

## Su Ning: Online verification of citizens' identity information in China

Remarks by Mr Su Ning, Deputy Governor of the People's Bank of China, at the press conference on the inauguration of the Online Verification of Citizens' Identity Information, Beijing, 26 July 2007.

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Journalists, friends,  
Ladies and Gentlemen,

Good afternoon!

To carry out the State Councils' instruction on further implementing the regulations on the use of real names for personal bank accounts, the People's Bank of China (the PBC) and the Ministry of Public Security (the MPS) jointly launched a pilot program for online verification of citizens' identity information (thereafter referred to as the online verification system) in Tianjin at the beginning of 2007. Based on the successful experience of the Tianjing pilot program, the online verification system has been developed and introduced nationwide. On 29 June 2007, it was finally completed and widely used by various banking institutions across the country (thereafter referred to as banks). Banks can now gain access to the system more quickly and conveniently to verify the identity of citizens before approving the opening of a bank account and providing payment and settlement services, lending services and others services through bank accounts. The system provides banks a more authoritative and handy technology tool to enable customer identification, which marks a breakthrough progress in the area of implementing the use of real names for bank accounts, particularly for personal accounts.

I would hereby like to introduce to you the development of the online verification system and the comprehensive implementation of the use of real names for bank accounts.

### **I. The great significance of developing the online verification system and comprehensively implementing the use of real names for bank accounts.**

Bank accounts are the starting point and end of fund flows, as well as the basis of giro settlement, cash deposit and cash withdrawal, which record the tracks of social funds flow. As a component of financial infrastructure, the online verification system has a great significance in and a far-reaching impact on the implementation of the use of real names for bank accounts.

First, it contributes to restraining such crimes from their sources as embezzlement and bribe-taking, tax dodge, evasion and fraud, financial fraud and money laundering, which improves social credit system, facilitates anti-money laundering and safeguards a normal economic and financial order. Corruption and financial fraud are always associated with anonymous or fictitious accounts. Short text message fraud, which saw a great rise recently, was a case in point. Criminal suspects cheated bankcard owners to transfer funds into designated bank accounts mostly anonymously or in fictitious names. Such accounts are also used to affect such other crimes as blackmails, bill frauds, underground money centers, embezzlement and bribe taking. Thus, using real names for bank accounts is an essential condition for effectively preventing and cracking down on illegal and crime activities.

Secondly, it is beneficial for banks to achieve a sustainable and sound development by improving fundamental management system, perfecting internal control system, decreasing operational risks and fulfilling social responsibility. One of the basic premises for repaying loans on time is that borrower should be genuine firms or individuals. If it is possible for a firm or individual to open an anonymous or fictitious account, it is very likely for the bank to face default because it could not find a genuine economic entity to be responsible for repaying the

loans. At the same time, banks must perform anti-money laundering obligations spelled out in national laws and regulations by verifying customer's identity with the aim of preventing money laundering crime and safeguarding financial security.

Finally, it is conducive to protecting public interests. Many financial frauds are targeted at the general public. Using real names for bank accounts will contribute to deterring financial fraud, thus to the greatest extent to protect public interests. Meanwhile, it is essential to apply real name policy to some special financial services provided by banks, like loss reporting of deposit certificate and advance withdrawal of term deposit, which require customers to produce identity cards or other identification document in compliance with relevant rules, because it can not only decrease economic disputes arising from anonymous or fictitious accounts, but also facilitate the production and living of the masses and protect the fund security of the public and legitimate rights and interests of banks.

Using real names for bank accounts is a legal obligation for banks, enterprises and institutions and the public. In 2000, the State Council promulgated an administrative regulation, entitled *Regulations on the Use of Real Names for Personal Savings Accounts*. In 2003, the PBC decreed a ministry regulation, called *Administrative Rules for RMB Bank Settlement Accounts*, which expanded the use of real names from personal accounts to corporate accounts. In 2006, the National People's Congress enacted *the Law on Anti-money laundering*, a state law which established officially real name policy for bank accounts. The law specified that financial institutions shall establish customer identification systems in accordance with relative provisions, and they may not provide any service to or trade with an unidentified customer, nor establish any anonymous or fictitious account. At the same time, when any enterprise and institution or individual first establishes business relationship with a financial institution or requires it to provide any one-off financial service, they should produce genuine and valid identity cards or other identification documents. However, ever since a long time ago, because banks have no effective measures to verify identification documents, in particular personal identity certificates, and also because some banks purposely relax real name requirement to gain competition advantage, criminal suspects are likely to open fictitious accounts by using fake certificates.

