



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. 2)

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PART A: OVERVIEW

1. Introduction

- 1.1. In tandem with the continuous effort to promote digitalisation in the money services business (MSB) industry towards increasing access to more convenient and competitive authorised MSB services, the potential to adopt digital solutions for conducting money changing business has become more apparent as evidenced by the increasing leverage on electronic channels by licensed money changers in providing their services.

In light of this and following the introduction of electronic Know Your Customer (e-KYC) solutions for remittance business in 2017, the scope of e-KYC implementation is expanded for the conduct of money changing business, with the view of facilitating the delivery of more efficient and inclusive electronic money changing solutions through online channel and mobile channel, supported by the adoption of financial technology.

This document provides for approved money changers licensed under the Money Services Business Act 2011 (MSBA) which offer money changing services via online channel or mobile channel to establish business relationships with customers by way of electronic means without face-to-face verifications, and sets out the minimum requirements and standards that an approved licensed money changer must observe in implementing e-KYC for the customer 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 money changing 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 money changing business through online channel or mobile channel using e-KYC.

4. Effective Date

4.1. This document comes into effect on 19 September 2019.

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 Policy superseded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) which came into effect on 15 September 2013; and
- (b) other documents issued by the Bank 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, the MSBA and the AML/CFT – Money Services Business (Sector 3), 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**” means conducting money changing transactions through any electronic devices using a mobile application provided by the reporting institution.

“**online channel**” means conducting money changing transactions through any electronic devices other than money changing transactions conducted via the mobile channel.

“**reporting institution**” means a money changer licensed under the MSBA which implements e-KYC for establishing business relationships and conducting consumer due diligence.

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

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 money changing business through online channel or mobile channel. An application to the Bank shall include relevant information to demonstrate the reporting institution's ability to comply with the standards in this 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 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 shall 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. For the purpose of 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 the customer's information against independent and credible sources to confirm the customer's identity, and identify any known or suspected AML/CFT risks associated with the 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 money changing account or allowing the customer to perform transactions;
 - (b) communicate with the customer at a verified residential or office address where such communication shall be acknowledged by the customer;
 - (c) verify the customer's information against a database maintained by relevant authorities including the National Registration Department or 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 shall ensure the system and technology developed and used for the purpose of establishing business relationships using e-KYC (including for verification of identity document) have proven capabilities¹ to support an effective AML/CFT compliance programme.
- S** 8.7. A reporting institution shall additionally comply with the following requirements for money changing transactions performed using e-KYC:
- (a) only transact with an individual who has a bank account with any licensed bank under the Financial Services Act 2013, any licensed Islamic bank under Islamic Financial Services Act 2013, or any prescribed institution under the Development Financial Institutions Act 2002; and

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

- (b) put in place robust and appropriate information technology security control measures which include, but are not limited to tying up a customer's money changing account to only one mobile device for the purpose of authenticating the money changing transactions. The Bank may at any time impose additional specific controls as it deems 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 document have not been complied with, in addition to enforcement actions provided under the AMLA and MSBA.