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)

Issued on: 30 November 2017 BNM/RH/PD 031-10

PART A: OVERVIEW

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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, the digitalisation of remittance is an important enabler to increase the convenience and reach, as well as lower the 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 approved 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 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 on 30 November 2017.

4.2. The Bank is committed to ensure that its policies remain relevant and continue to meet the intended objectives and outcome. Accordingly, the Bank will review this policy document within 5 years from the date of issuance or the Bank's last review and, where necessary, amend or replace this policy 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 Policy superseded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) policy document 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) policy document 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 by way of electronic means, including online channel and mobile channel.

"mobile channel" in this document means conducting remittance transactions through any electronic devices using a mobile application provided by the reporting institution.

"online channel" means conducting remittance transactions through any electronic devices other than remittance transactions conducted via the mobile channel.

"**reporting institution**" in this document means a remittance service provider licensed under the MSBA which implements e-KYC for establishing business relationships and conducting consumer due diligence.

"**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. An application to the Bank shall include relevant information 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 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 the 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, sight and maintain records of additional documents required to perform 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 video calls with the customer before setting up the customer's account or allowing the customer to perform transactions;

(b) communicate with the customer at a verified residential or office address where such communication must be acknowledged by the customer;

(c) verify the customer's information against a database maintained by relevant authorities including the National Registration Department and Immigration Department of Malaysia, telecommunication companies, sanctions lists issued by credible domestic or international sources in addition to the mandatory sanctions lists specified under paragraph 25 of the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Money Services Business (Sector 3) policy document or social media platforms with a broad outreach; or

(d) request to sight additional documents such as recent utility bills, bank statements, student identification or confirmation of employment.

S 8.6. A reporting institution must ensure the systems and technologies developed and used for the purpose of establishing business relationships using e-KYC (including identity document verification) have proven capabilities[1] to support an effective 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) only transact with an individual who has a bank account with any licensed bank or licensed Islamic bank under the Financial Services Act 2013 and Islamic Financial Services Act 2013 respectively, or any prescribed institution under the Development Financial Institutions Act 2002;

[1] For the purpose of this document, proven capabilities do not necessarily require a reporting institution to obtain independent certifications on the systems and technologies capabilities from any agency or preclude the adoption of emergent systems and technologies. Nevertheless, the demonstrated capabilities of the system and technologies must be proven through appropriate and rigorous testing by reporting institutions.

(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. A reporting institution shall also establish proper internal processes, including having in place appropriate controls and procedures to manage its customers' requests for any alterations or changes made to the list of pre-registered beneficiaries. This shall include procedures for monitoring such requests to identify suspicious patterns; and

(d) put in place robust and appropriate IT security control measures which include, but are not limited to tying up a customer's remittance account to only one mobile device for the purpose of authenticating the remittance transactions. The Bank may, at any time, impose additional specific controls where it deems as appropriate.

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.