Frequently Asked Questions and Answers (FAQs)
on e-KYC Policy Document

FAQs issued on: 30 June 2020

Introduction

The FAQs are intended to provide clarification to financial institutions on common queries in relation to the policy document on "Electronic Know-Your-Customer (e-KYC)" dated 30 June 2020.

No.	Questions	Answers
1.	Would procuring e-KYC services from a 3rd party technology vendor be deemed a material outsourcing arrangement?	Given the different permutations of e-KYC checks and arrangements, financial institutions are encouraged to self-assess the applicability of requirements stipulated under the Outsourcing policy document. In doing so, a financial institution must take into consideration the exact features of the e-KYC solution that will be implemented, including the nature of activities performed by the 3rd party, and the nature of any data shared[1]. Generally, arrangements where a significant portion of e-KYC services is operated by the 3rd party are likely to be considered as material outsourcing. Nevertheless, financial institutions are reminded that any arrangement with a 3rd party technology vendor should safeguard the confidentiality of customer information at all times, in line with requirements under the policy document on Management of Customer Information and Permitted Disclosures.
2.	In complying with the Risk Management in Technology (RMiT) policy document, would 3rd Party Attestation be required when financial institutions adopt e-KYC services offered by a technology provider?	In most situations, especially at the nascent stage of e-KYC adoption by the industry, a 3rd party attestation will be required. Nevertheless, as the industry's familiarity with this type of solution and the corresponding security controls develops and matures over time, the Bank may consider such technology for inclusion in the Positive List. Hence from that point onwards, only notifications to the Bank would suffice.

[1] For the avoidance of doubt, the Bank may determine that an arrangement is considered material pursuant to paragraph 12.5 of the Outsourcing policy document.

		However, this situation will always be with the exception of the solution's intended adoption of the public cloud, where a consultation with the Bank will be required prior to the launching of the service.
3.	What would be considered allowable methods to perform identification and verification through e-KYC?	Financial institutions may decide on any combination of methods to conduct identification/verification through e-KYC (e.g. connecting to public or private database, facial recognition, video call), with due regard to the assessment of risk and level of assurance needed for a particular product, provided the requirements in the e-KYC policy document are met. However, for products listed in Appendix 2 of the e-KYC policy document, the e-KYC steps listed must be observed and complied with.
4.	What would be considered a sufficient sample size to conduct audits?	As volumes and representation of customers processed through e-KYC will differ across different financial institutions, the appropriate sample size to conduct an audit would differ accordingly and depend on the factors listed in Appendix 1 and Appendix 5 of the e-KYC policy document. There is thus no "one-size-fits-all" sample size that would be applicable across all scenarios. Should there be concerns or uncertainty on the sufficiency of the sample size, financial institutions are advised to adopt a more prudent stance and obtain a larger sample size when conducting the audit.
5.	What are the minimal customer details required to be obtained from the credit transfer?	The minimal details returned on the credit transfer step should provide reasonable assurance for a financial institution to attest the identity of the customer. This includes matching the name or identity document number obtained with the same details provided by the customer. In the case where names returned are truncated for example, financial institutions may also choose to utilise other methods to cross-check for identity or passport numbers for added assurance.

6.	When offering products listed in Appendix 2 of the e-KYC policy document, will the Bank consider an alternative to the credit transfer check as required in paragraph 2(iv) of Appendix 2?	Given limited performance data on e-KYC solutions in the Malaysian market, the credit transfer step is required as a safeguard in the initial implementation phase. However, the Bank will consider reviewing this requirement in the future once sufficient performance data becomes available and e-KYC solutions achieve a reasonable level of assurance. In the meantime, financial institutions are welcome to explore alternative steps that may provide the same or higher level of identity assurance as the credit transfer check. Any suggestions may be directed to the Bank accordingly. Additional contact details are provided at the end of these FAQs.
7.	For e-KYC implementation, under which circumstances should the notification system prescribed under the e-KYC policy document be pursued? Subsequently, in which circumstances should the notification system prescribed under the Introduction of New Products[2] policy document be pursued instead?	When implementing an e-KYC solution as described under paragraph 7.7 of the e-KYC policy document for the first time, a licensed person or a prescribed development financial institution shall refer to both the process specified under the e-KYC policy document and the Introduction of New Products policy document[2]. Where a licensed person or a prescribed development financial institution intends to implement the e-KYC solution for the first time and the product to be offered qualifies as a new product as defined under the Introduction of New Products policy document[2], the information required under both policy documents may be submitted together to the Bank. Upon submission, the e-KYC solution may be implemented after 14 working days from the submission of information required to the Bank. Where a licensed person or a prescribed development financial institution is not implementing e-KYC for the first time and the product to be offered qualifies as a new product as defined under the Introduction of New Products policy document[2], a licensed

[2] Or in the case of life insurers and family takaful operators, the Introduction of New Products by Insurers and Takaful Operators policy document.

		person or prescribed development financial institution shall refer to the requirements and processes specified under the Introduction of New Products policy document[2].
8.	Can customers be dismissed due to a false negative result which is due to limitations of financial institution's e-KYC system?	With respect to false negative results, financial institutions are reminded to not discriminate against customers affected by the financial institution's system limitations, in line with the policy document on Fair Treatment of Financial Consumers, i.e. false negative customers should not be immediately dismissed. Remedy should be considered where the customers can prove authenticity of their identification.

Any refinements to the FAQs will be updated by the Bank from time to time. Should you have additional queries related to the policy document, please submit your queries via any of the following means-

a) Mail : Director
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b) Email : e-kycpolicy@bnm.gov.my