Policy Consideration

1. The legal and regulatory framework supports the usage of Digital ID by FSPs	Foster dialogue between different agencies and actors
	Develop clear guidelines or regulations allowing the appropriate, risk-based use of digital ID systems
	Consider if a Simplified CDD (SCDD) would be appropriate based on a risk-based analysis
	Assess if the existing legal and regulatory framework cover the usage of Digital ID and e-verification of customers identity
	Harmonize CDD requirements
	Adopt technical standards to the usage of Digital ID
	Support the usage of e-KYC solutions
	Guidelines on non-face to-face account opening
	Guidelines on the role that e-signatures
	Mitigate exclusion risks for those that do not have a digital ID

What is CDD?

- Defined in Recommendation 10 of the FATF Standards

- Includes:
  1. Identifying and verifying customer's identity using "reliable and independent source documents, data or information"
  2. Beneficial owner
  3. Purpose and intended nature of the business relationship
  4. Ongoing due diligence

Risk-based approach (RBA)

- **R.1:** authorities & private sector to understand risks and apply risk-sensitive measures
  - Simplified measures – lower risk
  - Exemptions – proven low risk or occasional/very limited basis
- **R.10:** determine the extent of CDD measures using a risk-based approach
  - E.g. "Financial products or services that provide appropriately defined and limited services to certain types of customers, so as to increase access for financial inclusion purposes."

Examples of simplified CDD

- Demanding less detailed and frequent information
- Rely on a broader range of acceptable identification means
- Delayed verification (e.g. if account transactions rise above a defined monetary threshold or seem unusual)
- Inferring aspects of CDD from account type or use
- "Tiered" CDD approach
- Progressive CDD
- *Should be in line with risks*
- *Not acceptable if there is a suspicion that ML or TF might be occurring or higher risk scenarios apply*

FATF Digital ID Guidance

- Take a risk-based approach to applying digital ID for CDD

- Trustworthy digital ID can improve convenience while reducing costs, without compromising on security

- Reliable digital ID may present a standard level of risk, and may even be lower-risk

- Use flexibility built in FATF's risk-based approach to mitigate illicit finance risks

- Work with a broad range of stakeholders, including the private sector

Question 1

Is the digital ID system authorised* by government for use in customer due diligence (CDD)?

NO →

YES ↓

* Authorities have either allowed or mandated the use of the ID for CDD purposes

Digital ID is reliable and independent and can be used for CDD**

** additional information or risk mitigation measures may be required

Question 2

Do you know the robustness and assurance level(s) of the digital ID system ?
- Government provices general purpose ID, **or**
- Government assures / audits / certifies, **or**
- Government-approved entity audits / certifies

YES →

NO ↓

Action:
Perform or obtain assurance assessment

Question 3

Does the digital ID system provide a sufficient assurance level for the associated money laundering / terrorist financing risk situation?

YES | **NO**

Digital ID not reliable or independent. Do not use for CDD unless it can be adequately supplemented.

Decision:
If multiple, select appropriate solution for CDD and other factors

Special considerations for financial inclusion

- Flexible identity evidence requirements e.g. more reliance on biometrics, use of *trusted referees*, UNHCR databases

- Lower levels of assurance for simplified due diligence (with mitigation measures)

