



# BANGKO SENTRAL NG PILIPINAS

CIRCULAR NO. \_\_\_\_  
Series of [yyyy]

## OFFICE OF THE GOVERNOR

**Subject: Amendments to Section 921/921Q of the Manual of Regulations for Banks (MORB)/ Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) - Enhancing the Guidelines on Electronic Know-Your-Customer (e-KYC)**

The Monetary Board, in its Resolution No. \_\_\_\_ dated \_\_\_\_ 2021, approved the amendments to the provisions of Section 921 of the Manual of Regulations for Banks (MORB) and Section 921Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on customer identification to enhance regulations on electronic Know-Your-Customer (e-KYC).

**Section 1.** Section 921 of the MORB and Section 921Q of the MORNBFI on customer identification is hereby amended to read, as follows:

### ***921 CUSTOMER DUE DILIGENCE***

a. In conducting customer due diligence (CDD), a risk-based approach shall be undertaken depending on the type of customer, business relationship or nature of the product, transaction or activity. In this regard, a covered person shall maintain a system that will ensure the conduct of CDD ~~customer due diligence~~ which shall include:

- (1) xxx;
- xxx
- (4) xxx.

Where a covered person is unable to comply with the relevant CDD measures, it shall (a) ~~Refuse to not open an~~ the account, commence business relations, or perform the transaction; or (b) ~~terminate the business relationship or refuse to perform the transaction~~ and (b) consider filing a suspicious transaction report (STR) in relation to the customer.

xxx

### ***Customer Identification. xxx***

a. Minimum information/documents required:

(1) *New individual customers. xxx*

Unless otherwise stated in this Part, average CDD requires that the covered person obtain from individual customers, at the time of

account opening/establishing the relationship, the following minimum information and ~~confirming~~ verify ~~these~~ customer's identity information with the official or valid identification documents or other reliable, independent source documents, data or information:

(a) xxx

xxx

(g) xxx;

Pursuant to Republic Act No. 11055 or the Philippine Identification System Act and its Implementing Rules and Regulations (IRR), the Philippine Identification System (PhilSys) is the government's central identification platform. An individual's records in the PhilSys shall be considered as an official and sufficient proof of identity. Considering its identity proofing, enrollment, authentication and identity life cycle management processes, the PhilSys is considered a reliable and independent source of verifying the customer's name and/or PhilSys number, date and place of birth, nationality, address, and biometrics, among others. Where the Philippine Identification (PhilID) is submitted by the customer, the PhilID shall be accepted, subject to proper authentication, as a sufficient proof of identity, and the covered person shall no longer require additional document to verify the customer's identity.

**b. Customer Verification Process. Covered persons shall xxx  
xxx**

**(1) this occurs xxx**

xxx

**(3) the ML/TF risks xxx**

BSFIs shall adopt appropriate risk management measures with respect to how the customer may use the business relationship prior to verification. These measures may include, among others, limitations on the number, types, and/or amount of transactions that can be performed, and monitoring of large or complex transactions that are beyond the expected activities or norms for the type of relationship.

**c. Valid identification documents.**

**(1) Customers and the authorized signatory/ies of a corporate or juridical entity xxx**

**(2) If the official document presented is not the PhilID, A a covered person may classify identification documents based on its reliability and ability to validate the information indicated in the identification document with that provided by the customer and ensure that risks are mitigated. ~~Whenever it deems necessary, a~~**

~~covered person may accept other IDs not provided herein. *Provided,*~~  
~~That it shall not be the sole means of identification.~~

In case the identification document presented xxx

In customer identification process, BSFIs shall implement appropriate systems of data collection and recording, such as: (1) photocopying/scanning of identification document presented; (2) using Information and Communication Technology (ICT) to capture and record the biometric and other personal information of customers; and/or (3) manual recording of identification information. BSFIs shall also comply with the required digitization of customer records pursuant to relevant BSP and AMLC issuances.

*Relief in case of calamity.* In case of a disastrous calamity xxx

(a) The amount of transactions xxx

xxx

(d) The customer's account activities xxx with the prescribed period.

d. Face-to-face contact. xxx

The use of ICT in the conduct of face-to-face contact and/or interview may be allowed: *Provided,* That the covered person has measures in place to mitigate the ML/TF risks and that ~~the entire procedure is~~ key CDD ~~customer due diligence~~ processes are documented or with adequate audit trail.

xxx

g. Electronic Know Your Customer (e-KYC). e-KYC refers to the use of electronic or digital methods in the customer identification and verification process.<sup>1</sup>

BSFIs may use different methods to conduct customer identification and verification including e-KYC through digital ID system. When employing e-KYC using digital ID system, the BSFI should ensure it is anchored on, among others, robust, effective, and reliable information and communication technology architecture. It shall adopt tiered or risk-based e-KYC policies and procedures depending on the assurance levels for identity proofing and authentication of the digital ID system used, if any. In implementing e-KYC using digital ID system, the BSFI shall:

- (1) Understand the basic components of the digital ID system, particularly identity proofing and authentication, as these will support customer identification and verification process.

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<sup>1</sup> FATF Guidance on AML/CFT Measures and Financial Inclusion, with a Supplement on Customer Due Diligence, p. 14, November 2017, citing e-KYC definition under the Unique Identification Authority of India (UIDAI, also known as Aadhaar)

- (a) Identity proofing and enrolment.<sup>2</sup> Identity proofing involves the collection, validation, deduplication and verification of identity evidence and information provided by the person; and establishing an identity account (enrolment) and binding the individual's unique identity to authenticators possessed and controlled by the person; and
  - (b) Authentication and identity lifecycle management.<sup>3</sup> It establishes, based on possession and control of authenticators, that the person asserting an identity (the on-boarded customer or claimant) is the same person who was identity proofed and enrolled; Authentication can rely on various types of authentication factors and protocols or processes and is usually considered more robust and reliable when it employs multiple types of authentication factors;
- (2) Apply informed risk-based approach to reliance on digital ID system for CDD that includes the requirement under item "(1)" above and ensuring that the assurance level/s are appropriate for the ML/TF risks presented by the customer, product, delivery channel, geographical location, among others. This will enable the implementation of a tiered customer identification and acceptance process. For example, in case of non-face-to-face channels, if the customer identification and verification rely on reliable, independent digital ID system with risk mitigation measures, this may pose standard or even lower risk. The assurance level will determine if the digital ID system is reliable and independent for AML/CFT purposes.
- (3) Perform ongoing assessment of the robustness of the digital ID system to be used or relied upon, including the embedded anti-fraud and cyber-security processes into the digital ID system to aid digital identity proofing and/or authentication.

In this regard, pursuant to R.A. No. 11055 and its IRR, the PhilSys-enabled e-KYC is recognized as an acceptable system for e-KYC using digital ID system in the Philippines.

BSFIs implementing e-KYC must perform customer identification and verification under the same standards equivalent to those for face-to-face basis, and shall establish appropriate risk management processes.

***gh. Trustee, nominee xxx***

***hi. Prohibited accounts. xxx***

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<sup>2</sup> FATF Guidance on Digital Identity, p. 20-21, March 2020

<sup>3</sup> FATF Guidance on Digital Identity, p. 22, March 2020

**Section 2. Penalty Clause.** Consistent with Section 002 of the MORB/Section 002Q of the MORNBF, the BSP may deploy appropriate supervisory enforcement actions to promote adherence with the requirements set forth in this Section and bring about timely corrective actions.

**Section 3. Effectivity.** This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general publication.

FOR THE MONETARY BOARD:

**BENJAMIN E. DIOKNO**  
Governor

\_\_\_\_\_ 2021