The Party and state leaders have attached great importance to using real names for bank accounts. The issues has been raised explicitly in *the Enforcement Outline of Completely Implementing the Corruption Punishment and Prevention System Which Attach Equal Importance to Education, Institution and Supervision*, printed and distributed by the Central Committee of the Communist Party of China (CPC) in January 2005. It has also been given high priority in the recent two-year work plan of the Central Discipline Inspection Committee of the CPC. The legal affairs office of the State Council inspected the effects of *Regulations on the use of real names for bank accounts* in the first half of this year. State leaders made important indications on several occasions to establish a mechanism to share fundamental database of population and expedite the online verification system under which MPS database are accessible to banks so as to implement the use of real names for bank accounts. Now, the MPS database has collected 1.3billion pieces of identity information, each including citizen's name, ID number, photograph, issuing authority and other fundamental data of population. Supported by a rigid system and a technical arrangement, banks are able to access to these information and verify the identity of individuals. The online verification system offers an authoritative and handy means for customers' identification so as to implement the use of real names for bank accounts, in particular personal bank accounts.

The online verification system is developed to provide an authoritative and handy means to block criminals off the banking system who intend to open bank accounts by using fake ID card, as well as to clean up all the existing anonymous and fictitious accounts so that we could see good evidence of implementing the use of real names for bank accounts. Therefore, launching the online verification system will make it easier to implement the use of real names for bank accounts, which has an active and far-reaching effect on protecting

consumers' interests, improving moral standards of the society and promoting economic and social harmonious development. In this sense, the system itself is also a fundamental expression of implementing scientific approach to development and building a socialist harmonious society.

## **II. The operation of the online verification system**

The online verification system is an important joint measure of the PBC and the MPS to implement the use of real names for bank accounts, which welcomed by commercial banks. With close cooperation with and wide support of banks, the PBC and the MPS succeeded to introduce the system nationwide by 29 June 2007.

The system consists of two core parts, namely systems of information transmitting and sharing, run respectively by the PBC and the MPS. The system provide such services as single verification, batch verification, log inquiry, statistics and analysis, which are available for use 12 hours a day 7 days a week. At present, about 155,300 banking outlets connect to the system, while the rural credit union in remote areas could not gain access to the system because of technical problems.

Online verification refers to a process in which a bank uses the online verification system to verify a customer's identity, including name, ID number, photograph, issuing authority and other information as noted in the citizen's ID card. The basic method is that banks submit the name and ID number of the customer to the system for verification. If the information is true, banks will obtain the remaining identity information such as photograph and issuing -authority from the system. However, if the ID number does exist, but is not consistent with the name or the ID number does not exist, the system will correspondingly respond. According to relative provisions of laws and regulations, banks will determine whether to proceed with relative banking business on the basis of different verification results.

In compliance with the provisions of laws and regulations, as well as executive regulations, banks shall verify customer's identity when offering the following products or services: (1) account opening or changing, including personal savings account, personal settlement account and corporate settlement account;(2) payment and settlement business, including bill clearing, bankcard settlement, remittance and cash services;(3) lending services, including personal loans and corporate loans; and (4) others (e.g., cash deposit or withdrawal with the amount exceeding RMB 50000 yuan or foreign exchange equivalent to 10000 U.S. dollar).

To ensure the system to function smoothly, to facilitate the masses and to safeguard the public's legitimate rights and interests, we have formulated measures for handling online verification and trained bank staff at basic level so as to make a thoughtful arrangement in area of operational rules.

First, banks should give different treatment to different verification results. If the system verifies the true identity of the customer, banks are entitled to proceed to conducting relative banking business. Otherwise, banks shall address the following two circumstances:(1) If banks can form a reasonable belief that the citizen's identity card is not true, they shall refuse to provide products or services to the customer; (2) If not, banks shall not randomly decline to serve the customer. It is recommended that banks shall use the verifier for second generation of identity card to conduct further verification after handling relative business. If customer has any complaints, banks shall patiently explain the relative problems. Such arrangements are conducive not only to effectively preventing risks but also to preventing certain unidentified factors from impeding customer's handling of normal banking business.

Secondly, banks should establish a mechanism to verify the feedback toward suspicious information. If customers are doubtful of the feedback from the system, they have two options: (1) Ask banks to verify. Banks can either apply to the information center of the MPS through the system or take other appropriate measures for verification. At the same time,

customers can also assist banks in further verification by producing other valid identification documents like residence permit. (2) Ask banks to issue a letter that specify the identity information inconsistent with the database and then go to the local agency of the MPS for verification in which his or her permanent residence is registered. Such arrangements are conducive not only to authenticate the identification document rightly and timely so as to avoid disputes between banks and customers but also to help the MPS either rectify the mistakes in the identification documents of citizens' or update database so as to facilitate citizen's economic and social activities in the future.

