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Presentation 1

Comparison Of e-KYC Guidelines Of Bursa Malaysia, Securities Commission and Bank Negara Malaysia

Presenter:
Ng G-Ming
Participant Supervision

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1. Requirement on KYC

1. Requirement On KYC

Bursa	SC	BNM
<p>Rules of Bursa Securities</p>	<p>Guidelines On Prevention Of Money Laundering And Terrorism Financing For Capital Market Intermediaries</p>	<p>Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) Guidelines</p>
<p>Rule 5.15(1)(a) requires a Participating Organisation to obtain all essential information about the Client relevant to the services to be provided before a Participating Organisation opens a trading account for the Client</p>	<p>Paragraph 8.1.1 of the Guidelines requires a reporting institution is expected to obtain satisfactory evidence of the identity and legal existence of the customer and beneficial owner at the point of establishing the business relationship.</p>	<p>Paragraph 14A.1 of the Guidelines requires reporting institutions are required to conduct CDD on customers and persons conducting the transaction, when: -</p> <ul style="list-style-type: none"> a) establishing business relations; b) providing money-changing and wholesale currency business; c) providing wire transfer services; d) providing electronic-money (e-money); e) carrying out occasional transactions involving an amount equivalent to RM25,000 and above, including in situations where the transaction is carried out in a single transaction or through several transactions in a day that appear to be linked; f) carrying out cash transactions involving an amount equivalent to RM25,000 and above; g) it has any suspicion of ML/TF, regardless of amount; or h) it has any doubt about the veracity or adequacy of previously obtained information.

2. Requirements On Non Face-to-Face and eKYC Authentication

2. Requirements On Non Face-to-Face and eKYC Authentication(1/4)

Bursa	SC	BNM
<p>Rules of Bursa Securities</p>	<p>Guidelines On Prevention Of Money Laundering And Terrorism Financing For Capital Market Intermediaries</p>	<p>Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for Fis) Guidelines</p>
<p>Directive 5-001 paragraph 9.1</p> <p>(4) In conducting a Non Face-to-face Verification, a Participating Organisation must verify the Client’s identity and the authenticity of the application through 1 or more of the following methods: -</p> <p>(a) obtain confirmation of the Client’s identity from an independent source, for example, by contacting the human resources department of the Client’s employer on a listed business number to confirm his employment;</p>	<p>Para 8.1.8 (c) of the Guidelines On Prevention Of Money Laundering And Terrorism Financing For Capital Market Intermediaries</p> <p>For the purpose of verification of the identity of a non face-to-face customer, a reporting institution must undertake any of the following measures: -</p> <p>(i) requesting for additional identification documents or information e.g. bank statements, utility bills;</p> <p>(ii) substantiating the customer’s information with any independent source, e.g. contacting the customer’s employer and verification through database maintained by any relevant authorities;</p>	<p>Paragraph 7.6 & 7.10 of BNM’s Electronic Know-Your-Customer (e-KYC) Guidelines</p> <p>7.6 In identifying and verifying a customer’s identity through e-KYC as required by the policy document on AML/CFT and TFS for Fis, a financial institution may undertake measures including but are not limited to the following-</p> <p>i. verifying the customer against a government issued ID by utilizing biometric technology;</p> <p>ii. ensuring that the government issued ID used to support e-KYC customer verification is authentic by utilising appropriate fraud detection mechanisms; and/or</p>

2. Requirements On Non Face-to-Face and eKYC Authentication (2/4)

Bursa	SC	BNM
<p>Rules of Bursa Securities</p>	<p>Guidelines On Prevention Of Money Laundering And Terrorism Financing For Capital Market Intermediaries</p>	<p>Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) Guidelines</p>
<p>(b) receive and encash a personal cheque of the Client for an amount of not less than RM100, where the name appearing on the cheque and the signature of the Client on the cheque must match the name and signature of the Client in the account opening application form;</p> <p>(c) initiate contact with the Client through video conference or a video recording of the Client;</p>	<p>(iii) contacting the customer through any digital communication channel to visually verify the customer’s identity; or</p> <p>(iv) requesting the customer to make a nominal payment from his own account with a licensed bank under the Financial Services Act 2013 or licensed Islamic bank under the Islamic Financial Services Act 2013 to enable the reporting institution to satisfy itself of the customer’s true identity.</p>	<p>(iii) ensuring the customer is a live subject and not an impersonator (e.g. through use of photos, videos, facial masks) by utilising liveness detection.</p> <p>7.10 Notwithstanding paragraphs 7.7 to 7.9, a financial institution may also perform e-KYC where identification and verification is conducted solely by a human representative. This includes cases where the decision to verify a customer is conducted by a financial institution representative, intermediary or insurance agent, with the assistance of electronic means such as video calls using mobile devices.</p>

2. Requirements On Non Face-to-Face and eKYC Authentication (3/4)

Bursa	SC	BNM
<p>Rules of Bursa Securities</p>	<p>Guidelines On Prevention Of Money Laundering And Terrorism Financing For Capital Market Intermediaries</p>	<p>Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) Guidelines</p>
<p>(d) obtain confirmation of the Client’s identity and relevant details of the Client from another entity within the Participating Organisation’s Group which is a reporting institution under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 and has previously verified the Client’s identity in accordance with such entity’s standard operating procedures and ensure that the details of the Client obtained from such other entity match the information in the Client’s account opening application form;</p>	<p>(ii) substantiating the customer’s information with any independent source, e.g. contacting the customer’s employer and verification through database maintained by any relevant authorities;</p> <p>(iii) contacting the customer through any digital communication channel to visually verify the customer’s identity; or</p> <p>(iv) requesting the customer to make a nominal payment from his own account with a licensed bank under the Financial Services Act 2013 or licensed Islamic bank under the Islamic Financial Services Act 2013 to enable the reporting institution to satisfy itself of the customer’s true identity.</p>	

