

RESPONSE TO CONSULTATION PAPER

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Consultation topic:	Notice on Identity Verification
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General comments:

Generally, ASIFMA and our members are supportive of MAS issuing a Notice on Identity Verification to strengthen the level of authentication controls to be implemented by financial institutions (“FI”).

Paragraph 1.3 of the Preface and Question 2 of the Consultation Paper suggest that the enhanced identity verification requirements would apply before FIs undertake any transactions for an individual, or act on instructions from an individual, for “non-face-to-face contact”.

“Non-face-to-face contact” is a very broad term as it would also include non-face-to-face instructions that are immaterial or involve low risk of impersonation or have built-in mitigants (such as where trading is followed by trade recaps or trade confirmations). For example, email instructions by authorised signatory of the client (which can be verified by the sender’s email address and call back verification), mail-in redemption requests, trade confirmations or instructions or forms with signature (which can be verified by signatures on file), phone-in queries on redemption process, client’s current holdings, and the distributor whom the client should go to.

Our members are concerned that applying the enhanced identity verification to all “non-face-to-face contact” would lead to unnecessary additional work for both FIs and their clients. We suggest that MAS takes a calibrated approach by clarifying in the Notice that the enhanced identity verification requirements apply only to financial transactions conducted through online financial services and phone banking as referred to in Paragraph 1.2 of the Preface where there is a high risk of impersonation.

In addition, since many of our members (i.e. asset manager members) deal only with institutions, not individual clients, it would be helpful if MAS can clarify whether it is the intention of the Notice to capture instructions to a CMS licensee from authorised individuals who are acting on behalf of an institutional client as the licensee already has the necessary information on the authorised individuals of their clients and such authorised individuals would have informed the client servicing officer of their instructions. Moreover, most of our asset manager members will not allow the transfer to cash to third parties.

Similarly, we wonder if it is the intention of the Notice to capture instructions from authorised individuals of counterparties with which a CMS licensee interacts, such as broker/dealers, custodians, market makers, trustees, distributors, etc.

Finally, we note that existing AML regulations already require reasonable and robust ID verification measures in non-face-to-face client situations. As the Notice does not refer to these other MAS AML Notices and Guidelines nor the 2018 MAS AML Circular on Use of MyInfo and CDD Measures for non-face-to-face business relations, we wonder how the Notice relates to these other MAS AML regulations. We suggest that MAS consider clarifying the foregoing in the Notice.

Question 1. MAS seeks comments on the applicability of the Notice.

For the reasons stated in our General Comments, we suggest that the requirements with respect to all non-face-to-face contact be narrowed or clarified such that they would not apply to situations where appropriate safeguards are already in place or where the risk of impersonation is low. For instance, there may be situations where the client submits written instructions via post to redeem their existing fund investment. In such situations, our asset manager members will review the account transaction details and the personal particulars provided by the client against their records. We would also like to highlight that an impersonator will not have access to the proceeds as the redemption proceeds are credited to the client's account (e.g. CPF Investment Account or designated bank account) on our member's records. In addition, as our members normally do not process instructions received over the phone but will request such investors to either approach their distributors or submit a written request via post, the risk of any fraud is low. Therefore, it is important to distinguish these situations from the other types of non-face-to-face contacts that the Notice is intended to address.

Question 2a. MAS seeks comments on the types of information stipulated in the requirement to verify the identity of an individual without face-to-face contact.

In addition to our General Comments, we note that some of our members transact with their customers electronically over their firm's proprietary online trading platforms in a secure and private manner with personalized user profile access and log in ID/password assigned only to designated authorized users of the customer. With the log-in details limited to and accessible only by the customer's designated users (for corporates, based on corporate resolutions), we would like MAS to confirm that such scenarios would also fall within the scope of 2a) in Section 2 of the Consultation.

Question 2b. MAS seeks suggestions on other effective types of information to verify the identity of an individual without face-to-face contact.

We suggest expanding the examples under “the information (such as account transaction information or application identification number)” in 2d) in Section 2 of the Consultation to include signature, call back verification to client’s or authorized signatories’ contact number registered with the FI, individual’s unique device ID (e.g. mobile device ID) or digital certificates.

Question 3. The effective date will be 6 months from date of issuance of the Notice. MAS seeks comments on whether the transition period is adequate for financial institution to implement the frameworks, processes and controls to comply with the requirements.

Given that some FIs may be using technologies in the market offered by vendors to do the individual verifications, it may take more than 6 months to select such vendors or for such vendors to adapt their existing technology or develop new technology to implement the requirements in the Notice, perhaps a one-year transition period would be more helpful to the industry.