Thirdly, banks should not leak out the identity information of citizens' which are obtained from the online verification system. Except as otherwise provided by law, banks should not provide such information to any individual or unit. Meanwhile, banks should not apply such information for purposes other than banking business.

At the same time, banks are also required to strengthen service conscience, optimize operation procedures, normalize operation, improve service quality, as well as promote publicity and explanation work so as to achieve online verification associated with efficient and better banking services.

According to the statistics, since the implementation of the online verification system, the number of cases of online verification reached about 32 million. More than 2500 cases were found nationwide that the identity cards produced by customers were spurious, among which more than 230 suspected unlawful and criminal cases have been transferred to the MPS. Besides, approximately 100,000 individuals voluntarily gave up conducting banking business when the verification result indicated inconsistency. The online verification has brought about primary social effect. It is anticipated that the development and operation of the online verification system will have a great role in deterring crimes. At present, the cases of online verification stand at more than 1,200,000. The operations of the system remains stable while responding to verification with a relatively fast speed, as well as various businesses are well dealt with. The online verification is promoted in a stable and orderly way.

### **III. Taking effective measures to comprehensively implement the use of real names for bank accounts.**

The State Council leaders have always paid great attention to developing and promoting the online verification system. They have required the PBC to closely cooperate with the MPS to improve this important infrastructure work. Next, we will take effective measures to promote the implementation of the real name system in every respect by applying the online verification system.

- (1) Improve the relative rules and regulations, as well as working mechanism of the online verification so as to give full play to the role of the system. We should perfect the relative rules and regulations on online verification based on the experience we have drawn on in order to give more practical instruction to banks with which they are able to execute the online verification more efficiently and conduct relative banking business. We will establish and perfect a mechanism to verify the feedback toward suspicious information, shorten the cycle of feedback verification, and normalize the required procedures so as to keep open a channel to verify the feedback from the system toward suspicious identity information. At the same time, we will strengthen publicity to improve the awareness of the public in terms of the online verification system and the use of real names for bank accounts, and deepen the online verification work so as to give full play to the role of the system in areas of implementing the use of real names for bank accounts, normalizing the order of economy and finance and protecting the legitimate rights and interests of the public.
- (2) Strengthen supervision on the promotion of the online verification system to ensure that every banking outlet has the capacity to execute online verification. Now, a

small number of banks, particularly rural credit unions could not connect to the system because they do not have enough technical resources. Moreover, some banking outlets that connect to the system could not recognize photograph as noted in ID Card because their terminals could only recognize characters. Next, the PBC will continue to make greater efforts, by coordinating with provincial credit unions, to encourage rural credit unions to construct and restructure their network and operation system in order that all banks are able to connect to the verification system. During the transformation stage, those bank outlets that could not connect to the system can link to its superior offices or branch offices of the PBC to execute online verification. At the same time, the PBC will encourage banks to make practical program to replace character terminal and improve the number of personal computers in every banking outlet aiming at least one PC in every outlet.

- (3) Actively and steadily verify the existing bank accounts with the help of the online verification system. Due to some reasons involving history and management, particularly because of having no effective measures to verify individual identification document, there are a small number of anonymous or fictitious accounts among existing personal accounts. For corporate bank accounts, a small number of corporate entities do not provide true information of their legal representatives. With a view to implementing the use of real names for bank accounts, the PBC will strictly observe relative policies and regulations and organize banks to carry out a comprehensive clean-up and verification to all corporate and personal bank accounts opened before the inauguration of the online verification system. The PBC will take steady and active steps to push forward such a program. Stock corporate bank accounts will be cleaned up and verified first, followed by verification of the stock personal accounts based on relevant experiences obtained
- (4) Further implement the use of real names for bank accounts by taking effective measures. It is a long-term job and requires all related parties to make concerted efforts. Recently, the PBC will improve the relative regulations on real name policy including defining types of valid documents that individuals could use to conduct banking business as well as the order of priority in presenting these documents, normalizing application procedures for opening a corporate bank account and its management agreement so as to clarify the basis of implementing the use of real names for corporate bank accounts, which provide policy basis covering a wider range of issues. At the same time, based on the cooperation with the MPS, the PBC will strengthen cooperation with other Ministries so that banks are able to verify Enterprise Code Certificate or other credentials and provide more authority and effective measures to enable institutional customer's identification in order to promote the comprehensive implementation of using real names for bank accounts.