- Not a static exercise - building identity over time

For more information ...
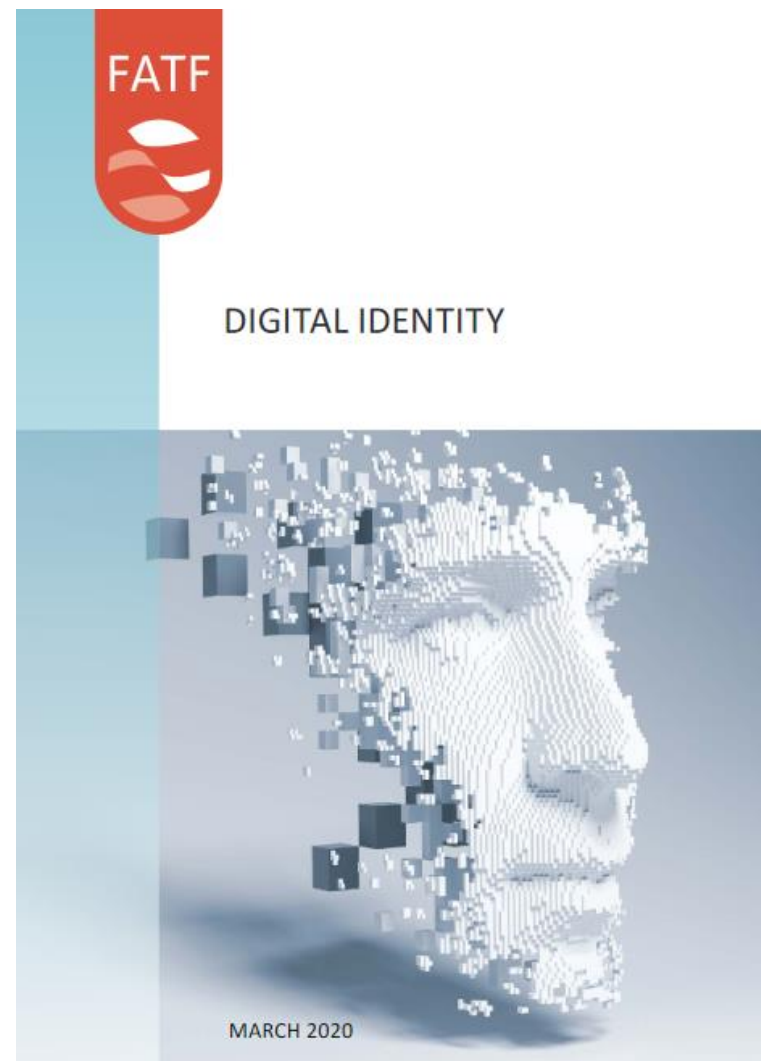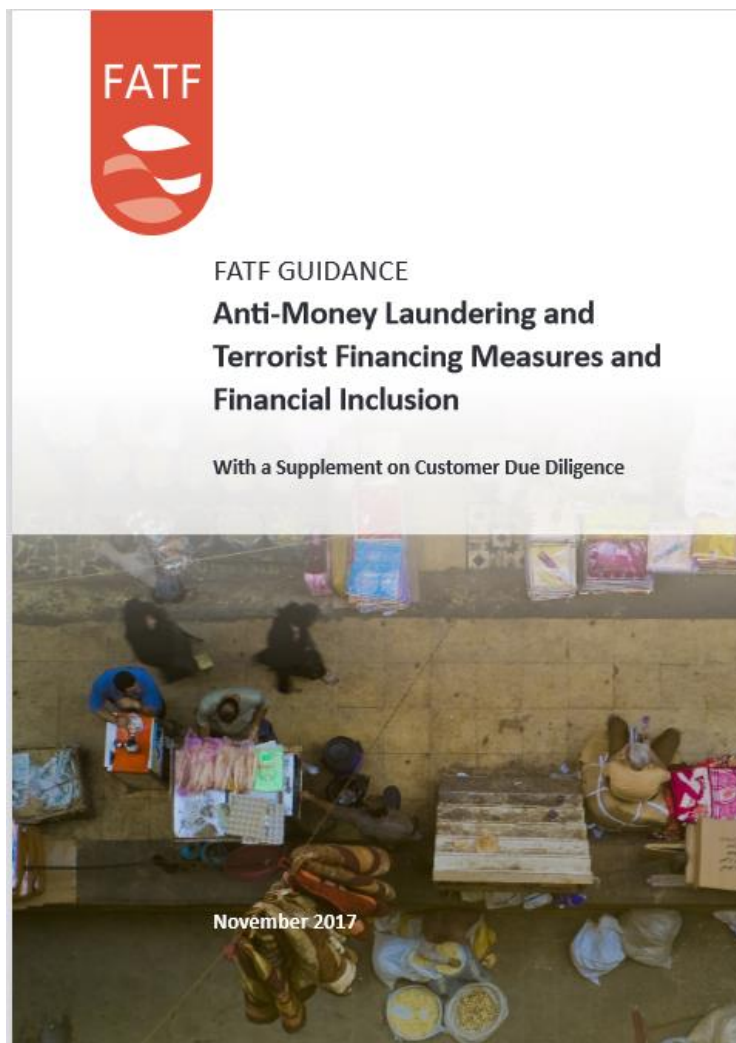
Digital KYC/e-KYC: Bangladesh Experience

Md Masud Rana, CAMS, M(PICT)

