



Effective date: 1 September 2022

**NOTICE FOR BANKS AND FINANCIAL INSTITUTIONS
NOTICE NO. FIU/N-1/2022/1**

**NOTICE ON MEASURES FOR NON-FACE-TO-FACE CUSTOMER ONBOARDING
AND ONGOING CUSTOMER DUE DILIGENCE**



1. INTRODUCTION

- 1.1. This Notice is issued pursuant to section 54 of Brunei Darussalam Central Bank Order, 2010 [BDCB Order] and applies to Banks and Financial Institutions in Brunei Darussalam.
- 1.2. This Notice outlines the minimum required standards for customer due diligence measures for Banks and Financial Institutions when establishing with natural persons a new business relationship or maintaining an ongoing business relationship that is non-face-to-face.
- 1.3. Any Bank or Financial Institution that is proposing the use of an E-KYC solution, whether as an extended feature of an existing system or as a new solution that is incorporated or integrated into its existing system, is considered to be offering a new type of service.
- 1.4. Where applicable, this Notice must be read together with any relevant legislations, Notices and guidelines issued by Brunei Darussalam Central Bank [BDCB], in particular:
 - 1.4.1. Criminal Asset Recovery Order, 2012 [CARO];
 - 1.4.2. Anti-Terrorism Order, 2011;
 - 1.4.3. General Guidance Paper to Financial Institutions and Designated Non-Financial Businesses and Professions on Anti-Money Laundering and Combatting the Financing of Terrorism;
 - 1.4.4. Guidance Paper to Financial Institutions on Anti-Money Laundering and Combatting the Financing of Terrorism [AML/CFT] Transaction Monitoring programme;
 - 1.4.5. Standard Technology Risk Management Guidelines, Guidelines to Money Changer and Money Remittance Businesses, Guideline No TRS/G-1/2019/1;
 - 1.4.6. Guidelines on Technology Risk Management for Financial Institutions, Guidelines to Banks and Finance Companies, Guidelines No. TRS/G-2/2022/1;
 - 1.4.7. Guidelines on IT Third Party Risk Management for Financial Institutions, Guidelines No. TRS/G-3/2022/2;
 - 1.4.8. Guidelines on Credit Risk Management for Banks, Guideline No. BU/G-1/2018/9;
 - 1.4.9. Outsourcing Guidelines for Banks dated 7 September 2012;
 - 1.4.10. Notice on Outsourcing for CMSLH, Notice No CMA/N-1/2020/15;
 - 1.4.11. Guidelines on Minimum Standards for a Remittance System, Guideline No SM/G-1/2020/1;
 - 1.4.12. Guidelines for Remittance Collection Service, Guidelines No. SM/G-1/2021/3;



- 1.4.13. Notice on Application for Approval of Outsourcing Arrangement for Insurance Takaful, Notice No. TIU/N-1/2019/11;
 - 1.4.14. Guidelines on Outsourcing Arrangement for Insurance Companies and Takaful Operators, Guidelines No. TIU/G-1/2019/10;
 - 1.4.15. Guidelines on Risk Management and Internal Controls for Insurance Companies and Takaful operators, Guideline No TIU/G-3/2018/8;
 - 1.4.16. Guidelines on Online Distribution for Insurance Companies and Takaful operators, Guideline No TIU/G-1/2020/11; and
 - 1.4.17. Any other notices, directives or guidelines, which the Authority may issue from time to time.
- 1.5 This Notice shall take effect on 1 September 2022.

2. DEFINITIONS

- 2.1. For the purposes of this Notice, the following terms shall have the following meanings except where the context otherwise requires –
- 2.1.1. “Banks” have the same meaning as section 2, BDCB Order, 2010;
 - 2.1.2. “beta testing” means a test on a nearly finished product that involves real people but conducted in a controlled environment;
 - 2.1.3. “biometric” refers to a biological aspect of a person’s physical feature or characteristic which are unique and includes but not limited to facial features, fingerprints or retinal patterns;
 - 2.1.4. “customer” has the same meaning as in section 2, CARO, 2012;
 - 2.1.5. “E-KYC” or “E-KYC solution” refers to the use of electronic or digital means to verify the authenticity of a person in order to establish business relationships (i.e. onboarding) and conduct customer due diligence (CDD);
 - 2.1.6. “E-KYC application” means the customer-facing application, user interface application and/or the Application Programming Interface (API) of the E-KYC solution;
 - 2.1.7. “existing system” means a pre-existing system or application that Banks and Financial Institutions use to deliver services to its customers in its day-to-day operations, including but not limited to, the storing of customer information and information on transactional activities;
 - 2.1.8. “FAR” or “false acceptance rate” means the percentage of instances when an E-KYC solution wrongly accepts or verifies any unauthorised persons;

