

Central KYC (C-KYC)

Greater Insight, better decisions

The document aims to present
PwC's perspective on the
relevance and implementation of
C-KYC for Mauritius.



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KYC stands for 'Know Your Customer' and sometimes 'Know Your Client'. KYC includes the process by which businesses verify the identity of their customers before starting any business relationships, and after, on an ongoing and periodic basis.

The Context

European Commission (EC) Blacklisting

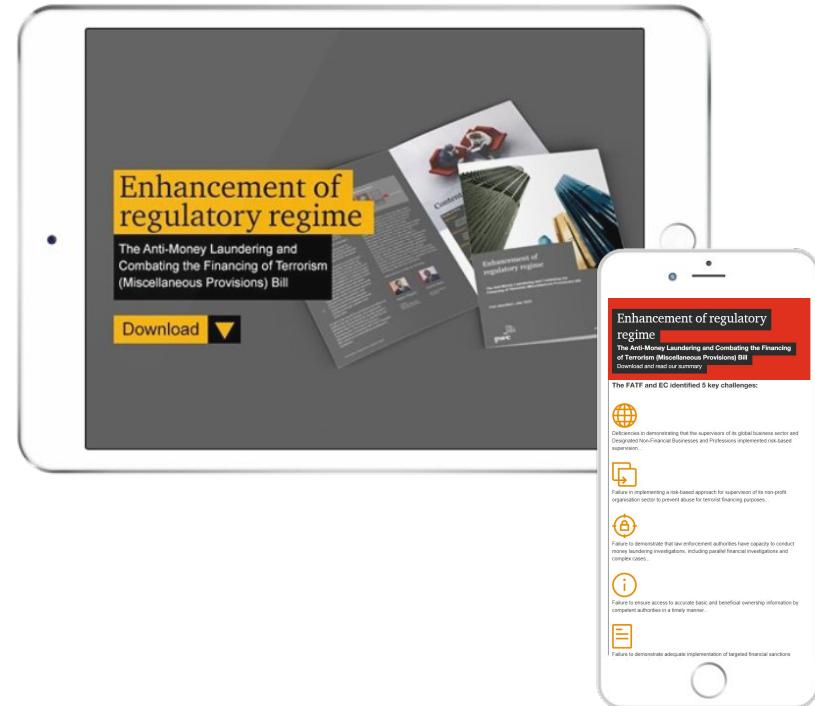
In May 2020, the EC included Mauritius among a list of 22 countries that pose significant threats to financial system of the European Union. Although the country has implemented 53 out of the 58 recommendations outlined by the Financial Action Task Force (FATF), this proposed blacklisting (effective as from Oct 2020) is a major hit to Mauritius' plan of becoming a destination of choice for International Finance.

FATF Recommendations

The FATF and EC identified **5 key issues for Mauritius**.

Our recent publication summarises and comments on The Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) (Miscellaneous Provisions) Act. The Bill aims to address these strategic and operational deficiencies required to comply with the recommendations of the FATF and EC.

[Click here to read more](#)



At PwC, we believe that by having a robust C-KYC Registry, Mauritius will strengthen the country's customer due diligence process and have a more rigorous AML/CFT procedure in place, through a standardised approach across all the financial institutions governed by multiple regulators.

Introduction to C-KYC

What is C-KYC?

- A Central KYC Registry or **C-KYC** is a centralised repository of KYC information of customers availing various services in the Financial Services sector.
- This Registry enables Financial Institutions (FIs*) to cut down on the lengthy process of customer onboarding and the costs entailed therein, while saving their customers the hassle to produce similar documentation multiple times.
- Based on a unique **KYC Identification Number (KIN)** issued by the C-KYC Registry, the customers can get onboarded by any other FI in the country.

Why is C-KYC important?

C-KYC as a concept is designed to protect against money laundering (ML) and terrorist financing (TF) violations. It seeks to eliminate the fallacies of a standalone KYC process used by FIs. It also aims at providing an enhanced customer experience by eliminating the need for producing the same set of documentation and going through the same procedures across multiple FIs over what is often a lengthy process.

