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PART A: OVERVIEW

1. OBJECTIVE

- 1.1 Section 36 of the Money Services Business Act 2011 (the Act) requires all licensees to institute and maintain sound governance and operational arrangements to ensure the professional and prudent conduct of money services business. The Money Services Business (Duties of Licensees) Regulations 2012 further prescribe the key requirements that licensees must observe to ensure effective, accountable and transparent governance arrangements as well as internal control systems that promote the safety and integrity of money services business activities. These requirements also contribute towards strengthening consumer protection and safeguarding the money services business industry from being used as a conduit for illegal activities, money laundering and terrorism financing.
- 1.2 The objective of these Guidelines is to facilitate compliance by licensees with the above requirements, by setting out minimum standards that licensees must observe in implementing appropriate governance and operational arrangements for their businesses.

2. APPLICABILITY

- 2.1 The Guidelines are applicable to money services businesses licensed under the Act as follows:

Description	Part/Section	Applicable to
Governance Requirements		
General requirements for individual directors and chief executive officers	B/8	All licensees
Requirements for the board of directors	B/9	All licensees
Requirements for Chief Executive Officers/senior management	B/10	All licensees
Operational Requirements		
General requirements for the conduct of money services business operations	C/11	All licensees
Specific requirements to conduct remittance business	C/12	Licensees which carry on remittance business
Specific requirements to conduct money changing business	C/13	Licensees which carry on money changing business

3. LEGAL PROVISION

- 3.1 These Guidelines are issued pursuant to section 74 of the Act.

4. EFFECTIVE DATE

- 4.1 The Guidelines shall take effect from **15 October 2012**.

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5. RELATIONSHIP WITH EXISTING POLICIES

5.1 These Guidelines are issued to complement the Act and the following Regulations issued by the Bank:

- (a) The Money Services Business Regulations 2012 on:
 - (i) Minimum Criteria of a 'Fit and Proper' Person;
 - (ii) Licensing;
 - (iii) Duties of Licensees; and
 - (iv) Remittance Business.

and shall be read together with the following:

- (b) The Standard Guidelines on Anti-Money Laundering and Counter Financing of Terrorism (Standard Guidelines on AML/CFT); and
- (c) Anti-Money Laundering and Counter Financing of Terrorism Sectoral Guidelines 3 for Licensed Money Changers and/or Non-Bank Remittance Operators (AML/CFT Sectoral Guidelines 3).

6. POLICIES SUPERSEDED

6.1 These Guidelines supersede the following guidelines and circulars:

- (a) Conditions to Operate Remittance Business for Non-Bank Remittance Service Providers issued on 30 July 2010; and
- (b) Circulars issued to licensed money changers as listed in Appendix I.

7. DEFINITION AND INTERPRETATION

7.1 “**the Bank**” means Bank Negara Malaysia.

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PART B: GOVERNANCE REQUIREMENTS

For the purpose of these Guidelines, governance refers to the system by which a licensee is directed and controlled. Such a system includes the structure and processes put in place by a licensee for the conduct of its money services business, the roles of the board of directors (Board) and management in overseeing the business strategy and operations of the licensee, and the relationship between the management and the Board. Good governance promotes the continuity of business, ensures fair and honest dealings with consumers, and prevents the abuse of the money services business industry for illegal purposes.

The Bank expects money services business operations to be led and managed by persons within the Board and management who are competent, of high integrity and good reputation, and who are capable of effectively discharging the responsibilities required of the position.

This Part on Governance Requirements elaborates the criteria that must be met by individual directors and the chief executive officer (CEO) of a licensee, and the duties and responsibilities of the board of directors and the CEO in relation to the licensed money services business.

8. GENERAL REQUIREMENTS FOR ALL INDIVIDUAL DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

8.1 Pursuant to section 30 of the Act, a director or CEO must meet the minimum 'fit and proper' criteria as prescribed in the Money Services Business (Minimum Criteria of a "Fit and Proper" Person) Regulations 2012 at all times. The minimum criteria prescribed in the Regulations are as follows:

- (a) the person has not been convicted of an offence under the Act or the repealed Money Changing Act 1998; the Payment Systems Act 2003; the Banking And Financial Institutions Act 1989; the Insurance Act 1996; the Islamic Banking Act 1983; the Takaful Act 1984; the Exchange Control Act 1953; the Central Bank of Malaysia Act 2009; the Development Financial Institutions Act 2002; the Anti-Money

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Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA); the Capital Markets and Services Act 2007; or the Companies Act 1965;

- (b) the person has not been convicted of a criminal offence relating to dishonesty or fraud under any written law within or outside Malaysia;
- (c) if the person has been convicted of a criminal offence not relating to dishonesty or fraud under any written law within or outside Malaysia, a period of five years has lapsed since the completion of his sentence;
- (d) the person is not an undischarged bankrupt;
- (e) the person has not suspended payments or compounded with his creditor whether in or outside Malaysia;
- (f) the person has not been issued an order of detention, supervision, restricted residence, banishment or deportation; or imposed by any form of restriction or supervision by bond or otherwise under any written law relating to prevention of crime;
- (g) the person has not held the position of a director or been directly concerned in the management of any company which has been convicted of an offence under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice during the tenure of his office unless he proves that such offence was committed without his knowledge or consent and he was not in a position to prevent the offence;
- (h) the person is of probity, personal integrity and good reputation;
- (i) the person has the appropriate skills, experience and sufficient knowledge of the Act and the relevant provisions in the AMLATFA to effectively fulfill the role and responsibilities of the position;
- (j) the person has managed his financial affairs properly and prudently; and
- (k) if the person is a CEO, he is available for full time employment.

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8.2 In determining whether a person meets the minimum criteria of a “fit and proper” person, the Bank will consider the factors set out in these Guidelines. The Bank will consider all relevant factors together to form a judgment on whether a person meets the fit and proper criteria. Where any of the factors below exist, due consideration will also be given to the surrounding circumstances of a case (for example, time passed since the event occurred) to determine whether a person would still meet the fit and proper criteria.