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- 2.1.9. “false positive” refers to when an E-KYC solution accepts and verifies a customer’s identity when it should have been rejected. These include cases of false or unclear identities, forged or tampered documents and unclear images that have been wrongly accepted;
 - 2.1.10. “Financial Institutions” have the same meaning as section 2, BDCB Order, 2010;
 - 2.1.11. “key responsible person” refers to senior persons that are accountable or responsible for the management and oversight of the Bank or Financial Institution of which they may hold controlled functions in executive positions;
 - 2.1.12. “legal arrangement” refers to an express trust or other similar legal arrangements;
 - 2.1.13. “legal person” means any entity other than a natural person that can establish a permanent customer relationship with a financial institution, banks or otherwise own property. This can include companies, bodies corporate, foundations, anstalt, partnerships or associations and other relevantly similar entities; and
 - 2.1.14. “true negative” refers to when an E-KYC solution correctly rejects and refuses to proceed with verification of a customer’s identity. These include cases of false or unclear identities, forged or tampered documents and unclear images that have been rightly rejected.
- 2.2 Any expression used in this Notice shall, except where expressly defined in this Notice or where the context requires otherwise, have the same meaning as in the BDCB Order, 2010.

3. GENERAL REQUIREMENTS FOR E-KYC

- 3.1. Prior to implementation, all E-KYC Solution to be used by Banks and Financial Institutions requires approval from BDCB as outlined at Paragraph 7 below. The use of E-KYC is limited to customers that are natural persons. The use of E-KYC upon customers categorised as legal persons or legal arrangements are not permitted.
- 3.2. A government-issued identification document is regarded as a reliable and independent source of information to verify the identity of any individual residing within the country. The process of obtaining and verifying identification via E-KYC is currently limited to any government-issued identification documents.
- 3.3 The obligations pertaining to obtaining and verifying customer information under CARO applies equally to E-KYC authentication. Banks and Financial Institutions shall verify the customer information using reliable, independent source documents, data or information including but not limited to government-issued documents or other unique data or information attributed to each customer. In verifying the identity of the customer and any information, Banks and Financial Institutions shall have appropriate technologies in place.



4. AML/CFT REQUIREMENTS FOR E-KYC

Using E-KYC during Customer Onboarding

- 4.1. Banks and Financial Institutions shall conduct the following processes when using E-KYC for customer onboarding:
 - 4.1.1. Identification: Collection of customer information pursuant to section 6, CARO;
 - 4.1.2. Verification: Ensure the information provided belongs to the customer pursuant to section 7, CARO;
 - (a) Capture customer identification via recording or sighting sufficient documents of the customer to attribute such information to the particular customer; and
 - (b) Adopt biometric technology to scrutinise customers virtually in real-time.
- 4.2. The E-KYC solution implemented shall comply with record-keeping requirements under section 14, CARO.

Using E-KYC for Ongoing Due Diligence

- 4.3. In ensuring customer profile is up-to-date and the categorisation of such customers are in line with their risks, Banks and Financial Institutions can utilise E-KYC to conduct periodic reviews for customer information.
- 4.4. In relation to paragraph 4.3 above, Banks and Financial Institutions shall specify certain information that can be obtained from or updated by the customers without the need for face-to-face verification.
- 4.5. In the instance that any updates to customer information necessitates new documents to be obtained, Banks and Financial Institutions shall apply the same verification process of obtaining such documents as when conducting onboarding of customers, as stated above in paragraph 4.1.2 (b).

5. TECHNOLOGICAL REQUIREMENTS FOR E-KYC

- 5.1. The following steps or features shall be adhered to when implementing an E-KYC solution.

Application and Device

- 5.2. The Banks and Financial Institutions shall ensure the device used for the E-KYC application are reliable and capable to support the E-KYC application and its processes.
- 5.3. The E-KYC application and its components shall be maintained and supported by updates and security patches.



- 5.4. The E-KYC application and device used shall be able to take biometric, image, document and/or video used for E-KYC verification in timely manner and with good quality.
- 5.5. The E-KYC application shall be able to verify the biometric, image, document and/or video accurately.
- 5.6. A reliable liveness detection method shall be in place to improve reliability of the verification and ensure genuine human interaction.
- 5.7. All data used for E-KYC such as images, videos and biometric data shall be securely stored and protected. Banks and Financial Institutions shall also adhere to requirements set in any existing or new laws and regulations on personal data protection.