* FIs (Financial Institutions) are entities regulated by Central Banks, Capital Market regulators or such other bodies or agencies which are responsible for overall governance of financial market transactions.



Fallacies of a standalone KYC process

Limited budget

Typically, FIs seek to complete the KYC process in a cost efficient manner, which, at times, may lead to inaccuracies and human dependencies.

Regulatory guidelines

At times, regulatory guidelines impede the usage of innovative solutions and technologies such as the Cloud, blockchain etc.

Lack of shared utilities

Regulators globally are yet to enable a shared utility like C-KYC, whereby the customer due diligence (CDD), once performed, can be mutually leveraged by multiple entities.

Onboarding Cycle

Customer onboarding is time consuming and complex; the quality of due diligence is questionable. There is no process standardisation, making KYC and CDD procedures person-dependent and vulnerable.

Comparing KYC, e-KYC and C-KYC

Definition

	KYC	e-KYC	C-KYC
Definition	FI is responsible to perform the KYC and verify the identity of their customers before commencement of the relationship, and also in an ongoing basis periodically.	FI is responsible to perform the KYC and verify the identity of their customers before commencement of the relationship and also in an ongoing basis periodically.	C-KYC is a centralised repository of KYC information of customers operating various services in the Financial Services sector.

KYC Documents

KYC Documents	Customer is required to submit the KYC documents physically .	Customer is required to submit the KYC documents digitally .	Customer may submit the KYC documents either physically or digitally.
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Verification

Verification	Physical In-person Verification (IPV) is required in order to complete the KYC process.	IPV can be done in a digital mode via real time video conferencing, biometrics matching, voice recognition, etc.	IPV can be performed through both physical or digital modes before adding the customer in the repository.
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Duplicity of Process

Duplicity of Process	KYC has to be performed with each FI whenever the customer seeks to engage / maintain a business relationship.	KYC has to be performed with each FI whenever the customer seeks to engage / maintain a business relationship.	KYC has to be performed only once. The customer may use his KIN with all other FIs when engaging with them or maintaining a business relationship.
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Data Repository

Data Repository	Each FI has its own set of data repository for the same customer.	Each FI has its own set of data repository for the same customer.	Single source of truth available as all the information regarding the customer is available centrally.
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Benefits of having a C-KYC Registry



1 Productivity

- FIs can stay focused on their core business of serving their customers.
- Reduced time for customer onboarding as the process can be completed by pinging the Central Registry, resulting in an enhanced customer experience for the FI.

2 Standardisation

- C-KYC enables inter-usability of KYC records thereby infusing transparency and a unified process.
- Standardised output meeting all relevant regulatory requirements.

3 Cost Optimisation

- C-KYC enables mutualisation of costs across multiple FIs, thereby reducing Cost of Acquisition.
- Membership and usage based fees, with low cost of ongoing maintenance and support.

4 Technology Based

- Optimised use of technology to enable faster data processing and reduced turnaround time.
- Data is securely stored resulting into the highest standards of data security and privacy.
- Close monitoring against politically exposed person (PEP) or sanction lists
- Periodic delta screening against negative news.

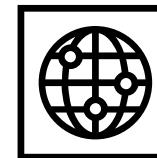
PwC's perspective

Most regulators across economies face challenges in enforcing regulations around customer due diligence, performing AML and CFT screening and also in identifying the ultimate beneficial owners of the structured companies and the mesh around them.

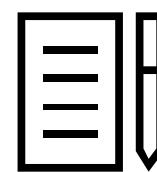
A Central KYC Registry is a forward-looking step to eradicate the information asymmetry of customer information within the financial services ecosystem, and to ensure that the information obtained by the financial services entity is accurate, updated and relevant.

However, the regulator needs to come up with very clear guidelines on the use of C-KYC, as well as the KYC procedures to be followed by individual FIs. This is crucial considering the interaction involved between multiple entities (including non-FIs) for the exchange of information, the migration of existing data, periodic refresh of customer information, among others.