8.3 For the purpose of paragraph 8.1 (h), in determining whether a “*person is of probity, personal integrity and good reputation*”, relevant factors assessed by the Bank will include whether the person:

- (a) has been subject to any disciplinary or criminal proceedings of a nature that raises reasonable concerns regarding his character and professional integrity;
- (b) has contravened or failed to comply with any legal and regulatory requirements or standards, including requirements and obligations under tax, immigration and customs laws;
- (c) has been associated, as a controller or through a position of significant influence, with any business that has been investigated, disciplined, suspended or reprimanded by a regulatory body, professional body, trade association, court or tribunal;
- (d) has been involved in any deceitful, unlawful or improper business practices. This includes allowing any facilities (including financial facilities) belonging to the person to be used for such purpose;
- (e) has been dismissed, asked to resign or has resigned from employment because of questions about his honesty and integrity;
- (f) has owned or managed any business or association whose registration, authorisation, membership or licence to operate has been refused, revoked, withdrawn or terminated;
- (g) has acted unfairly or dishonestly in his dealings with his customers, employer, auditors and regulatory authorities ;

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- (h) has shown objection to or disregard for actions required by regulatory authorities to address matters of concern to the regulator; and
- (i) has been a party to any action or decision of the Board or management of a licensee which exposed the licensee to significant reputational, financial or legal risks.

8.4 For the purpose of paragraph 8.1(j), in determining whether a “*person has managed his financial affairs properly and prudently*”, relevant factors assessed by the Bank will include whether the person:

- (a) has taken on excessive debt beyond his means to repay the debt;
- (b) is able and willing to meet his financial commitments, including any debt obligations, in a timely manner without substantial hardship; and
- (c) has been subjected to legal actions to recover debts owed by him.

8.5 In carrying out their roles and responsibilities, a director and CEO must be able to demonstrate that they have an adequate knowledge of the licensed money services business and applicable laws and regulations.

- (a) A director should be reasonably conversant with applicable laws and regulations, and record keeping; and
- (b) The CEO should have a good working knowledge of the business, be familiar with the requirements under the Act and the AMLATFA and be able to apply those requirements to the business in a manner which adequately addresses the financial, operational and compliance risks¹ inherent in the business.

¹ **Financial risk:** The risk of incurring financial losses as a result of volatility in revenues due to exchange rate fluctuations or financial mismanagement because of inadequate or lax internal controls.

Operational risk: Risk that occurs as a result of inadequate or failed internal processes; people and systems or external events, which could lead to financial loss; fraudulent transactions; reputational damage or inability to achieve business objective.

Compliance risk: Risk that occurs as a result of failure to comply with applicable laws, regulations, guideline, circulars, standards or its own internal policies, which could lead to legal or regulatory sanctions; financial loss or loss of reputation.

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8.6 A director and the CEO must respectively devote adequate time and commitment to the business commensurate with their respective functions.

- (a) Directors should be available to participate in board meetings of the licensee;
- (b) The CEO who is the principal person responsible for the day-to-day business operations must be available for full time employment with the licensee. If the CEO assists in managing any other business related to the licensee, he must ensure that this does not interfere, or raise any conflicts with his primary responsibility to ensure the proper management of the licensed money services business; and
- (c) The CEO must commit sufficient time to effectively supervise the operations of any branches or agents that the licensee operates/appoints to ensure their compliance with laws, regulations as well as internal policies and procedures.

8.7 A director and the CEO must avoid any actions that would expose the licensee to legal and reputational risks. These actions include:

- (a) allowing any part of the licensed money services business to be used for any unauthorised activities; and
- (b) using the property of the licensee or any privileged access to information relating to the licensee's business by virtue of his position for personal advantage.

8.8 In the event of any conflict between the interests of a director or the CEO with that of the licensee, the director or CEO shall disclose such conflicts in accordance with the law and internal policies of the licensee, and shall always act in the best interests of the licensee.

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9. REQUIREMENTS FOR THE BOARD OF DIRECTORS

The Board is responsible for directing the strategy of the licensee, and overseeing the performance of management to ensure the proper and professional conduct of money services business operations, including compliance with applicable laws and regulations. This section sets out requirements relating to the establishment, composition and functioning of the Board, including the responsibilities of the Board as a whole in respect of the conduct of money services business activities.

9.1 As entities that are part of the financial system, licensed money services business entities are charged with specific responsibilities under the Act which serves to protect the integrity of the financial system and the financial interests of members of the public who are their customers. To meet these responsibilities, all licensees, regardless of size and ownership, must establish a formal board structure that complies with these Guidelines and supports the following:

- (a) clear authority of the Board for key decisions that are reserved to the Board, including decisions on matters of strategy, change in controlling interests and appointment of the CEO;
- (b) an effective means for monitoring the performance of management on an ongoing basis, in achieving the business objectives set by the Board and in meeting the legal and fiduciary obligations of the licensee;
- (c) timely actions to address issues of concern in the operations of the licensee, including any issues raised by the Bank; and
- (d) stability in the operations of the licensee to ensure that the entity will continue to meet regulatory and professional standards and be able to maintain a sound control or the operating environment, notwithstanding any changes in strategy.

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9.2 Board Composition

- (a) The Board should have a sufficient number of members that reflect the size and scope of the licensee's business. The Board should also include an appropriate mix of individuals with relevant knowledge and experience to be able to effectively direct the business of the licensee.
- (b) For larger licensees, the Board should be sufficiently independent from the day-to-day management of the business. This is important to achieve an effective system of checks and balances whereby the Board can take an objective view of the operations of the licensee and management's performance, and direct appropriate changes where needed. As management is primarily focused on the day-to-day operations of the licensee, it also allows the Board to focus on broader issues related to the licensee's business objectives, strategy and succession. For this purpose, the Bank expects that for licensees with an average annual turnover exceeding RM30 million:
- (i) no less than one third of the Board members should be independent from the day-to-day management of the business. Notwithstanding this, the Bank may require a licensee to increase the representation of such independent directors in the Board when it is deemed as necessary; and
 - (ii) at least one member of the Board should be conversant in accounting or financial management.