❏ **Understanding ID infrastructure in Bangladesh.**

❏ **Understanding e-KYC regime in Bangladesh.**

Target

Sustainable Development Goal

Vision 2021
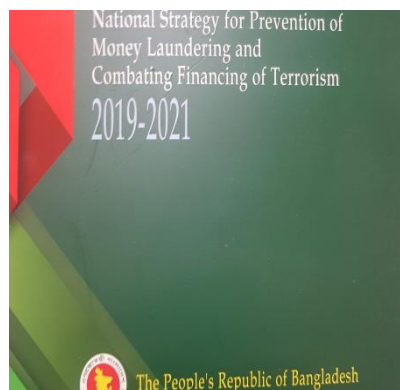
National AML/CFT Strategy

Objectives

The key objectives of implementing e-KYC policies may be described as follows:

ML/TF Risk

GOOD GOVERNANCE

Financial Inclusion

Promoting FinTech

National Wellbeing

The key outcome of e-KYC/Digital KYC pilot concluded with followings:

Capacity of NID Architecture

Cost saving

Time saving

Business Growth

Verification Architecture: NID

NID verification servi[ce]
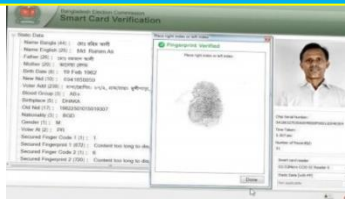
Improvement in service delivery

User: Government and Financial institutions

Smart NID Card Unique NID number - one man one ID concept

Central Data Center

325 million verification in last 4 years

e-governanc[e]

good governanc[e]

Hub of all e-service deliveries

Verification Architecture: Porichoy

Departmental Applications

| NID / EC | Birth Registration | Address Verification | CBVMP Mobile |

Banks - eKYC

Telecom - E-SAF

Govt Stimulus- Covid

Freelancer - Online Authentication

Fin tech - On-boarding

API BASED

porichoy™

- Verification
- Authentication
- Biometric

National E-Service Bus

ICT Division

User: Government, Financial institutions and, local and foreign Fintech

10 Million verification in a year

Porichoy Packages

ⅴ

Porichoy Basic

Features:

- Verify NID number, Name and DOB

REGISTER HERE

Porichoy Autofill

Features:

- Get NID or Birth Registration Data
- Get original NID picture
- English translation option

REGISTER HERE

Porichoy Autofill with Face Matching

Features:

- Include the features of **Porichoy Autofill** package
- Match Selfie with Original NID picture
- Single API for all

REGISTER HERE

Components:

❑ **Electronic KYC or e-KYC means conducting customer due diligence in a digital means, which includes followings:**

    ❑ **Client on boarding;**

    ❑ **Client digital KYC profile; and**

    ❑ **Client risk grading.**

    ❑ **Automated checking of all AML/CFT Utilities**

Simplified

Regular

Digital Financial services (DFS)

MFS, DFS, PSPs, PSOs and Fintech Companies with a proven low risk scenario.

Financial inclusion products

Subsidy and allowances safety net programs (G2P); All receipt by the government (P2G); and existing financial inclusion products.

Agent banking products:

Existing agent banking products within the transaction limits set by the Bangladesh Bank time to time

Banking products:

➢**Deposit or Withdrawal not exceeding BDT 1,00,000 per month in a checking account;**

➢**Term Deposit upto. BDT 10,00,000;**

➢**Special deposit scheme with maturity value upto exceeding BDT 10,00,000**

Agent banking products:

> When agent banking customer performed transaction with the branch as a regular customer;

Banking products:

> Other banking products except the banking products mentioned in section 2.3.1(d)

NID Number:...
Date of Birth: (DD/MM/YYYY)...
Biometric verification.. Next ⟹

Applicant's Name: ....
Mother's Name: ....
Father's Name: ....
Gender (M/F/T)......................................…..
Profession:………………………………….………..
Mobile Phone Number:………………………………….…………..
Present Address: ....
Permanent Address: ....
Nominee:.............................: Relation..............Photograph..............

Next

Photograph: .... Next ⟹

Client signature or digital signature or PIN................................... Next ⟹

Account/Policy Opening Notification

- Taking picture of customer NID (original copy)-front page
- Taking picture of customer NID (original copy)-back page

Next ⇒

- Taking picture of customer face

Next ⇒

Applicant's Name: ....

Mother's Name: ....

Father's Name: ....

Gender (M/F/T)..

Profession:..

Mobile Phone Number:..

Present Address: ....

Permanent Address: ....

Nominee:..: Relation...............Photograph...............