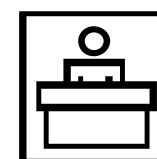
The bigger challenge of any theory is in its practical implementation. C-KYC can prove to be an effective tool, provided the journey from conceptualisation to implementation is well understood and delivered to meet the required goals.



A C-KYC Registry as a concept has been implemented in India. Countries like Singapore, Sri Lanka, Bahamas, among others, are jurisdictions that are in the process of implementing C-KYC.

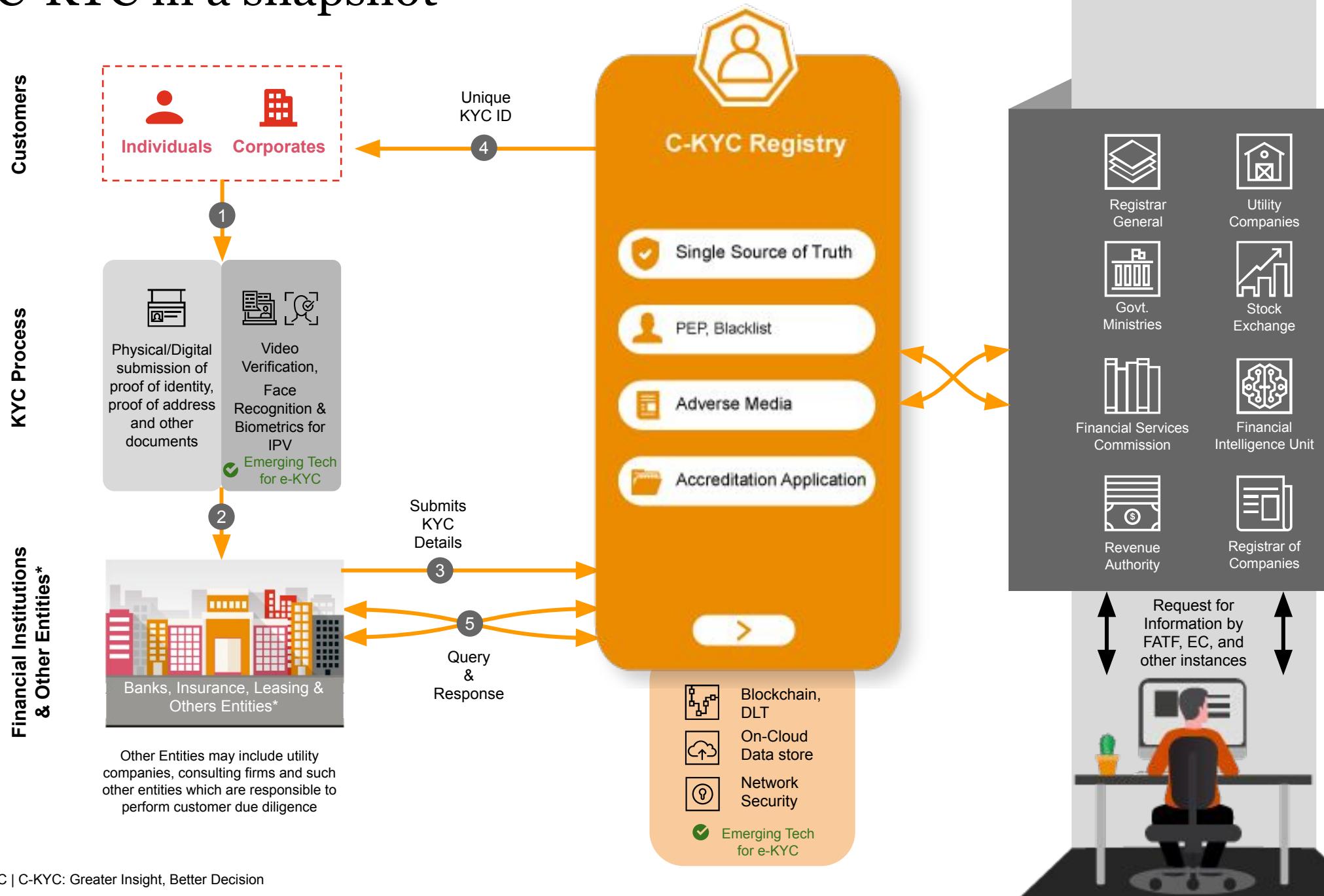


The concept of C-KYC should be well understood before implementation. Regulations should be amended to build a strong governance and working principles around the platform.