As a transitional arrangement for licensees with an average annual turnover of between RM30 million to RM100 million, a grace period of one year is given from the date of the issuance of licence to meet the requirements as set in paragraph (b)(i) and (ii) above.

- (c) For the small size licensees where there is no effective separation between the Board, owners and management, the Bank may require independent assurance of compliance with regulatory requirements from the external auditor. The cost of audit incurred for this purpose shall be borne by the licensee.

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9.3 Board Meeting and Records of Meetings

- (a) The Board must meet sufficiently, at least once in every quarter, to review the licensee's performance, including the status of its compliance with regulatory requirements and to deal with any issues pertaining to the operations of money services business activities. More frequent meetings may be necessary for larger licensees.
- (b) A licensee shall maintain formal minutes of all Board meetings, which should contain a proper record of the attendance of individual directors; matters discussed by the Board and decisions of the Board. The minutes should provide adequate details on discussions about issues of concern to the Board and actions directed by the Board to address those concerns for subsequent monitoring and follow up by the Board.

9.4 Specific Responsibilities of the Board

The specific responsibilities of the Board for ensuring the integrity of money services business operations and fair and honest dealings towards consumers shall include the following:

- (a) In approving any business expansion plans of the licensee, the Board shall ensure that the licensee has the capacity and ability to operate the expanded business in full compliance with regulatory requirements;
- (b) The Board shall approve internal policies and controls for the day-to-day operations of the business. Such policies and controls should address the licensee's obligations to comply with regulatory requirements on AML/CFT measures, reporting obligations and minimum standards for the protection of the licensee's customers. The policies and controls shall include effective measures, including background checks on employees of the licensee and a clear policy for dealing with transactions of a suspicious nature, to prevent the licensee from being used to facilitate illegal activities. The Board should have a process for regularly reviewing the licensee's internal policies and controls to ensure that they remain appropriate over time, particularly before and following a significant expansion in the licensee's scope and size of business activities; and

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- (c) The Board shall appoint a competent CEO who is fit and proper, and who is committed and able to manage the business effectively in compliance with relevant laws and regulations. The Board is also responsible for the appointment of a compliance officer who has an adequate working knowledge of and can effectively support the licensee's compliance with AML/CFT requirements;
- (d) The Board shall ensure that it receives regular and timely reports from the CEO on developments in the licensee's business operations which enable the Board to have a good understanding of the profile of the licensee's activities, customers and business partners, the reputation of the licensee within the industry, the standard of service provided to customers, and the level of compliance with regulatory requirements and any conditions of licence imposed on the licensee;
- (e) The Board shall deal firmly with any Board concerns and supervisory findings by the Bank relating to the operations of money services business activities, by directing that appropriate and timely rectification measures be taken by management and monitoring the status of such measures until the concerns have been satisfactorily addressed;
- (f) The Board shall regularly satisfy itself, including through reviews that are conducted independently of management, that internal controls and policies approved by the Board are operating effectively in practice to promote the integrity of the licensee's operations and fair and honest dealings with its customers. For larger licensees, the Bank would expect such independent reviews to be performed by an internal audit function that reports directly to the Board on the state of internal controls and effectiveness of systems in place for managing key business risks;
- (g) The Board shall exercise reasonable due diligence to ensure that an external auditor appointed by the licensee is professionally competent and fulfills the following requirements as stipulated in the Money Services Business (Duties of Licensees) Regulations 2012:
 - (i) is an approved company auditor as defined in the Companies Act 1965;

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- (ii) does not have any interest whatsoever in any form or of any description in that licensee, including an interest in the shares of the licensee or involvement in the preparation of accounts of the licensee;
- (iii) is not a director, controller or employee of that licensee;
- (iv) is not a partner, employer or employee of a director, controller or employee of that licensee;
- (v) is not a partner or employee of an employee of a director, controller, or officer, of that licensee;
- (vi) is not a shareholder, or his spouse is a shareholder, of a corporation whose employee is an officer of that licensee; and
- (vii) has not been convicted of any offence under the Act or the Companies Act 1965, or any offence under any written law involving fraud or dishonesty.

10. REQUIREMENTS FOR THE CEO

10.1 The CEO² is primarily responsible for managing the day-to-day business operations of the licensee under the direction of the Board. In this capacity, the CEO has a key role in ensuring that the operations of the licensee are not exposed to risks of abuse for illegal purposes, and that the licensee is professional, honest and fair in its dealings with customers. In this regard, the specific responsibilities of the CEO shall include the following:

- (a) The CEO shall ensure that internal policies and controls approved by the Board are effectively implemented. This includes establishing clear procedures, effective reporting and information systems, and appropriate lines of authority and accountability for key business activities. The CEO must also ensure that the policies and procedures are properly communicated to and understood by relevant employees throughout the

² As defined in the Act, Chief Executive Officer means a person, by whatever name called, who either individually or jointly with one or more other persons, is responsible for the conduct of the business and the management of the licensee, subject to the authority of the board of directors of the licensee.

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- licensee;
- (b) The CEO shall promptly inform the Board of any material lapses in controls which could expose the licensee to legal, financial or reputational risks. The CEO shall ensure that corrective actions are effective and implemented in a timely manner;
 - (c) The CEO shall ensure employees are competent, professional and provided with appropriate training in the money services business regulatory requirements, AML/CFT requirements and other relevant laws in managing the daily business operations. It is also the CEO's responsibility to ensure that suitable background checks are conducted on prospective employees to ensure that those with responsibility for managing any part of the business (e.g. branch managers) meet the fit and proper criteria as required under Act and elaborated in these Guidelines;
 - (d) The CEO shall develop appropriate AML/CFT policies and procedures for the operations of the licensee, which take into account the level of money laundering and terrorism financing risks which the licensee is exposed to based on factors including the licensee's location, its main customer groups and size or volume of transactions performed as required under the Standard Guidelines on AML/CFT;
 - (e) The CEO shall ensure compliance with applicable regulatory requirements in all aspects of licensee's business, and install effective systems and processes for monitoring compliance, including by branches and agents of the licensee, on an ongoing basis;
 - (f) The CEO shall respond to supervisory requests for information and address any supervisory concerns of the Bank in a prompt and effective manner; and
 - (g) The CEO shall ensure proper, accurate and complete records of all business transactions, including any reports required to be submitted to the Bank.