Artificial Intelligence and Automation

- 5.8. E-KYC application that utilises artificial intelligence shall be monitored and tested until the result of the automated E-KYC process is reliable and accurate.
- 5.9. In ensuring the accuracy of the E-KYC automated process, Banks and Financial Institutions shall take steps to minimise any error rates, which is primarily evaluated by the overall false acceptance rate (FAR) as below:

$$FAR = \frac{\text{No. of False Positives}}{[\text{No. of False Positives} + \text{No. of True Negatives}]} \times 100$$

- 5.10. Banks and Financial Institutions shall set the limit for FAR to not exceed 5% for three (3) consecutive months calculated on a rolling basis (i.e. January to March, February to April, etc) and taking into consideration the risks associated with inaccurate identification.

Testing and Reporting

- 5.11. Banks and Financial Institutions shall test their E-KYC solution on a testing or development environment using near-real data such as samples from beta testing and/or focus group testing based on the target users. All successful and failed authentications shall be recorded, and the FAR shall be evaluated every month prior to submission of approval. The testing result shall be submitted to BDCB during the submission of application to E-KYC.
- 5.12. For any third-party E-KYC application, the vendor or service provider shall demonstrate the acceptable FAR as stated above and to provide sufficient test and audit reports to the Banks and Financial Institutions for assurance.
- 5.13. Upon approval of the E-KYC, Banks and Financial Institutions shall monitor the FAR for at least six (6) months. During this period, Banks and Financial Institutions are expected to supervise the E-KYC authentication process to allow intervention if necessary until sufficient live data is gathered and acceptable FAR result is maintained.
- 5.14. Banks and Financial Institutions shall keep record of E-KYC data and E-KYC system performance. This will allow Banks and Financial Institutions to review and plan future



improvements to the E-KYC system and to comply with record-keeping requirements under section 14, CARO.

6. OTHER REQUIREMENTS

- 6.1. Banks and Financial Institutions shall identify and analyse risks, including ML/TF risks, that are present or may arise from the use of E-KYC and to implement the necessary risk mitigation measures commensurate with the identified risks. This shall also include the levels of verification according to the risk level of customers.
- 6.2. No E-KYC solution is permitted for the following customers, until face-to-face verification has been conducted:
 - 6.2.1 Use of E-KYC solution for establishment of business relationship with new customers that are identified to be of high ML/TF risk; and
 - 6.2.2 Use of E-KYC solution throughout the business relationship with pre-existing customers that are newly rated as high risk, where face-to-face verification has not been conducted during customer onboarding.
- 6.3. In the case of pre-existing customers that are newly rated as high risk, where face-to-face verification has been conducted during customer onboarding, Banks and Financial Institutions shall be allowed to continue the use of the E-KYC solution throughout the business relationship.
- 6.4. If the E-KYC solution is derived or outsourced from a third party, Banks and Financial Institutions shall also be able to demonstrate compliance to the intermediaries or third party conditions as per section 5 [3] of CARO.
- 6.5. Banks and Financial Institutions shall have in place audit arrangements to provide assurance on the effectiveness of the E-KYC solution, risk management and the robustness of security and internal controls.
- 6.6. Banks and Financial Institutions shall assess the access or use of E-KYC based on the target audience and to consider limiting access only for the target audience.
- 6.7. Effective online and offline support shall be made available to assist customers in the E-KYC process and resolve issues.

7. APPROVAL FOR E-KYC SOLUTION

- 7.1. The Bank or Financial Institution shall submit an application for approval to BDCB using the Application for Approval form in **Appendix 1** and accompanied by supporting documents as may be applicable. Any reference to the Application for Approval form shall be construed as reference to the current version of **Appendix 1** which is displayed on BDCB's website at www.bdcdb.gov.bn.
- 7.2. The Application for Approval form shall be given to BDCB at least three [3] months before the proposed launch date of the E-KYC. Upon receipt of a completed

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application, BDCB shall within a period of three (3) months or such extended time as BDCB shall decide to approve or reject the application subject to the complexity of the E-KYC.

- 7.3. Banks and Financial Institutions shall submit the application for approval to BDCB addressed to:

Deputy Managing Director (Regulatory and Supervision)
Brunei Darussalam Central Bank
Level 7, Ministry of Finance and Economy Building
Commonwealth Drive, Bandar Seri Begawan BB3910
Brunei Darussalam

- 7.4. All documentation submitted with the application to BDCB shall include a declaration by the key responsible persons as required in **Appendix 1**.

**MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK**

Issue Date: 14 Zulhijjah 1443H / 14 July 2022M