2. Requirements On Non Face-to-Face and eKYC Authentication (4/4)

Bursa	SC	BNM
<p>Rules of Bursa Securities</p>	<p>Guidelines On Prevention Of Money Laundering And Terrorism Financing For Capital Market Intermediaries</p>	<p>Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) Guidelines</p>
<p>(e) request the Client to make a nominal payment to the Participating Organisation from his own account with a licensed bank under the Financial Services Act 2013 or licensed Islamic bank under the Islamic Financial Services Act 2013 or the Participating Organisation transfers a nominal sum into the Client’s account; or</p> <p>(f) use any other technology solution to verify the identity of a Client including, but not limited to, biometric technologies, which is able to verify the Client’s identity effectively.</p>		

Conclusion: Bursa’s requirements on KYC and non face-to-face/eKYC authentication are facilitative, similar and on par with the requirements of SC and BNM.

3. Comparison Of The Online Onboarding Workflow For Upfront Payment Clients Using Direct CDS Account And Authorised Nominee CDS Account

3. Comparison Of The Online Onboarding Workflow For Upfront Payment Clients Using Direct CDS Account And Authorised Nominee CDS Account (1/3)

Step	Direct CDS account	Authorised Nominee CDS account
1	<p>Client keys in information in online system (for e.g.)</p> <ul style="list-style-type: none"> a. Name b. NRIC/Passport c. Nationality d. Residency Status e. Information on spouse f. Registered & Correspondence Addresses g. Contact number h. Investment Objectives i. Net worth j. Bank account details k. Employment status l. Financial status <p><i>Note:</i> There may be other information required in other statutory requirements, for e.g. PDPA, FATCA, CRS, DCF, PEP Declaration.</p>	<p>Client keys in information in online system (for e.g.)</p> <ul style="list-style-type: none"> a. Name b. NRIC/Passport c. Nationality d. Residency Status e. Information on spouse f. Registered & Correspondence Addresses g. Contact number h. Investment Objectives i. Net worth j. Bank account details k. Employment status l. Financial status <p><i>Note:</i> There may be other information required in other statutory requirements, for e.g. PDPA, FATCA, CRS, DCF, PEP Declaration.</p>

3. Comparison Of The Online Onboarding Workflow For Upfront Payment Clients Using Direct CDS Account And Authorised Nominee CDS Account (2/3)

Step	Direct CDS account	Authorised Nominee CDS account
2	Client attach copies of documents in the online system. Minimum document required is the NRIC and proof of bank account details.	Client attach copies of documents in the online system. Minimum document required is the NRIC proof of bank account details.
3	<p>Broker performs checks on RAMCI (RAM Credit Information Sdn Bhd, now called Experian) or other system providers, for e.g. CTOS.</p> <p>Applicants will be screened via the broker's KYC check systems. This process is either manually carried out by the staff or can be automated, which will then require investment in systems by the broker.</p>	<p>Broker performs checks on RAMCI (RAM Credit Information Sdn Bhd, now called Experian) or other system providers, for e.g. CTOS.</p> <p>Applicants will be screened via the broker's KYC check systems. This process is either manually carried out by the staff or can be automated, which will then require investment in systems by the broker.</p>
4	<p>Broker performs authentication on the client. Various non face-to-face methods are available based on the requirements of Bursa, SC and BNM. One of the more efficient method will be requiring the client to transfer a nominal sum to the broker and the broker will re-transfer a smaller amount back to the client to confirm the authenticity of the client and legitimacy of the bank account. The balance of the money will be the cost of opening the CDS account.</p>	<p>Broker performs authentication on the client. Various non face-to-face methods are available based on the requirements of Bursa, SC and BNM. One of the more efficient method will be requiring the client to transfer a nominal sum to the broker and the broker will re-transfer a smaller amount back to the client to confirm the authenticity of the client and legitimacy of the bank account. The balance of the money will be the cost of opening the CDS account.</p>

3. Comparison Of The Online Onboarding Workflow For Upfront Payment Clients Using Direct CDS Account And Authorised Nominee CDS Account (3/3)

Step	Direct CDS account	Authorised Nominee CDS account
5	Due to the broker's preference to open a direct CDS account, the broker requires the client to further complete the relevant particulars in the opening of CDS account form. Client will then affix their electronic signature on the CDS form and e-mail/attach a copy of the form to the broker.	As the broker's nominee company is able to control the account opening process, this procedure can be expedited especially if it is automated. Broker opens authorized nominee CDS account for the client.
6	Broker opens direct CDS account for the client upon receiving the completed CDS form. Broker need not handle corporate actions for direct CDS accounts.	All corporate actions will be handled by the nominee company.

Conclusion: If a broker prefers to open direct CDS accounts for its clients instead of nominees accounts (differences in processes highlighted above) as the broker does not want to incur additional costs or handle the corporate actions, a CDS account opening form has to be completed and a signature is required for the CDS form. This may delay the account opening process for the client.

Thank you

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