Access to C-KYC data is recommended to be extended to utility companies, consulting firms and such other entities that have a responsibility to perform customer due diligence.

C-KYC in a snapshot



C-KYC in practice

- 1  New customers of FIs have to submit a duly filled and signed C-KYC form along with proof of identity and proof of address during onboarding for the first time with any new FI.
- 2  Once the FI has completed the customer verification, they upload the documents collected from their customers onto the C-KYC Registry using the designated, technologically-aided methods.
- 3  When a FI uploads the customer's C-KYC form, the C-KYC Registry verifies the documents and issues a KYC Identification Number (KIN) to both to the FI and the customer by SMS or email.
- 4  The C-KYC Registry will be responsible to maintain the records of information including Proof of Identity, Proof of Address, PEP, Blacklist and such other information as might be required for compliance purposes.
- 5  For customers already having a KYC Identification Number (KIN), the FI can search and download the required data from the C-KYC Registry.

The C-KYC Registry should ideally be a **separate entity** formed under the supervision of the regulators that govern banks and other financial institutions.

The primary function of a C-KYC Registry is to collect and verify the information supplied by the various FIs during their customer onboarding/KYC process. The Registry will also make that information available to other FIs, government agencies and economic unions, utility companies and any such organisations or authorities.

Data being centrally available becomes a 'single source of truth', and may be shared with international agencies when required.

C-KYC in practice (continued)

Information Exchange

FIs, utility companies, government ministries and regulatory bodies may seek the information of customers provided they produce the KIN issued by the C-KYC Registry. This information can be obtained upon payment of a nominal fee.

The C-KYC Registry can also provide value-add to the respective entity data by checking and confirming whether the customer is on any blacklists or negative lists, a politically exposed person (PEP), or has some adverse media reported in its/his name.

In accordance with the rules and guidelines of Mauritius government, the C-KYC Registry may provide the available information to any such regulatory body globally, as may be required, for the purpose of curbing Money Laundering (ML) and Terrorist Financing (TF) activities.

Other features



Searching and downloading KYC records:

FIs can download single/bulk records by entering a C-KYC identifier and an authentication factor.



Updating KYC records:

When any update is made to a KYC record, all linked FIs will receive an electronic update notification. The entities can then download latest records available.



Multiple correspondence addresses:

C-KYC can maintain multiple addresses and contact information of the customer.



De-duplication & reconciliation of probable matches:

C-KYC performs a check for verifying probability of duplication of data.

Technology options

With the upsurge in technology advancements across the globe, there has been a continuous and increased demand for interactive and secured ways of exchanging information. While “Blockchain” or “DLT” (Distributed Ledger Technology) is considered to be more secured, it requires the data to be stored on the Cloud.

Hence, the regulators also need to have requisite guidelines around the use of such technologies for their regulated entities. Our recommendations are in line with global best practices and in the ways exchange of information can happen in the most secured manner.



Blockchain Solution

1

API Integration

2

Upload Solution

3

Technology options

1. Blockchain Solution

What it is?

- A blockchain is an ecosystem comprising of FIs and the C-KYC. Exchange of information happens through a secured node which will be owned individually by the C-KYC Registry, banks and other FIs participating in the blockchain.

Secured high performance

- It is capable of processing daily requests of millions of users and is highly secured as the data transmitted is digitally signed and encrypted for each block of information.

