



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

**Anti-Money Laundering and
Counter Financing of Terrorism
(AML/CFT) - Money Services Business
(Sector 3) (Supplementary Document No. 1)**
Exposure Draft

This exposure draft outlines the proposed minimum requirements and standards that an approved remittance service provider must observe in implementing electronic Know Your Customer (e-KYC) in carrying on remittance business through online or mobile channels for the on-boarding process. This is to ensure effective and robust Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) control measures and systems that safeguard the safety and integrity for the provision of online and mobile remittance services are in place.

The Bank invites written feedback and comments on this exposure draft. Please support each comment with a clear rationale and accompanying evidence or illustration, as appropriate.

In addition to providing general feedback, reporting institutions are requested to respond to the specific question set out in this paper.

Responses must be submitted by **20 October 2017** to:

Pengarah

Jabatan Pengawasan Perniagaan Perkhidmatan Wang

Bank Negara Malaysia

Jalan Dato' Onn

50480 Kuala Lumpur

Email: msbr@bnm.gov.my

Electronic submission is encouraged. Submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

Any queries may be directed to:

Lin Zhi Ying zhiying@bnm.gov.my or 03 2698 8044 (ext.7785)

Amalina Nabilah Rozlan nabilahr@bnm.gov.my or 03 2698 8044 (ext.8235)

Noor Nazatul Hashimi Hashim nazatul@bnm.gov.my or 03 2698 8044 (ext.7394)

PART A: OVERVIEW

1. Introduction	1
2. Legal Provisions	1
3. Applicability	1
4. Effective Date	2
5. Policy Superseded	2
6. Relationship with Existing Policies	2
7. Interpretation	3

PART B: POLICY REQUIREMENTS

8. Implementation of e-KYC	5
9. Enforcement	7

PART A: OVERVIEW

1. Introduction

- 1.1. As part of the continuous efforts to increase the use of formal channels and to promote financial inclusion, digitalisation of remittance services has been identified as an important enabler to increase the convenience and reach, and lower costs of remittance services. A key aspect of digitalisation entails the delivery of end-to-end electronic remittance solutions through online channel and mobile channel, supported by the adoption of financial technology.

This document provides for qualified remittance service providers licensed under the Money Services Business Act 2011 (MSBA) which offer online and/or mobile remittance services to establish business relationships by way of electronic means without face-to-face verifications, and sets out the minimum requirements and standards that an approved remittance service provider must observe in implementing e-KYC for the on-boarding process. This is to ensure effective and robust Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) control measures and systems that safeguard the safety and integrity for the provision of online and mobile remittance services.

2. Legal Provisions

- 2.1. This document is issued pursuant to:
- (a) Sections 16, 18, 19, 66E and 83 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA); and
 - (b) Section 74 of the MSBA.

3. Applicability

- 3.1. This document is applicable to reporting institutions licensed under the MSBA which carry on remittance business through online channel or mobile channel using e-KYC.

4. Effective Date

4.1. This document comes into effect upon issuance of the final document.

5. Policy superseded

5.1 This document supersedes paragraph 18, Part B of the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Money Services Business (Sector 3) issued on 15 September 2013 insofar as it applies to reporting institutions as defined under this document.

6. Relationship with Existing Policies

6.1 This document shall be read together with –

- (a) The AML/CFT – Money Services Business (Sector 3) issued on 15 September 2013; and
- (b) Other documents issued by Bank Negara Malaysia relating to compliance with AML/CFT requirements.

7. Interpretation

7.1. The terms and expressions in this document shall have the same meanings assigned to them in the AMLA, MSBA and the AML/CFT – Money Services Business (Sector 3) issued on 15 September 2013, as the case may be, unless otherwise defined in this document.

7.2 For the purpose of this document–

“**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action.

“**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted.

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

“**electronic Know Your Customer (e-KYC)**” means establishing business relationships and conducting customer due diligence measures by way of electronic means, including online channel and mobile channel.

“**mobile channel**” means conducting remittance transactions using a mobile phone or tablet through the mobile application provided by the reporting institution.

Question

Please provide feedback on other mobile channels that may not be adequately captured in the definition.

