Digital Onboarding - Challenges & Opportunities for Compliance Officers

Sofia Mpiza, Lawyer LL.M., Compliance & Data Protection Manager

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Digital onboarding for Bank customers:

Need or luxury for Greek Banks?

Technology has made digital onboarding feasible. That means:

- In-house development of digital onboarding platform **OR**
- Outsourcing a core banking activity (KYC)

Cost & effort

- Banks are already burdened the cost of compliance with plenty of Regulations (e.g. PSD2, GDPR)
- New entrants in marketplace (i.e. foreign institutions through passporting, new kind of Payment Institutions, Fintech companies)
- Increased customer expectations

Not a need but a competitive advantage

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Which is the challenge for Compliance Officer?

The way/method of Customers Due Diligence is changed:

- No physical presence of the Customer
- Non-face-to-face identification of the Customer
- No hardcopies of documents
- No wet signature

In parallel, increased business needs for:

- Streamlining the onboarding process
- Improving the user experience (UX)

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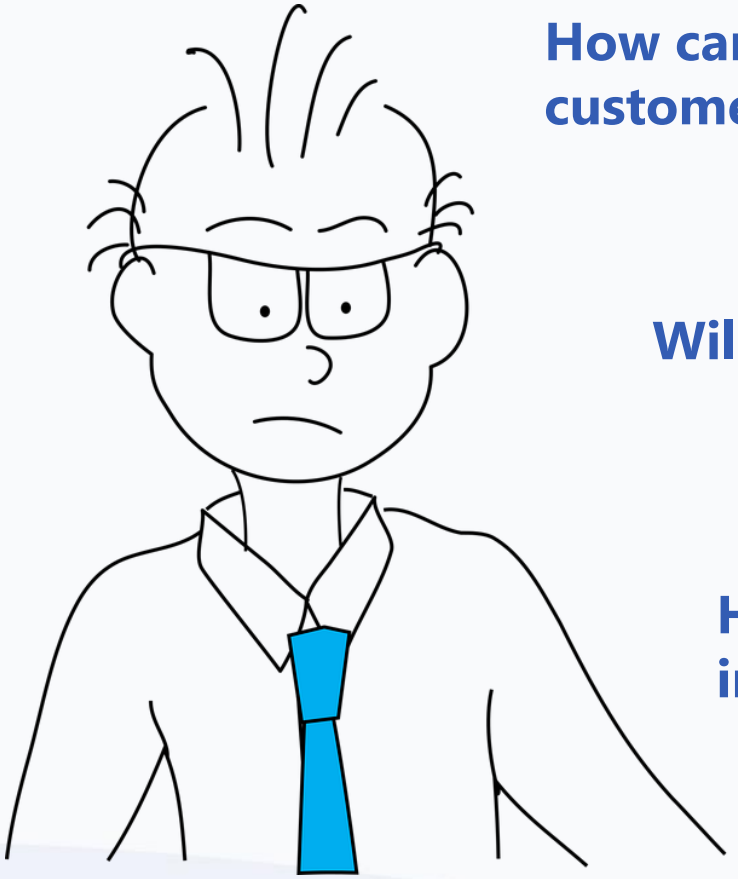
Concerns for Compliance Officers



How can I identify the customer?

Is this secure and reliable?

Will the documents be genuine?

How does facial recognition work?

How can I prevent the impersonation?

Is there any opportunity?

How can I ensure regulatory compliance?

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Is the Regulatory Framework supportive?

- **3rd AMLD 2005/60:** the remote onboarding was recognized as a by-default high risk situation

Rapid development of technology → Legislative developments

- **4th AMLD 2015/849**: considers the non-face-to-face relationship as **potentially** higher risk situation if no adequate safeguards are kept, such as electronic signatures
- **5th AMLD 2018/843**: implies that the remote identification of the customer is deemed secure if eIDAS requirements are met **OR** if other robust electronic identification process applies
- **EU Regulation 910/2014 ("eIDAS")**: sets a common framework for electronic identification, trusted service providers, electronic signatures and seals

BUT it is up to member-states to define a) the national eID scheme and b) the terms of access to the eIDs by the private sector

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Investigating the practice in Europe

- Only 12 Member-States have already notified the eID schemes to European Commission
- Certain Regulators (e.g. Germany, Spain, Luxembourg) have allowed the non-face-to-face identification only through specific solutions (e.g. videocall)
- Different identification data required for onboarding by the National Regulators

→ Divergent implementation of eIDAS & AMLD →

Uneven level playing field for:

- Citizens
- Credit Institutions

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Which is the European Authorities' opinion?

The European Supervisory Authorities (EBA, ESMA, EIOPA), through the Opinion issued in January 2018, on innovative solutions used in the CDD process:

- Aim to ensure **level playing field** across Member States;
- Encourage national Regulators to support technological developments and remain **technology-neutral**;
- Provide guidance for the appropriate **controls and measures** that must be in place to mitigate the risks identified (e.g. identity fraud, counterfeited or fraudulent documents);
- Recognize that innovative solutions may enhance the efficiency of AML mechanisms;
- Include the Senior Management's and **Compliance Officer's understanding of the innovative solutions** in the list of factors to be considered for the quality assessment of CDD process.

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Additional measures to be taken

By State

- New type of ID (containing high security features, digital photo, biometric data)
- Establishment of e-ID scheme
- Creation of KYC Repositories
- Permission for data sharing between Banks and Greek Tax Authorities
- UBOs Central Register

By BoG

- Update of the regulatory framework implementing the 4th AMLD
- Provide guidance for the use of innovative solutions
- Rationalize the standard set of documents required for CDD

By Banks

- Consensus for creating a common KYC Repository
- Rely on each other to meet CDD requirements (as per art. 19 L. 4557/18)
- Encourage customers to use e-signature & official electronic documents (e.g. passport, driving license)

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Mapping the new Compliance Officer

- Understanding the innovative technological solutions
- Implementing risk-based approach
- Designing robust controls
- Continuous monitoring of the innovative solution's effectiveness
- Taking advantage of automation and AI machines to identify ML risks
- Considering business needs

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Is there any opportunity?

Bridge the gap

between

technology & regulatory framework

Great Challenge

Great Opportunity

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Thank you

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