering risks, upholding regulatory compliance, and deciding whether suspicious transactions should be reported to the appropriate authorities are just a few of their duties. These responsibilities require a combination of technical knowledge, analytical ability, responsible decision-making and practical experience to make sense of potentially illegal and legitimate transactions.

Suspicious Transaction Reports (STRs) (AMLA 2001) are one of the key AML/CFT activities performed by compliance officers. Regulatory bodies and law enforcement organizations can identify money laundering schemes, track illegal financial transfers, look into criminal activity, and destroy organized crime networks thanks to the useful financial intelligence that STRs offer. The quality and timeliness of STR submissions is therefore a significant measure of the effectiveness of national AML/CFT enforcement around the world. Conversely, if suspicious transactions are either not recognized or not reported, then financial system integrity could be compromised by illegal activity.

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With the importance of compliance officers in effective STR reporting, it is becoming of even greater significance to understand what factors can impact on compliance officers' reporting capacity. Regulatory provisions set out the obligations that reporting institutions have to meet; the key to a successful implementation of the obligations is the skills and capacity of the compliance officers who are required to implement them (FATF 2012).

Hence, understanding the factors that affect the capability of bank compliance officers in reporting STR is vital to improve the AML/CFT framework in Malaysia and the effectiveness of financial crime prevention. This paper examines if personal trait and attitude contribute to the reporting officer's report of STRs.

Literature Review

Anti-Money Laundering Regulatory Framework In Malaysia

AMLA mandates that Reporting Institutions (RIs) submit reports of financial transactions that appear suspicious to the Anti-Money Laundering/Proceeds of Unlawful Activities Bureau (AMFUB). Reporting institutions are required to submit a STR to competent authorities whenever they have reasonable grounds to believe that the transaction involves the proceeds of illegal activities, funds for terrorism or similar offences under Section 14(1)(b) of the AMLA. The reporting obligation is one of the elements of Malaysia's Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) regime that enables regulatory and law enforcement agencies to detect, investigate and prevent illegal financial transactions early.

The expectation and legal obligation of compliance with the STR reporting standards. Non-performance of this responsibility is deemed as non-compliance and can lead to criminal liability, administrative monetary fines, financial sanctions, regulatory enforcement actions, and damage to the reputation of those who report (Azizah, 2023). The legal instruments underscore the need for the reporting institutions to submit STR and underscore the government's commitment for the reporting institutions to have an effective AML/CFT compliance program.

These statutory requirements are underscored by the enforcement measure taken by Bank Negara Malaysia (BNM) to ensure adherence to AML/CFT guidelines, which has been rigorous from time immemorial. Instead of blaming reporting shortcomings on procedural issues, the BNM has issued administrative and monetary sanctions to institutions that have been unable to detect or report suspicious transactions in accordance to regulatory mandates. The enforcement actions reflect the continued monitoring of STR reporting by regulators and the expectation that reporting institutions will demonstrate timely and prudent professional judgement when assessing suspicious activity.

The recent enforcement cases demonstrate BNM's commitment to improving compliance with AMLA. BNM handed out RM560,000 Administrative Monetary Penalty (AMP) for MBSB Bank Bhd. for its failure to report an STR despite meeting its own internal red-flag criteria for customer transactions in 2026. During the same year, Small and Medium Enterprise Development Bank Malaysia Bhd. A RM460,000 fine for (SME Bank) was imposed for late submission of an STR, highlighting that late reporting is considered a serious violation of the regulations. Moreover, Boardroom Corporate Services Sdn. Bhd. AMLA requirements were consistently applied to both the banking institutions and other designated reporting entities

(OREs) in the enforcement action, including with regard to the requirements for suspicious transaction reporting and enhanced customer due diligence (EDD) (BNM, 2026).

The same trend continued in 2024, when BNM fined Habib Jewels Sdn. RM96,250. For reportedly not reporting on seven series of suspicious transactions that were already detected by the company's internal monitoring system (BNM, 2024). This case illustrates the reach of financial regulation beyond banks and highlights that non-bank reporting institutions can also be subject of regulatory action and that firms should be ready to act quickly when they are aware of suspicious activity.

Collectively, these enforcement actions show that regulatory compliance with STR reporting requirements goes beyond the presence of AML/CFT policies and procedures. Reporting institutions should have robust internal controls, robust transaction monitoring systems and ensure that suspicious transactions are analyzed and reported in a timely manner. More importantly these responsibilities are a heavy load on compliance officers and the quality and timeliness of STR reporting relies on their professional judgement, technical knowledge and decision making.

