

AI Governance & The Coming AI Bill In Malaysia

Why Your Business Should Prepare Now

Malaysia is moving quickly to establish a comprehensive legal framework for artificial intelligence (AI). Organisations deploying AI systems should begin preparing now. The statutory framework developed by the National Artificial Intelligence Office (NAIO) is expected to take effect in late 2026 or early 2027. For any organisation using AI systems, whether in credit decisioning, customer service, content moderation, or operational automation, this regulatory shift will reshape compliance obligations and create both risks and opportunities for early movers.

KEY HIGHLIGHTS

- The AI Governance Bill will regulate AI across all industries and the full AI lifecycle, from development to decommissioning
- Malaysia is expected to adopt a risk-based regulatory approach, with obligations proportional to the level of risk posed by AI systems

- Organisations that align with the voluntary AIGE principles now will gain a compliance head start when statutory requirements take effect in late 2026 or early 2027

THE COMING LEGISLATIVE FRAMEWORK: TIMELINE AND SCOPE

The government expects to submit a comprehensive statutory framework to Cabinet in June 2026, with Digital Minister Gobind Singh Deo confirming this timeline. Once Cabinet approval is obtained, parliamentary tabling would likely occur in the second half of 2026, with passage expected in late 2026 or early 2027. Unlike sector-specific regulation that applies only to banks or telecommunications providers, Malaysia's AI Governance Bill will take a horizontal, full-lifecycle approach. This means it will regulate AI systems across all industries and cover every stage of an AI system's life: development and training (including data sourcing), implementation and deployment, monitoring and maintenance, and retirement and decommissioning.

Prime Minister Anwar Ibrahim has emphasised this comprehensive scope, signalling that the Bill is intended to be a foundational statute governing responsible AI governance. The Bill's scope is deliberately broad because AI risks cut across all

sectors. A biased credit-scoring algorithm in financial services, a discriminatory hiring tool in human resources, or a deepfake used for fraud, blackmail, or impersonation can cause comparable harms regardless of industry. By adopting a horizontal framework, Malaysia avoids the patchwork regulation affecting other countries and establishes a consistent approach to AI governance expectations.

A RISK-BASED FRAMEWORK: WHAT YOUR ORGANISATION NEEDS TO KNOW

The AI Governance Bill is expected to incorporate a risk-based regulatory approach. While the precise classification model has not been officially published, Digital Minister Gobind Singh Deo has confirmed that the framework will address AI-related harm, incident reporting, and ethical principles, with obligations proportional to risk. This approach is broadly consistent with emerging international practice, including the EU's AI Act (which entered into force on 1 August 2024) and the ASEAN Guide on AI Governance and Ethics (February 2024).

The Bill is still in development, so the precise technical requirements remain under finalisation. However, organisations should begin assessing the risk profile of their AI systems now. If you use AI for credit decisioning, employment screening, or other decisions materially affecting individuals, you should anticipate enhanced governance

requirements and start implementing the infrastructure they will require such as documented decision-making logic, bias audits, data provenance records, and human-in-the-loop oversight.

LAYING THE GROUNDWORK: THE AIGE PRINCIPLES AND IMMEDIATE COMPLIANCE STEPS

While the statutory Bill is in development, the government has already published the National Guidelines on AI Governance and Ethics (AIGE) in September 2024. Critically, these guidelines are voluntary and non-binding but the government has indicated that they are expected to form the foundation of the statutory Bill (if and when enacted). This creates a strategic opportunity - organisations that adopt AIGE principles now will have substantially completed their compliance framework before the statutory requirements take effect.

The AIGE rests on seven (7) core principles: (i) Fairness (AI must be designed to avoid bias or discrimination and should address the widest possible range of factors); (ii) Reliability, Safety and Control (AI systems must be robustly tested to be reliable, safe, and fail-safe, with safeguards to ensure ultimate human controllability); (iii) Privacy and Security (developers must obtain consent before using personal data and guarantee privacy and data protection throughout the AI system's

lifecycle); (iv) Inclusiveness (AI must be inclusive for all stakeholders to avoid unequal access); (v) Transparency (AI algorithms should be transparent to ensure that capabilities and decisions can be explained); (vi) Accountability (developers, owners of AI models, and AI actors should be accountable for the success or failure of AI solutions); and (vii) The Pursuit of Human Benefit and Happiness (AI systems should respect human-centred values, pursue human benefit for society, and enhance quality of life).

The government has launched the MY-AI Standards platform (March 2026), which provides a centralised reference point for organisations seeking to align with global AI governance standards and best practices. This platform offers practical guidance on implementing the AIGE principles.

IMMEDIATE ACTIONS FOR ORGANISATIONS DEPLOYING AI SYSTEMS

- Conduct a data governance audit to ensure personal data used in AI training datasets was obtained with proper consent and complies with the Personal Data Protection Act, 2010 (“PDPA”).
- Establish an AI governance committee at senior management or board level to oversee AI systems, risk assessments, and compliance is important.

- Document all AI systems and maintain an inventory of AI systems deployed, including their purpose, data inputs, decision-making logic, and preliminary risk classification.
- Conduct bias audits of high-risk AI systems. If your organisation uses AI for credit decisions, hiring, or predictive analytics, test these systems for algorithmic bias.
- Plan for explainability. For high-risk AI decisions, ensure that affected individuals can receive a clear, non-technical explanation of how the system reached its conclusion. This may require documenting model design choices or, in some cases, moving away from complex “black box” models toward simpler, more interpretable alternatives in high-risk contexts.

NOTABLE LEGISLATIONS

- AI Governance Bill (expected Cabinet submission June 2026; parliamentary passage late 2026 or early 2027)
- National Guidelines on AI Governance and Ethics (published September 2024; voluntary but expected to form foundation for future statutory requirements)
- Personal Data Protection Act 2010 (as amended by Personal Data Protection (Amendment) Act 2024)
- Online Safety Act 2025 (effective January 2026;

requires AI-generated content labelling and deepfake management by content platforms)

PRACTICAL TAKEAWAY

The AI Governance Bill represents a significant regulatory shift, but it is not an overnight change. Organisations have a window to prepare now through mid-2026. Align your AI governance practices with the AIGE principles: inventory your AI systems, classify them by risk, audit them for bias, and document their design and decision-making logic. Ensure your AI training data complies with the PDPA amendment requirements. If your organisation operates in finance, capital markets, or digital content, monitor guidance from BNM, the SC, and MCMC respectively. Explore the MY-AI Standards platform as a practical resource for demonstrating alignment with global AI governance standards. Track developments in the AI Governance Bill as it moves through Cabinet and Parliament. Regulatory details will become clearer as the Bill is finalised, allowing you to refine compliance measures with confidence rather than scrambling at the last moment. The cost of proactive preparation now is substantially lower than the cost of reactive compliance after statutory requirements take effect.

All information in this Newsletter is correct as at 10 April 2026 unless otherwise stated.

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