“**online channel**” means conducting remittance transactions through an internet browser, on a computer, mobile phone, tablet or any electronic device.

“reporting institution” for the purpose of this document means a remittance service provider licensed under the MSBA which carries on remittance business through online or mobile channels using e-KYC.

“remittance account” means a customer account which contains customer information including personal details and remittance transaction records of the customer, that is maintained by a reporting institution.

“expatriate” means a foreign national who meets the eligibility criteria for expatriate employment and is approved by the Immigration Department of Malaysia (Ministry of Home Affairs) to be employed in Malaysia.

“foreign worker” means a foreign national who is employed in Malaysia, other than expatriates.

PART B: POLICY REQUIREMENTS

8. Implementation of e-KYC

- S** 8.1. A reporting institution shall obtain the prior written approval of the Bank to implement e-KYC for the provision of online or mobile remittance services. Application to the Bank shall include information relevant to demonstrate the reporting institution's ability to comply with the requirements in this policy document.
- S** 8.2 The Board of a reporting institution shall set and ensure the effective implementation of appropriate policies and procedures to address any specific risks associated with the implementation of e-KYC. This shall include, where relevant, the implementation of enhanced monitoring and reporting mechanisms to identify potential money laundering and terrorism financing (ML/TF) activities.
- S** 8.3 A reporting institution must ensure and be able to demonstrate on a continuing basis that appropriate measures for identification and verification of a customer's identity are at least as effective as that for face-to-face customer verifications.
- S** 8.4 In relation to paragraph 8.3, a reporting institution shall take measures including, but not limited to the following, to identify and verify a customer's identity:
- (a) establish independent contact with the customer;
 - (b) verify a customer's information against independent and credible sources to confirm a customer's identity and identify any known or suspected AML/CFT risks associated with a customer;
 - (c) request additional documents to complement those which are required for face-to-face customer verifications; and
 - (d) clearly define parameters for higher risk customers that are not allowed to transact with the reporting institution through e-KYC.

-
- G** 8.5 In identifying and verifying a customer's identity as required in paragraphs 8.4 (a), (b) and (c), a reporting institution may:
- (a) conduct telephone or video call with the customer before setting up the customer's account or allowing the customer to perform transactions; or communicate with the customer at a verified residential or office address where such communication must be acknowledged by the customer;
 - (b) verify the customer's information against database maintained by relevant authorities including the National Registration Department and Immigration Department of Malaysia; social media platforms with a broad outreach, telecommunication companies, sanctions lists issued by credible domestic or international sources, such as Office of Foreign Assets Control's sanctions lists; or
 - (c) request to sight additional documents such as recent utility bills, student identifications or confirmations of employment.
- S** 8.6 A reporting institution must ensure the systems and technologies developed and used for purpose of establishing business relationships using e-KYC (including identity document verification) have proven capabilities to support processes and procedures required for the AML/CFT compliance programme.
- S** 8.7 A reporting institution shall additionally comply with the following requirements for remittance transactions performed using e-KYC:
- (a) a remittance transaction shall only be performed by an individual who has a bank account with any licensed bank, licensed Islamic bank or prescribed institution under the Financial Services Act 2013, Islamic Financial Services Act 2013 or Development Financial Institutions Act 2002 respectively;
 - (b) for remittance transactions performed by an individual (including an expatriate), a total transaction limit not exceeding an aggregate amount of thirty thousand ringgit per day shall be observed, unless otherwise approved by the Bank;

-
- (c) for remittance transactions performed by an individual who is a foreign worker,
- (i) a total transaction limit not exceeding an aggregate amount of five thousand ringgit per month shall be observed, unless otherwise approved by the Bank; and
 - (ii) funds can only be remitted to:
 - the individual's home country; and
 - beneficiaries who must be pre-registered by the individual with the reporting institution when the business relationship is established; and
- (d) put in place robust and appropriate IT security controls, including tying up a customer's remittance account to only one mobile device.

9. Enforcement

- S** 9.1 The Bank may revoke an approval given under paragraph 8.1 where the Bank is satisfied that the requirements in this policy document have not been adequately met, in addition to enforcement actions provided under AMLA and MSBA.