Next

Photograph: ....

Next ⇒

Client signature or digital signature or PIN..

Next ⇒

Account/Policy Opening Notification

- Taking picture of customer NID (original copy)-front page
- Taking picture of customer NID (original copy)-back page

Next ⟹

- Taking picture of customer face

Next ⟹

NID Number:...

Date of Birth: (DD/MM/YYYY)...

Biometric verification..

Next ⟹

Account Name.. Account Type..............
Account Number...Unique Account Number....................
Applicant's Name: ....
Mother's Name: ....
Father's Name: ....
Spouse Name :...
Gender (M/F/T)....................................... Date of Birth........................
Profession............................. Monthly income............... Sources of Fund.........
Mobile Phone Number:..
Present Address: ....
Permanent Address: ....
Nominee:.........Date of Birth........... Relation.................. Photograph....................

NB: a) Incorporate 'add' button of similar field if there is more than one applicant;
   b) Incorporate 'add' button of similar field if there is more than one nominee;
   c) If applicant is minor then they should proceed for traditional methods of account opening;
   d) Incorporate 'add' the following field if nominee is 'Minor'
   i) Name of minor nominee... ii) Name of Guardian... iii) Address.... iv) Relation....
   v) NID of Guardian....... vi) Photograph of Guardian.............

Photograph: ....

Next ⟹

Client signature or digital signature or PIN..

Next ⟹

Account/Policy Opening Notification

Onboarding

Self Check-in

Assisted Check-in

Matching Parameters

Particulars	Matching Percentage
Applicants' Name	≥ 80%
Date of Birth	100%
Fingerprint /Face	≥ 80%
NID number	100%
Fathers' Name	≥ 80%
Mothers' Name	≥ 80%

(a)Security measures

- 2FA/MFA;

- PIN;

- Locally hosted server;

- Data protection n Privacy;

- Data transmission.

(b) Others

- Third Party;

- Record Keeping;

- Risk Assessment;

- Implementation;

- Transformation.

❑ ***Type of On-boarding***;

❑ ***Geographic Risks***;

❑ ***Type of Customer***;

❑ ***Product and Channel Risk***;

❑ ***Business and Activity Risk***;

❑ ***Transactional Risks***;

❑ ***Transparency Risk***;

Risk Type	Overall Score
Regular (< 15)	
High (≥15)	

Sample Profile

Customer Photo

Photo Others

Applicant's Name:..
Account number:.. Unique account number..........................
Mother's Name: ....
Father's Name :..
Spouse Name: ....
Date of Birth .... Gender (M/F/T)..
Profession:........................... Monthly income............. Sources of Fund..............
Mobile Phone Number:......................... Nationality................. TIN (if any): ....
Present Address: ....
Permanent Address:..
Nominee:................................: Relation..................... Photograph....................
Specimen signature..

NID Front Side

NID Back Side

1. Has UNSCRs check done?   (Yes)   (No)
2. Has risk grading done? If assessed risk high then conduct EDD as per BFIU circular.

Risk Type	Overall Score
Regular (< 15)	
High (≥15)	

3. Is the customer is IPs/PEPs? If client is PEPs or IPs with higher risk, then conduct EDD as per BFIU circular.
4. Is there any adverse media news against the customer? If any then conduct EDD.
5. Has the source of und verified/justified?   (Yes)   (No)
6. Has the beneficial ownership checked? If there any beneficial owner found, then conduct CDD on beneficial owner. If beneficial owner is PEPs, then conduct EDD.
7. Are any other documents obtained........?
8. Nominee details:.........
9. Has review of customer profile done (existing customer)? if so, date of review.....
10. What is the average range and usual pattern of customer transaction (over 6/12 months)?....
11. Any other relevant field may be add here..

The financial institutions should implement this regulation **by December 2020** as the timeline set out in the National Strategy Paper for preventing ML/TF 2019-2021 published by the Government People's Republic of Bangladesh.

Implementation so far:

a) MFS : All MFS

b) Banks: 10

c) Non-Bank Financial Institutions :02

d) Insurance Companies: 02

e) Capital Market Intermediaries:01

Account Opened (As of Dec. 2020):

a)   bKash :   13.93 Million

b)   Rocket+DBBL : 8 Million

c)   Nagad: 15 Million

d)   All banks: around 1 million

What Next

✓   Implement digital KYC/e-KYC for legal entity

✓   KYC Registry

Thank you