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PART C: OPERATIONAL REQUIREMENTS

Part C sets out the operational requirements relating to the conduct of money services business that must be observed by licensees for the protection of consumers, and to safeguard the integrity of money services business activities.

11. GENERAL REQUIREMENTS FOR THE CONDUCT OF MONEY SERVICES BUSINESS OPERATIONS

11.1 Display of Licence

11.1.1 As stated in section 11 of the Act, every licensee shall prominently display:

- (a) The original copy of its licence at its principal place of business (head office); and
- (b) A duly certified copy of its licence and the relevant Appendix displaying the respective branches at each of its other approved offices (branches).

11.1.2 A licensee who is approved by the Bank to appoint agent(s) shall issue a certificate of appointment to its agent(s), and ensure that the agent(s) display the certificate of appointment in a conspicuous position at its premises for customer verification of the agent's authority to conduct money services business.

Note: A standard format of the certificate of appointment will be developed by the Bank for issuance to the principal licensees.

11.2 Display of Signage

11.2.1 As stated in section 24 of the Act, every licensee must at all times affix or paint on the outside of each of its offices (head office and branches) a signage, stating:

- (a) its name; and
- (b) the words 'Perniagaan Perkhidmatan Wang Berlesen' together with the display of the approved money services business activity.

11.2.2 A licensee which carries on money services business through any electronic means or mobile services, or at temporary / mobile premises approved by the Bank, shall prominently display information of its business in the manner set out in Table 1, including the means for customers to verify the authorisation by the Bank of the money services business offered.

Table 1: Display of signage for money services business provided through electronic means/mobile services or temporary/mobile premises

	Information to be displayed	Display channel	Means for customer verification
Electronic Means/ Mobile Services	<ul style="list-style-type: none"> • Licence number • Name of licensee & nature of business in accordance with paragraph 11.2.1 	Licensee's website	Provide address of the Bank's website i.e. www.bnm.gov.my for customers to verify the authorisation by the Bank of the business offered
Temporary/Mobile Premises	<ul style="list-style-type: none"> • Contact details (principal office address and contact number) 	Bunting or banner etc	Present a certified copy of the approval letter from the Bank upon request by customer for verification of the business offered

11.3 Change in Name

11.3.1 As stated in section 18 of the Act, licensees are not allowed to effect any change in its name without the prior written approval of the Bank.

11.4 Opening or Relocating an Office

11.4.1 As stated in section 21 of the Act, a licensee shall obtain the written approval of the Bank before opening or relocating an office, including the setting up of a mobile kiosk, temporary booth or counter. For a mobile kiosk, temporary booth or counter, a licensee is also required to state the duration of such operations in its application.

11.4.2 In applying for the opening or relocation of an office, a licensee shall submit to the Bank the required information, including the proposed location of such office, feasibility study of the proposed location and a description of the arrangements in place for the licensee to supervise the

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office to ensure compliance with relevant regulatory requirements and these Guidelines, as prescribed in the Money Services Business (Duties of Licensees) Regulations 2012.

11.4.3 A licensee shall notify the Bank in writing of the date of commencement and address of its new office, at least 14 days before commencing the operations of its business.

11.5 Observance of Business Hours

11.5.1 A licensee shall operate its business for a minimum of eight (8) continuous hours in a day to provide reliable and convenient access to money services by customers.

11.6 Closure of Office

11.6.1 A licensee which temporarily closes any of its offices (including head office and branches) or suspends services provided by its agents, shall affix a written notification on the outside of its premises informing customers of the period of closure. A licensee must notify the Bank prior to any temporary closure or suspension of services that exceeds seven (7) days.

11.6.2 A licensee shall also notify the Bank prior to any permanent closure of its branches or termination of services of its agents: (i) stating the reasons and the effective date of the closure or termination; (ii) ensuring that the signage is removed from the branches or the premises of the agents upon the closure or termination.

11.7 Sharing of Premises

11.7.1 A licensee that shares premises with other businesses, regardless of whether such other businesses are related to the licensee, must ensure that:

- (a) The money services business is physically separated from the other businesses and clearly identifiable by customers through proper signage;

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- (b) Funds and property belonging to the licensee are completely segregated from the other businesses conducted at the same premises; and
- (c) Proper controls are in place to prevent access to the licensee's business, including its systems, records and funds, by unauthorised parties.

Licensees shall inform the Bank if it is sharing premises with other businesses.

11.8 Outsourcing

11.8.1 A licensee is allowed to outsource the following administrative and operational functions related to its money services business operations to a third party service provider:

- (a) Accounting, subject to the conditions that the service provider must not also be the external auditor appointed by the licensee;
- (b) Training;
- (c) Marketing and promotional activities, subject to requirements in paragraph 11.10;
- (d) Maintenance and support of IT infrastructure and system;
- (e) Customer call centre; and
- (f) Security services including cash-in-transit.

11.8.2 Notwithstanding any outsourcing arrangement, a licensee remains responsible for ensuring compliance with relevant regulatory requirements. The licensee must therefore have arrangements in place, including service level agreements and appropriate reporting and support mechanisms, to monitor and ensure the continuity of the services outsourced.

11.8.3 For vendor-supported IT infrastructure and systems, a licensee shall ensure that contractual terms and conditions governing the obligations and responsibilities of the vendor (i.e. in relation to service levels, reliability, security and system support) are in place to minimise the occurrence of system down-times or disruptions, and to ensure the integrity of records/information relating to the licensee's business.

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11.9 Opening and Maintaining of Bank Account

11.9.1 All licensees shall open and maintain one or more bank accounts in the name of the licensee for the conduct of money services business. The licensees' bank account(s) shall be used strictly for transactions relating to the money services business activities only.

11.9.2 No personal bank account of the directors, employees or any other persons shall be used for the purpose of money services business activities or any other activities outside the scope of the money services business, on behalf of the licensee.