Exchange of information

- A cloud enablement is preferred to form the blockchain.
- Information sharing is enabled through APIs.
- FI makes a request for search/download of client KYC.
- Response by the C-KYC Registry to the request initiated by FI, and all the participants are updated on any change in data.

Benefits of the Blockchain Solution

- A highly secured mechanism for exchange of information.
- No risk of forged documents.
- A highly scalable and cost effective method for all participants.



Technology options

2. API Integration

What it is?

- An application to integrate a FI's customer data repository and the C-KYC Registry application. This allows for real-time search and download of client information.

Secured high performance

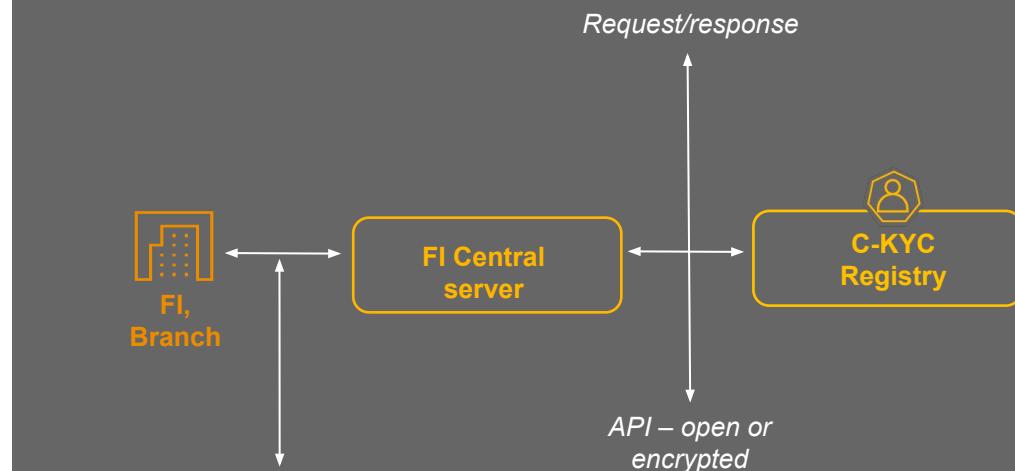
- It is capable of processing daily requests of millions of users.

API-based search and download solution

- Whitelisting of Internet protocol (IP) address for both FI and the C-KYC Registry.
- Sharing of the public key for decrypting messages.
- Request for search/download of client KYC from FI.
- Response from the C-KYC Registry for the request initiated by FI.

Benefits of the API-based search and download solution

- It promotes a paperless environment and eliminates paper, verification, movement and storage.
- No risk of forged documents during data exchange.
- It provides quick, real-time results.



Technology options

3. Upload Solution

What it is?

- A comprehensive integrated solution that helps manage the entire customer KYC requirements for an FI.

Data extraction

- It automatically extracts information from all client-provided documents.

Automated bulk upload solution

- The application automatically uploads KYC details onto the C-KYC Registry.
- Interface with a FI's KYC data repository and converts the proprietary data into the C-KYCs bulk upload format.
- Data file needs to be placed on an SFTP server to be transferred to the C-KYC Registry.

Benefits of the bulk upload solution

- No duplication of work.
- Generation and better control of management information system (MIS) reports.
- It provides better user management.



Conclusion

The plan to introduce C-KYC in Mauritius comes at a **crucial juncture** when the government and regulators are taking several measures to respond to certain identified shortcomings based on the FATF guidelines.

This approach will enable Mauritius to portray its intent to not only address the shortcomings, but also to take a serious and more holistic action towards AML/CFT and KYC norms.

The C-KYC Registry will connect multiple parastatal agencies and bodies to integrate and operate a common customer information database and drive the **true digital vision** of the Government of Mauritius.

While C-KYC Registry as an operational framework is still in its nascent stage globally, the initiative will add more credibility to the reputation of Mauritius as a financial hub. From a technology perspective, there are multiple options available to leverage from and the regulators should look at the **most innovative approach** in taking a pioneering path.

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