Therefore, enhancing the compliance officers' reporting function is essential to enhance the overall effectiveness of the Malaysia AML/CFT framework and the effectiveness of the organisation in improving its compliance.

Stages In Money Laundering

Money laundering is commonly described as a three-stage process consisting of placement, layering, and integration. The placement stage involves introducing illicit funds into the legitimate financial system. This is typically achieved by depositing illegally obtained cash into financial institutions or converting it into monetary instruments. To avoid attracting regulatory attention, criminals often divide large amounts of cash into multiple smaller transactions.

The layering stage seeks to conceal the origin of illicit funds through a series of complex financial transactions. These may include transferring funds between multiple bank accounts, financial institutions, or countries to create a complicated audit trail. As a result, layering is widely regarded as the most sophisticated and challenging stage of the money laundering process.

The final stage, integration, occurs when the laundered funds are reintroduced into the legitimate economy through seemingly lawful transactions or investments. At this stage, the funds appear to originate from legitimate sources, making them significantly more difficult to distinguish from legally acquired assets.

Among the three stages, layering presents the greatest challenge for compliance officers because it involves intricate transaction patterns that can closely resemble legitimate financial activities. Detecting such activities requires strong analytical skills, professional judgement, and a thorough understanding of money laundering typologies, making effective transaction monitoring and suspicious transaction reporting essential components of the AML/CFT framework.

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Personal Traits

Personal traits are relatively stable, unique characteristics, values, personality traits, and ethical dispositions that influence people's perceptions of the world, decisions, and professional duties. Unlike skills or knowledge, personal qualities are the natural attributes which shape behaviour in a variety of work contexts. These characteristics influence compliance officers' suspicious transaction assessment, professional judgment and determination of whether suspicious activity should be reported via Suspicious Transaction Reports (STRs) for Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT).

People who score high on conscientiousness tend to be diligent, responsible and pay attention to detail when fulfilling professional tasks (Barrick & Mount, 1991). In compliance roles, these characteristics are particularly important as officers are tasked with analysing transaction information to identify any unusual patterns that might signal financial misconduct. According to Chen and Tsai (2020), individuals who were more ethically motivated were more likely to report suspicious or unethical behaviour. Ibrahim and Ismail (2021) found that integrity and moral accountability have a positive effect on decision making with regards to compliance in the Malaysian banking industry, suggesting that people who are more ethical will follow their regulatory obligations.

Conscientiousness is one of the many personality traits that has been repeatedly found to be one of the best predictors of job performance. Based on the Five-Factor Model of personality, conscientious individuals are organized, responsible, dependable and detail-oriented (Costa & McCrae, 1992). Barrick and Mount (1991) conducted a meta-analysis of 117 research studies that concluded that conscientiousness is a good predictor of job performance for many different occupations. People with a high conscientiousness are more likely to follow organizational policies, work attentively and persist through difficult tasks. These are particularly important in AML/CFT compliance, where compliance officers need to scrutinize transactions, assess customer behaviours and identify any potential indicators of suspected money laundering.

Integrity is another key personal trait that helps to be good compliance behaviour. Integrity is a person's commitment to honesty, ethical conduct and professional responsibility in decision making. Compliance officers regularly encounter situations that may involve ambiguity, conflicting information and business pressures that require sound, sound judgment. Those who are of high integrity have a greater likelihood of compliance with regulatory rules regardless of external pressures and are more likely to uncover questionable activities that could lead to the discovery of financial crimes. Research regularly shows that ethical principles greatly impact on employees' desire to comply with organizational norms and regulations (Trevino, Weaver, & Reynolds, 2006). Likewise, Kaptein (2011) revealed that people with stronger ethical norms are more compliant with the organization and less likely to take unethical choices.

There has been a great deal of attention paid to ethical identity and moral courage in compliance literature. Moral bravery is a person's willingness to take the right ethical action even when there may be negative personal consequences. Hannah et al. (2011) argued that people with high moral courage are more likely to report unethical behaviour, including their own and their organization, even if it puts them at risk or causes their organization to suffer. AML/CFT scenarios may present compliance officers with situations where reporting on suspicious transactions may harm client relationships and/or the organization. However, those officials who have strong ethical identities are more likely to place regulatory responsibilities and public interest above short-term organizational issues.

Risk perception helps to sustain the association between the personal characteristics and compliance performance. Sitkin and Weingart (1995) suggested that decision-making behaviour is related to the perception and response to risk, and that people have different perceptions and responses to risk. The more compliance officers know about the potential risks of money laundering, the more they will be alert for signs of suspicious financial activity and review unusual transaction patterns. This new knowledge empowers them to decide on their own whether or not to submit a STR.

While there are clearly a number of factors that are personal to success, prior studies suggest that these factors may be offset by organizational factors. Employees might not report suspicious behaviours if they are experiencing excessive workloads, inadequate organizational support, fear of backlash, or lack of ethical climates (Near and Miceli, 1995; Trevino et al., 2006). The results indicate that personality traits and desirable behaviors are not sufficient to guarantee reporting behavior in isolation, unless they are complemented by an organizational level that ensures ethical decisions and adherence to regulations.

Competency Based Theory considers human attributes as deep level competences which can be seen as governing the efficient utilization of knowledge and technical competences. According to Spencer and Spencer (1993), personal characteristics such as reasons, self-concept, personality attributes and beliefs, are factors that lead to consistent behavioural responses in the workplace and set the stage for exceptional work. Compliance officers who are more conscientious, ethical, risk sensitive and have a higher integrity are more likely to perform well in evaluating suspicious transactions and take appropriate action in making a STR reporting decision within the AML/CFT environment. Accordingly, human qualities are likely to positively influence compliance officers' STR reporting capabilities.

Attitudes

Attitudes are individuals' evaluative ideas, perceptions and psychological predispositions towards objects, policies or behaviours. Attitudes towards anti-money laundering and counter-terrorism financing (AML/CFT) are based on the views of compliance officers on regulatory requirements, institutional expectations and importance of financial crime prevention. These attitudes are important to shaping behaviour with regard to monitoring financial transactions and submitting Suspicious Transaction Reports (STR).

The Theory of Planned Behavior (Ajzen, 1991) is a highly developed theory to explain the connection between attitudes and behavior. TPB states that attitude towards behaviour has a significant influence on behavioural intention, which then drives the actual behaviour. Among compliance settings, officers who think that AML/CFT are important, meaningful, and valuable to them are more likely to feel strongly about complying with reporting obligations and are more likely to engage in transaction monitoring activity.

There has been a long-standing research tradition that has confirmed the relationship between positive attitudes and compliance behaviour. Alleyne and Phillips (2011) found that positive attitudes towards whistleblowing have a significant positive impact on employees' likelihood of reporting unethical or suspicious behaviour. Likewise, Aziz et al. (2015) determined that

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when employees had a favourable view of the organizational compliance system, they were more inclined to adhere to regulatory practices. In the AML/CFT context, Baharum et al. (2025) and Tan & Yeo (2022) revealed that good attitudes about compliance duties are strongly associated with increased diligence in recognizing and reporting suspicious financial transactions. Rahman et al (2023) have suggested that attitudes toward compliance culture have an impact on how individuals evaluate unclear financial transactions. Candidates who have a strong attitude towards regulation will be more likely to pay attention to any suspicious financial patterns, while those who are not as attuned to compliance may miss out on some signs of financial crime.

Unfavourable attitudes to compliance duties, on the other hand, could hinder in effectiveness of reporting. If AML/CFT processes are seen as too cumbersome, too time consuming or are not seen as organizational value, officers in charge of compliance may not feel inclined to perform a full transaction analysis or escalate if a transaction is not quite right. Organizational behaviour research indicates that perceived administrative burden, which refers to the effort employees expend to complete administrative procedures, will be a large predictor of employee disengagement and procedural noncompliance (De Vries et al., 2018). Likewise, Wang and Ho (2020) found that negative attitudes toward the reporting obligations can lead to non-consistent compliance actions and reporting mistakes.

Attitudes toward compliance behaviour are affected by individual attitudes as well as the organizational context. Employee attitudes toward the reporting of suspicious activities could be negatively impacted by factors such as workload pressure, lack of resources, unclear reporting procedures, and potential internal issues or managerial disapproval (Ahmad Tarmizi et al., 2023). The results suggest that, despite good regulatory frameworks, attitudinal challenges in the organizations may hinder effective AML/CFT compliance.

On a larger behavioral level, attitudes are related to the ethical climate and the organizational culture. The positive attitudes toward ethical decision making and the diminished tolerance for unethical behavior that result from positive attitudes toward the work environment were highlighted by Treviño, Butterfield and McCabe (1998). Similarly, Kaptein (2011) established that organizations with high ethical cultures produce more positive attitudes towards compliance and accountability among employees. These studies have pointed out that attitudes do not develop in isolation but are influenced by the attitudes of individuals and the attitudes of organizations.

As per the Competency Based Theory, attitude is regarded as motivational competencies which affect an individual's efforts, persistence and commitment to doing the job (Spencer & Spencer, 1993). Officers who are dedicated to upholding financial integrity, and who see regulatory compliance as a professional duty are more likely to exhibit continuous focus on detail, proactive monitoring tendencies and be willing to escalate suspicious cases in the AML/CFT compliance position. This means that positive attitude will improve the capability of compliance officers in reporting STR, while negative attitude will reduce compliance effectiveness.

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Suspicious Transaction Reporting (STRs) Capability

The competence of the financial institution's compliance officers to detect, evaluate and report transactions that could be linked to money laundering or terrorism financing is known as Suspicious Transaction Report (STR) competence. STRs are an integral part of the Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) regime as they form the primary source of financial intelligence for financial regulatory and enforcement bodies. Hence, STR reporting plays a vital role in the fight against illicit financial transactions and ensuring financial system integrity.

The literature cited suggests a strong relationship exists between the effectiveness of STR reporting and regulatory expectations and institutional compliance procedures. The Financial Action Task Force (FATF) consider effective STR is essential to an effective AML/CFT regime because competent authorities are able to investigate and help break financial crime networks (FATF, 2012). In addition, Bank Negara Malaysia (BNM) expects reporting institutions to put measures in place to effectively manage internal controls and monitoring processes to ensure that suspicious transactions are correctly detected and escalated through the STR processes.

Previous studies have confirmed that the key factors that affect a financial institution's performance in reporting STR are not just regulatory frameworks, but human factors as well. Compliance Officers are in the middle of the STR decision making process and must use their professional judgment to determine if a transaction is suspicious. The complexity of financial systems has been cited as one of the challenges in AML enforcement (Levi and Reuter, 2006). This complexity relies heavily on the ability of compliance staff.

The BNM has reported ongoing compliance problems with STR in Malaysia. Delayed reporting or failure to report suspicious transactions cases show weaknesses in capability and judgement of officers reporting the cases. The enforcement developments suggest that although there are very comprehensive AML/CFT regulations in place, how these are implemented on the ground relies on the capacity of those responsible for compliance functions.

STR capability, thus, can be interpreted as a multidimensional construct that includes detection capability, analytical judgment, regulatory knowledge and reporting execution. Reporting STRs is not just about knowing the AML/CFT rules; it's about applying a clear ethical judgment and analyzing intricate transaction patterns. Creating and maintaining good capacity for compliance officers to strengthen their AML/CFT capability is an important priority in ensuring the effectiveness of AML/CFT enforcement as financial systems evolve.

Conclusion

In conclusion, both personal characteristics and attitudes represent critical behavioral determinants that significantly influence the effectiveness of compliance officers in performing Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) responsibilities, particularly in the reporting of suspicious transactions. Personal characteristics such as conscientiousness, integrity, ethical orientation, and moral courage shape the internal disposition of compliance officers, guiding their ability to exercise sound professional judgement, maintain attention to detail, and act responsibly under conditions of uncertainty.

These deep-seated traits, as supported by the Five-Factor Model and Competency-Based Theory, distinguish individuals who consistently demonstrate diligence and ethical decision-making in regulatory environments.

In parallel, attitudes serve as motivational drivers that influence behavioral intention and the willingness to comply with AML/CFT requirements. Grounded in the Theory of Planned Behavior, favorable attitudes toward regulatory compliance enhance officers' commitment to monitoring financial transactions and submitting Suspicious Transaction Reports (STRs), whereas negative perceptions of compliance obligations may weaken motivation and reduce reporting consistency. Empirical studies further indicate that both individual perceptions and organizational conditions, such as workload pressure and ethical climate, shape the strength of compliance-related attitudes.

When considered together, personal characteristics and attitudes interact to form a comprehensive behavioral foundation for compliance performance. While personal traits provide the ethical and psychological foundation for decision-making, attitudes influence the level of motivation and effort applied in executing regulatory responsibilities. Therefore, compliance officers who possess strong ethical traits and positive compliance attitudes are more likely to demonstrate higher STR reporting capability. This underscores the importance of both intrinsic dispositions and motivational factors in strengthening AML/CFT effectiveness and ensuring the integrity of financial reporting systems.

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