11.10 Advertisement

11.10.1 A licensee shall observe the requirements on advertisements as stated in section 25 of the Act. Only a licensee or money services business agent is allowed to issue or publish an advertisement containing:

- (a) An invitation or offer to enter into any transactions relating to money services business; or
- (b) Information which may lead directly or indirectly to a transaction relating to money services business.

11.10.2 A licensee and money services business agent shall ensure that any advertisement relating to money services business issued or published by them or through a third party is fair and clear; contains information that is accurate and relevant; and should not be misleading or deceptive to the customers and the public i.e. the information contained in the advertisement must be consistent with the level of services offered by the licensee.

11.10.3 Licensee is not allowed to use the logo and the name 'Bank Negara Malaysia', including any abbreviations of its name in advertisements or any other marketing and promotional materials, including the licensee's signboard, website, letterhead, business card, poster, brochure, leaflet, banner and bunting.

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11.11 **Transparency in Dealings**

11.11.1 As stated in section 26 of the Act, a licensee is required to provide adequate disclosure to customers on its products and services prior to the execution of money services business. In this regard, a licensee shall disclose the following information to its customers in relation to its products and services as prescribed in the Money Services Business (Duties of Licensees) Regulations 2012:

- (a) A licensee who carries on money changing business or wholesale currency business shall
 - (i) display the buying and selling rates of exchange under the headings “we buy” and “we sell”; and
 - (ii) disclose any applicable fees and charges for services carried out.

- (b) A licensee who carries on remittance business shall inform the customer of the following prior to undertaking any remittance transaction:
 - (i) the exchange rate and fees and charges imposed by the licensee for the transaction;
 - (ii) the amount in the currency that will be paid to the beneficiary;
 - (iii) the fees and charges imposed by the correspondent agent;
 - (iv) the estimated time for the funds to be transferred to the beneficiary; and
 - (v) the location where the funds will be available for collection by the beneficiary.

- (c) The address and contact details of the principal place of business of the licensee;

- (d) Information on how to lodge a complaint with the licensee. Such information may be provided in the receipt, affixed at the licensee’s premises or on the licensee’s website for services offered via electronic means. The details should include, among others:
 - (i) contact details of the person responsible or complaint unit of the licensee;

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- (ii) information on channels for lodging complaints e.g. by email, phone, fax etc; and
- (iii) response time in addressing the complaints.

- (e) Clear information on procedures for the cancellation of transactions by customers which shall include the effective period within which cancellation request can be made by a customer, the exchange rate used for the refund of monies paid by the customer and any costs to be incurred by the customer for the cancellation.

11.11.2 In the event that the cancellation of transaction is due to the licensee's own failure to honour the transaction performed with or on behalf of customers, the licensee shall refund the customer's funds in full without undue delay and shall not exceed 7 days from the date of cancellation of the transaction.

11.11.3 With respect to 11.11.1 (a) and (b), all money services business transactions shall be performed at a rate that is not less favourable to the customer than the exchange rates displayed.

11.11.4 Information disclosed to customers must be clear, visible and not misleading.

11.12 Issuance of Receipts

11.12.1 As stated in section 27 of the Act, licensees shall issue receipts to its customers upon completing any transaction relating to its money services business, regardless of the amount transacted.

11.12.2 A licensee shall ensure that all receipts issued by its respective offices (head office, branches and agents) to customers are serialised i.e. with serial numbers running in a sequential order. A licensee shall ensure that all business transactions undertaken by the licensee, including at its branches and agents are fully accounted for and supported by receipts issued.

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11.12.3 A licensee, in issuing a receipt to its customer, shall include the following information as prescribed in the Money Services Business (Duties of Licensees) Regulations 2012.

- (a) A receipt issued by a licensee which carries on money changing and wholesale currency business shall contain:
- (i) the name, address and contact details of the licensee;
 - (ii) the date of the transaction;
 - (iii) a serial number for the receipt;
 - (iv) the amount paid and the type of currencies presented by the customer;
 - (v) the amount and the type of currencies issued to the customer;
 - (vi) the rate of exchange; and
 - (vii) the fees and charges for services provided to the customer.
- (b) A receipt issued by a licensee which carries on remittance business shall contain:
- (i) the name, address and contact details of the licensee;
 - (ii) the date of the remittance transaction;
 - (iii) a serial number for the receipt;
 - (iv) the name of the sender;
 - (v) the name of the beneficiary;
 - (vi) the rate of exchange;
 - (vii) the amount of funds to be remitted in ringgit and its equivalent amount in foreign currency to be received by the beneficiary; and
 - (viii) the fees and charges for services provided to the customer.
- (c) A licensee shall display in a conspicuous position at its approved premises a notice in the format below informing its customers to request for a receipt in accordance with the circular on “Pengeluaran Resit Bagi Transaksi Perniagaan Perkhidmatan Wang” issued on 23 August 2012:

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Notice to Customer

Issuance of receipts is a requirement under the Money Services Business Act 2011. Please insist on a receipt for your transaction.

Notis kepada Pelanggan

Pengeluaran resit adalah satu keperluan di bawah Akta Perniagaan Perkhidmatan Wang 2011. Sila minta resit bagi transaksi anda.

11.13 Exchange Rate Quotation

11.13.1 The exchange rates quoted for all money services business transactions shall be the prevailing market rates at the time when the transactions are executed.

11.14 Spread on Buying and Selling Foreign Currencies

11.14.1 A licensee is allowed to set its own dealing spread on buying and selling foreign currencies taking into account prevailing market conditions. Licensees shall strictly avoid any collusion with other licensees in breach of the Competition Act 2010 in setting the dealing spread.

11.15 Disclosure of Customer Information

11.15.1 A licensee is not allowed to disclose customer information to third parties in any form or for any other purpose as stated under section 84 of the Act, unless such disclosure is permitted under section 85 of the Act.

11.16 Fees

11.16.1 As stated in section 8 of the Act, a licensee shall pay to the Bank an annual fee for each of its offices and other fees as prescribed in the Money Services Business (Licensing) Regulations 2012.

Description		Fee (Ringgit)	Payment date
Annual fee			
1.	Annual fee: <ul style="list-style-type: none"> The principal place of business Each branch office Every batch of offices of its money services business agents (up to 20 per batch) 	500 500 500 per batch	In the month of December of each year
2.	Annual fee for a licensee who has been approved by the Bank to conduct money services business activity as an ancillary business to its main business <ul style="list-style-type: none"> The first batch of offices (up to 20 per batch) Every additional batch of offices (up to 20 per batch) 	500 per batch 500 per batch	In the month of December of each year
Processing fee			
3.	Grant of a licence	500	Upon approval
4.	Opening or relocating a branch	500 per application	Upon submission of an application

11.16.2 The annual fees under item (1) & (2) above, are payable on the payment date after the completion of the first twelve months of the issuance of the licence.

11.16.3 There shall be no refund of any annual fee or processing fee paid under 11.16.1 by the Bank to any person in the event a licence is revoked, or not renewed by the Bank, or surrendered to the Bank before the expiry of the licence.

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11.17 **Renewal of Licence**

11.17.1 As stated in section 9 of the Act, an application by a licensee for renewal of its licence shall be made in writing to the Bank not later than two (2) months before the expiry of its licence and include the following information as prescribed in the Money Services Business (Licensing) Regulations 2012:

- (a) The latest audited annual accounts or in the absence of such accounts, the management accounts;
- (b) A sound business plan and cash flow projection for the next three (3) financial years, if a licensee plans to expand its scope of business; and
- (c) An attestation by its Board and the CEO that the licensee has complied with all the requirements of this Act and the AMLATFA, the regulations, guidelines, circulars, standards and notices issued under both Acts and has not been involved in or facilitated any illegal activity (refer to Appendix II). Submission of false information for this purpose is an offence under section 35 of the Act, and on conviction shall be liable to a fine not exceeding five million or to imprisonment for a term not exceeding ten years or to both.

11.17.2 The Bank reserves the right not to consider applications for the renewal of licence, which are submitted after the deadline stated in paragraph 11.17.1 without prior notification to the Bank with valid reasons.

11.18 **Surrender of Licence**

11.18.1 A licensee proposing to surrender its licence shall give the Bank written notice informing the Bank of the proposed surrender of the licence, reasons for the surrender and the date on which the surrender is to take effect as stated in section 16 of the Act.

11.18.2 For this purpose, the licensee shall forward the licence to the Bank within fourteen days (14) from the date on which the surrender is to take effect.

11.18.3 A licensee shall also forward the licence to the Bank within fourteen days (14) from:

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- (a) the date of expiry of the licence;
- (b) the date the refusal to renew the licence takes effect under subsection 9(10) of the Act; or
- (c) the date the revocation of the licence takes effect under subsection 12(6) of the Act.

11.19 Restriction of Business

11.19.1 A licensee is required to conduct money services business activities exclusively under the Act. A licensee who wishes to carry on any business activity other than the licensed money services business activity, must obtain prior written approval of the Bank as stated in section 19 of the Act. In certain circumstances, consideration may be given if the proposed business has synergies which can improve the licensee's business; and benefits consumers without significantly increasing the risks in the business.

11.20 Sale, Leasing, etc., of Money Services Business

11.20.1 As stated in section 29 of the Act, a licensee is not allowed to sell, dispose, lease, assign or transfer the whole or any part of its money services business to any person without prior approval from the Bank.

11.20.2 A licensee is also required to obtain prior approval from the Bank for any amalgamation or merger of its licensed money services business activity with any person.

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12. SPECIFIC REQUIREMENTS TO CONDUCT REMITTANCE BUSINESS

A licensee which carries on remittance business shall comply with the following specific requirements relating to:

- (i) Customers' fund management;
- (ii) Operational requirements for remittance business;
- (iii) Use of remittance system;
- (iv) Requirements of using a third party remittance system;
- (v) Engagement and arrangements with correspondent agents;
- (vi) Settlement with remittance system service provider and correspondent agents; and
- (vii) Certificate of closure.

12.1 Customers' Fund Management

12.1.1 As stated in section 37 of the Act, a licensee which carries on remittance business shall maintain a designated account at a licensed onshore bank to ensure that funds received from customers are kept separate from the funds of the licensee. In relation to this, the licensee shall ensure that:

- (a) funds received from customers are deposited into the designated account not later than the next business day (i.e. the next banking business day); and
- (b) funds paid into the account shall only be used for purposes of:
 - (i) making remittances to or on behalf of a customer;
 - (ii) making payment of fees and charges for remittance services provided by a licensee and the customer has been notified of such payments to be made from the funds received from the customer; and
 - (iii) providing refunds to customers.

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12.1.2 In addition to paragraph 12.1.1 (b), a licensee is also allowed to withdraw from the designated account the (i) amounts representing money paid by the licensee into the account for the purpose of opening or maintaining the account; (ii) interest accruing in the account derived from funds kept in the designated account; and (iii) foreign exchange gains recognised upon settlement with the correspondent agent.

12.1.3 For the purpose of ensuring proper and prudent management of customers' funds, a licensee shall ensure that the customers' funds can be reconciled with the total liabilities relating to its remittance business at all times.

12.1.4 A licensee shall withdraw any money wrongly deposited into its designated account immediately upon discovery of the mistake.

12.2 **Operational Requirements for Remittance Business**

12.2.1 As stated in section 39 of the Act and the Money Services Business (Remittance Business) Regulations 2012, a licensee shall comply with the following operational requirements:

(a) **Maximum remittance transaction limit**

(i) For a business-to-business remittance transaction, the daily outward transaction limit for a customer shall not exceed an aggregate amount of two hundred thousand ringgit;

(ii) For remittance transactions other than as provided under 12.2.1(a)(i), i.e. individual-to-individual, individual-to-business or business-to-individual, the daily outward transactions limit for a customer shall not exceed an aggregate amount of fifty thousand ringgit; and

(iii) The limit for the daily outward transactions referred to in 12.2.1 (a)(i) and (ii) applies to all remittance transactions undertaken for a customer through any of the offices of the licensee or any of the money services business agents of the licensee or through any remittance system of the licensee.

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- (b) Time frame for outward and inward remittance
- (i) For outward remittance transactions, the licensee shall issue remittance instructions to its correspondent agent as soon as practicable (i.e. real-time basis), but not later than two business days from the receipt of funds from its customers; and
- (ii) For inward remittance transactions, the licensee shall make available the funds for collection by the beneficiary immediately upon receipt of the remittance instructions from its correspondent agent.

12.3 Use of Remittance System

12.3.1 As stated in section 40 of the Act, a licensee is required to obtain prior approval from the Bank for the use of a remittance system, whether it is its own system or a system provided by a third party.

Note:

- Own system refers to a remittance system that is developed either by a licensee or with the assistance of a remittance system vendor. The licensee has full control of and manages the administration of the remittance system and its database, while the vendor's responsibility is limited to providing technical support for the maintenance of the system.
- A third party system refers to a remittance system provided and operated by a local or international remittance system service provider that provides the payment, clearing and settlement services to the licensee which uses its system.

12.3.2 A licensee is required to have a robust remittance system to perform its remittance transactions. At a minimum, the system shall meet the following requirements as prescribed in the Money Services Business (Remittance Business) Regulations 2012:

- (a) Is able to record, transmit and receive information on remittance transactions. The system should have the ability to capture end-to-end transaction information which should include the names of the

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recipient and sender, amount involved, date and time of transactions and status of transactions, location of both recipient and sender and other necessary information;

- (b) Is equipped with adequate security controls to prevent unauthorised or fraudulent transactions. If a licensee has appointed a vendor to develop its system, access to the system by the remittance system vendor must be controlled to ensure limited access for proper purposes only;
- (c) Is able to establish a complete audit trail;
- (d) Is able to track and consolidate on a real-time basis, the outward remittance transactions undertaken by a customer at all of the offices and money services business agents of a licensee to ensure compliance with transaction limit stated in paragraph 12.2.1(a). The system should have the ability to trigger any transactions in breach of the daily outward transaction limits;
- (e) Is able to track the status of remittance transactions and to automatically generate alerts for any incomplete or unsuccessful remittance transactions;
- (f) Is able to detect duplicate registrations of customers i.e. able to prompt alerts when the same name or identification details are detected;
- (g) Is able to detect any cancellations, refunds and amendments made to the transactions;
- (h) Is equipped with a checker/maker function to ensure the proper segregation of duties and functions. For example, tellers are assigned to perform transactions and supervisors are assigned to approve or verify the transactions; and
- (i) Is able to effectively monitor compliance with the AMLATFA.

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12.3.3 If more than one remittance system is utilised, regardless of whether the systems are the licensee's own systems or a third party remittance systems, the licensee shall ensure that the systems used have the ability to aggregate all remittance transactions related to the same customer conducted across different systems and locations (i.e. head office, branches, agents) in order to check and ensure compliance with the daily outward transaction limit.

12.4 **Requirements of Using a Third Party Remittance System**

12.4.1 A licensee that uses a third party remittance system remains fully responsible to its customers for any remittance services provided through the system, and for ensuring compliance with regulatory requirements in respect of such remittance services.

12.4.2 Where a licensee utilises a third party remittance system, the relationship between the licensee and the remittance system service provider shall be governed by a written contract that clearly specifies the responsibilities and expectations of the remittance system service provider, including establishing user access rights at the service provider's end, and recourse available to the licensee where the agreed terms of service are not met.

12.4.3 Before using the remittance system provided by a remittance system service provider, a licensee shall:

- (a) Conduct appropriate due diligence to assess the ability of the system to perform the service in a manner that fully complies with the requirements specified by the Bank, including the remittance system requirements stated in 12.3; and
- (b) Review recent reports on independent security audits performed on the system; and obtain assurance that such audits are conducted regularly on the system at least once in every three years. If there are material findings in the independent security audit report, a licensee shall not use the system until the identified gaps are fully rectified to the satisfaction of the licensee and in compliance with the requirements in these Guidelines.

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12.4.4 A licensee shall ensure that the remittance system service provider is able to protect the confidentiality of customers' details and to ensure that such information is not used or disseminated for any other purposes.

12.5 **Engagement and Arrangement with Correspondent Agents**

12.5.1 In appointing and engaging the services of a correspondent agent, a licensee shall observe the following requirements:

- (a) The licensee shall perform appropriate due diligence on potential correspondent agents to ensure that the agents are properly authorised and recognised in the relevant jurisdictions to provide remittance services;
- (b) The responsibilities of the licensee and its correspondent agents shall be clearly stated in a written contract between the parties involved which should include, among others, obligations to safeguard the confidentiality of customers' information;
- (c) The transmission of remittance instructions between the licensee and its correspondent agents shall be conducted through the remittance system used. Remittance instructions shall not be transmitted manually such as through email, facsimile or telephone calls; and
- (d) The licensee and its correspondent agents shall establish clearly defined mechanisms for handling any disputes on remittance services effected through such correspondent relationships.

12.6 **Settlement with Remittance System Service Providers and Correspondent Agents**

12.6.1 A licensee shall ensure that settlement arrangements with its remittance system service providers and correspondent agents are properly documented and legally enforceable.

12.6.2 All settlements between a licensee and its local remittance system service providers must be in ringgit.

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12.6.3 Settlements between a licensee and remittance system service providers or correspondent agents outside Malaysia shall be in foreign currency.

12.6.4 A licensee is allowed to execute netting arrangements with its remittance system service providers and correspondent agents to improve cost efficiency, subject to having a robust remittance system in place which is able to:

- (a) reconcile all netting arrangement activities i.e. total outward, inward and net settlement amount; and
- (b) detect any cancellations, refunds and amendments made to the transactions

12.7 Certificate of Closure

12.7.1 As stated in section 38 of the Act, a licensee who has ceased to carry on remittance business arising from the expiry, non-renewal, revocation or surrender of its licence under the Act shall submit a certificate of closure, issued by an auditor to the Bank within sixty (60) days after the cessation of business. The certificate of closure is to confirm that all funds received from customers have been successfully remitted to the intended recipients / beneficiaries and that contingency arrangements or measures have been taken to ensure that, where the funds have not been successfully delivered to the intended recipients / beneficiaries, the funds will be refunded to the customers.

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13. SPECIFIC REQUIREMENTS TO CONDUCT MONEY CHANGING BUSINESS

13.1 Conduct of Exchange Transactions

13.1.1 A licensee who carries on money changing business shall ensure that the originator and recipient of an exchange transaction are the same person.

13.1.2 A licensee may deal with a representative of a customer who is authorised by the customer to either send or collect funds on behalf of the customer for an exchange transaction. Under this situation, a licensee shall limit the amount exchanged to not more than RM20,000 equivalent per transaction.

13.1.3 A licensee shall only deal with the customer (i.e. individual and the authorised personnel of a corporation) directly for any exchange transaction exceeding RM20,000 equivalent and conduct due diligence on the customer in line with the Standard Guidelines on AML/CFT; and the AML/CFT Sectoral Guidelines 3.

13.1.4 Where the customer authorises a third party/representative to send or collect funds exchanged on behalf of the customer, a licensee shall conduct enhanced due diligence (EDD) on the customer for non face-to-face arrangement in line with the Standard Guidelines on AML/CFT.

13.1.5 Where an exchange transaction is performed through a licensee's bank account (i.e. a customer deposits funds for exchange into the licensee's bank account and/or the licensee deposits funds for exchange into the customer's bank account), a licensee:

- (a) shall only conduct the transaction with the customer of whom the business relationship has been established, and the records or information of the customer has been obtained by the licensee; and
- (b) shall only deposit funds for an exchange transaction into the customer's ringgit bank account only and shall not accept instructions to deposit such funds into third party accounts.

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13.1.6 Consistent with paragraph 11.13.1, all exchange transactions shall be performed at the prevailing market rate of exchange. A licensee is not permitted to engage in forward exchange transactions³.

13.1.7 Where advance orders for currency are received by a licensee, the relevant exchange rate shall be the prevailing market rate at the time funds for the exchange are received from the customer. For practical purposes, a licensee may quote the current prevailing market rate of exchange for advance currency orders, provided in all cases that the exchange currency shall be delivered to the customer within two (2) business days.

13.2 **Sourcing and Clearing of Foreign Currencies**

13.2.1 Except with the approval of the Bank, a licensee shall source and clear its foreign currency notes only from licensed currency wholesalers, licensed money changers, licensed banks and licensed Islamic banks in Malaysia.

³ For the purpose of these Guidelines, forward exchange transaction means a commitment to purchase or sell foreign currency for delivery after two business days at a pre-determined forward rate of exchange.

APPENDICES

Appendix I

Superseded: Circulars issued to Licensed Money Changers pursuant to the Money Changing Act 1998

No.	Reference number	Details	Issuance date
1.	KPPW/117/C2-2000	Pengemukaan Maklumat atau Dokumen di Bawah Seksyen 34(1) Akta Pengurupan Wang 1998	1 August 2000
2.	JPPA/117/CirOp2	Syarat-syarat Lesen di Bawah Seksyen 10(a) Akta Pengurupan Wang 1998	3 June 2002
3.	JPPA/117/CirOp3	Syarat-syarat Lesen Perniagaan Pengurupan Wang	1 April 2003
4.	JPPA/117/CirOp4	Syarat-syarat Lesen di Bawah Seksyen 10(a) Akta Pengurupan Wang 1998	24 December 2003
5.	JPPA/117/CirOp5	Syarat-syarat Lesen di Bawah Seksyen 10(b) Akta Pengurupan Wang 1998	8 Mac 2004
6.	JPPA/117/CirOp6	Pelantikan Juruaudit bagi Perniagaan Pengurupan Wang menurut Seksyen 33 Akta Pengurupan Wang 1998	5 July 2004
7.	JPPA/117/CirOp8	Syarat-syarat Lesen	28 July 2005
8.	JPPA/117/2006/Cir1	Penghantaran Laporan Kadar Tukaran Wang Asing (APW/P-4) dan Maklumat Urusniaga Bulanan (APW/P-5)	7 February 2006
9.	JPPA/117/2007/Cir1	Penamatan Penghantaran Surat Peringatan Untuk Pembaharuan Lesen Perniagaan Pengurupan Wang dan Pembayaran Fi Tahunan	8 January 2007
10.	JPPA/117/2008/Cir1	Transaksi Perbankan Pengurup Wang Berlesen	2 May 2008
11.	JPPA/117/2011/2	Pengeluaran Resit Urusniaga Tukaran Mata Wang	20 October 2011

Appendix II

ATTESTATION OF THE CHIEF EXECUTIVE OFFICER AND BOARD OF DIRECTORS ON THE MONEY SERVICES BUSINESS

ABC SDN BHD

(Name of licensee)

We have conducted a self assessment on our business from *<insert date of the last renewal of licence>* to *<insert date of the submission of renewal>* and hereby declare that our *<insert type of money services business conducted by a licensee>*:

complies with all provisions of the Money Services Business Act 2011, regulations, guidelines and circulars issued by the Bank.	Yes	No
is not involved in any illegal activity, including carrying out or facilitating the transmission of money or the transfer of illicit funds.		
complies with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and all relevant guidelines and circulars issued pursuant to it;		
is not controlled or managed by any other individuals or third parties other than the shareholders, board of directors and the Chief Executive Officer / Managing Director who has been approved by the Bank;		
is not using any personal bank account of directors, employees or any persons for the purpose of money service business activities or any other activities outside the scope of the money services business, on behalf of the licensee; and		
uses the licensee's bank account strictly for transactions relating to the activities of money service businesses only.		

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We understand that should our declaration be found to be false or inaccurate, the Bank may refuse to renew the licence granted to *<insert name of licensee>* to conduct money services business.

(to be signed by the CEO and all directors)

Chief Executive Officer:

Director:

Name:

I.D:

Date:

Name:

I.D:

Date:

Director:

Director

Name:

I.D:

Date:

Name:

I.D:

Date:

Director:

Director

Name:

I.D:

Date:

Name:

I.D:

Date:

Company Stamp/Seal: