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Remote onboarding under draft EBA guidelines What does it mean for life insurers?

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Speaker

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His practice is directed at three main areas addressed to financial institutions: regulatory (mainly banking law and insurance law), reorganisations and structured finance.

Łukasz regularly serves as a mediator at the Court of Arbitration of the Polish Financial Supervision Authority.

Łukasz graduated from Cardinal Wyszyński University in Warsaw and also studied at the Faculty of Law of Pázmány Péter Catholic University in Budapest. For more than a decade Łukasz was a lecturer at the Department of Civil Law and Private International Law at Cardinal Wyszyński University, where he mainly taught civil law.

Before joining Taylor Wessing, he worked at Deloitte Legal, Wardynski & Partners, K&L Gates and the Polish Financial Supervision Authority.

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1 | Remote onboarding – a few words about AML regulations



Remote onboarding – a few words about AML regulations

AML Directives and national implementing acts



List of obliged entities which include:

- a) **insurance undertakings** insofar as they carry on life assurance activities
- b) **insurance intermediaries** where they act with respect to life insurance and other investment-related services (except for tied insurance intermediary)



A wide range of duties, including conducting **customer due diligence**



Remote onboarding – a few words about AML regulations

What is understood by customer due diligence measures (“CDD”)? Article 13 of AMLD IV

Customer due diligence measures involve:

- **identifying** the customer and **verifying** the customer's identity;
- **identifying** the beneficial owner and taking reasonable measures to **verify** that person's identity;
- assessing and, as appropriate, obtaining information on the purpose and intended nature of the business relationship;
- conducting ongoing monitoring of the business relationship.

Verification of the customer's identity on the basis of documents, data or information obtained from a **reliable and independent source**.



Remote onboarding – a few words about AML regulations

Obligated institutions must document the CDD measures applied and demonstrate that they are commensurate with the risk.



If it is not possible to apply the CDD measures, the obliged institution **may not** establish a business relationship, may not execute an occasional transaction and may terminate the existing business relationship (Article 14 (4) of AMLD IV).



2 | EBA draft Guidelines on remote onboarding



Standards for remote onboarding

FATF Guidelines regarding digital identity

01

Wolfsberg Group risk management guidelines on digital customer

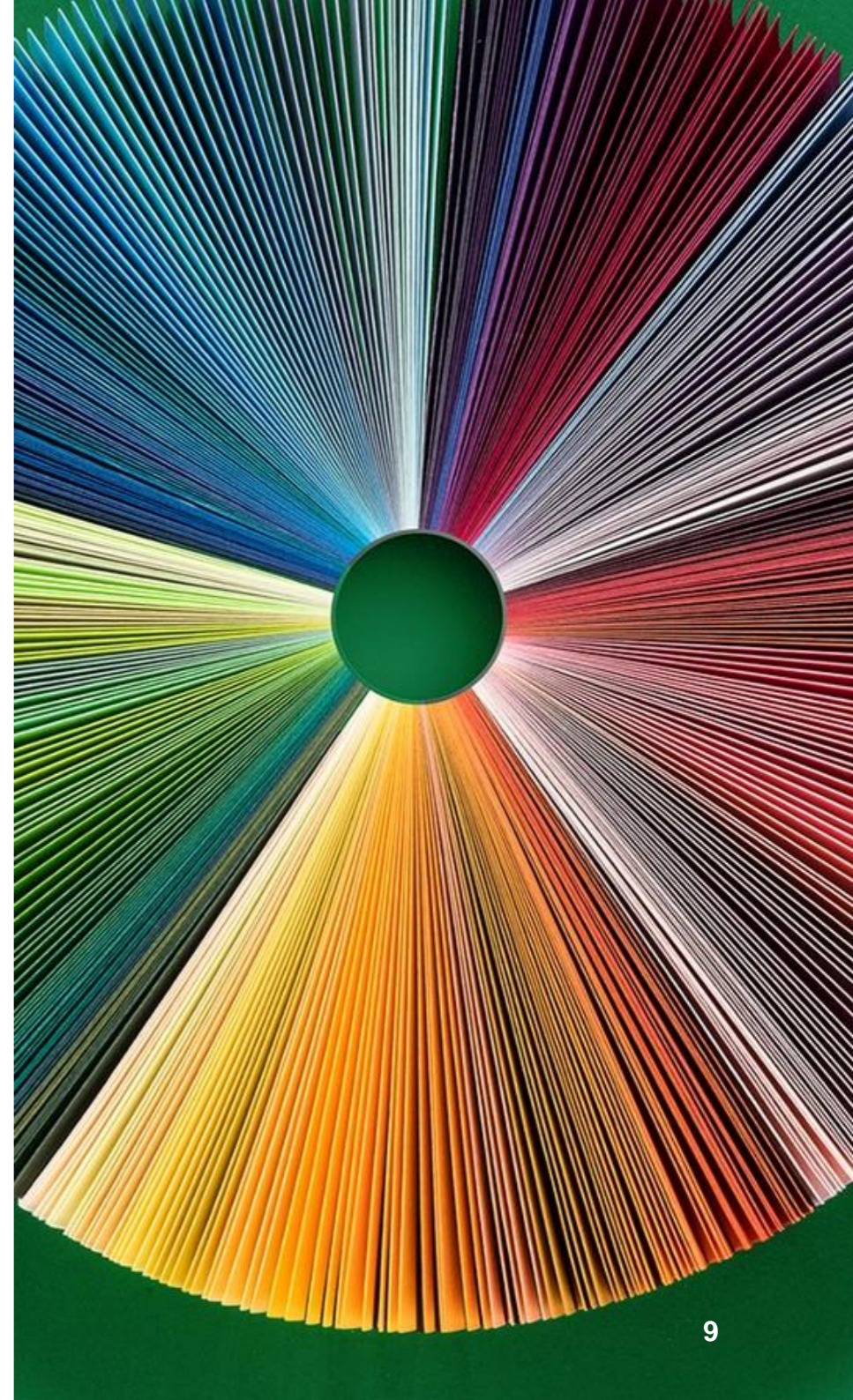
02

Guidelines of national supervision authorities

03

Draft EBA Guidelines on the use of remote customer onboarding solutions

04

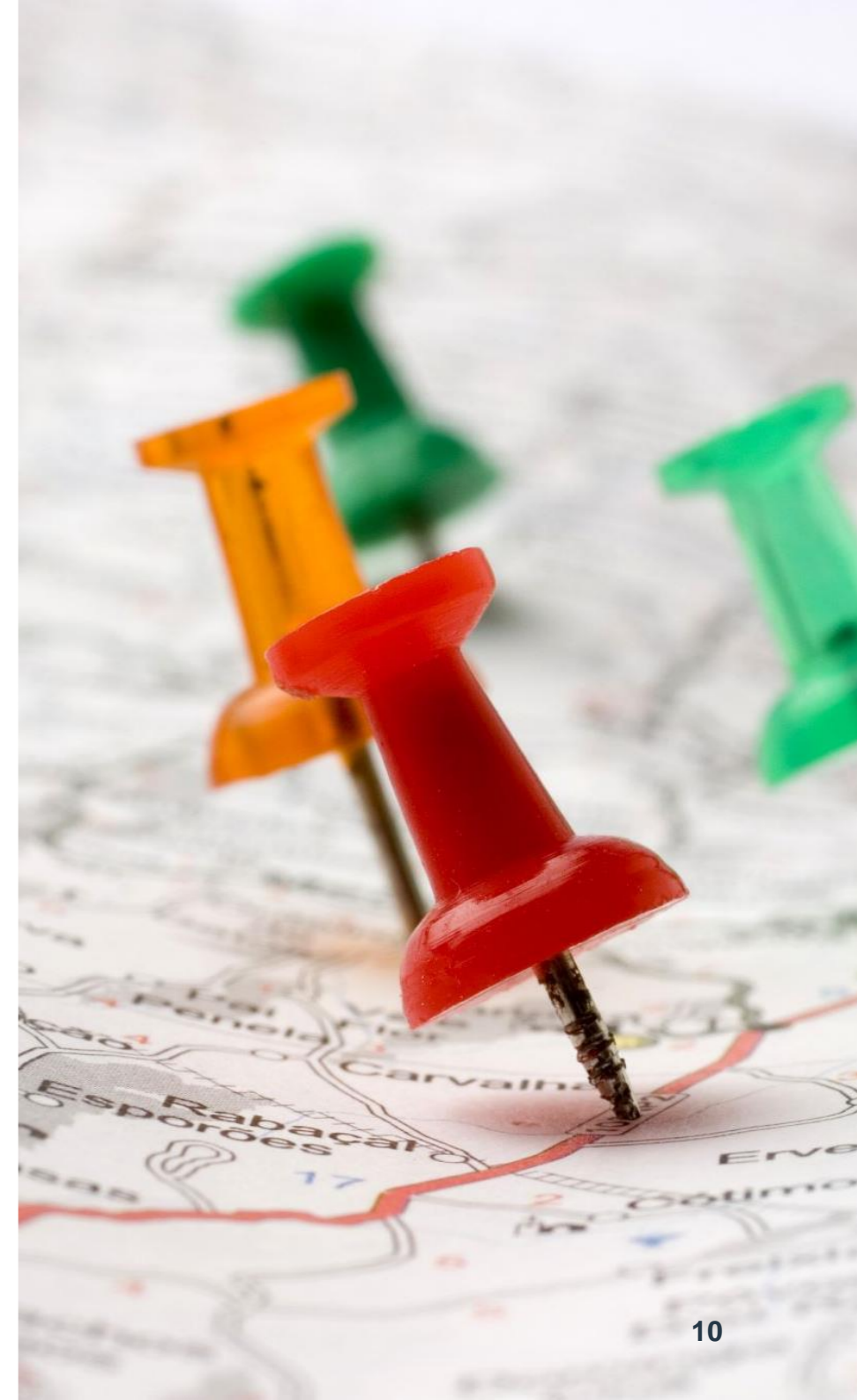


Remote onboarding – approach of the national financial supervision authorities

The financial services market in individual European countries has been gradually implementing remote customer identification methods for quite some time.

Member State	Document
Poland	<ul style="list-style-type: none">▪ PFSA's Statement on customer identification and verification of customer identity in banks and branches of credit institutions based on the video-verification method▪ PFSA's Statement on the video verification of institutional clients of entities supervised by the PFSA (for more details please refer to this legal alert) <p>For more details please see this legal alert</p>
Germany	<ul style="list-style-type: none">▪ BaFin's Interpretation and Application Guidance in relation to the AML Act▪ BaFin's Guidance note (Circular 3/2017) on the use of the video identification method
Austria	<ul style="list-style-type: none">▪ FMA's Online Identification Ordinance
Slovakia	<ul style="list-style-type: none">▪ NBS's general note (note No. 1/2018) with respect to correct procedure for remote customer identification
Hungary	<ul style="list-style-type: none">▪ MNB's Decree 26/2020 on detailed rules of the execution of the Hungarian AML Act

For more details please see: [How to remotely x-ray the client? New EBA guidelines for remote onboarding](#)



EBA Guidelines on the use of remote customer onboarding solutions

Why will the EBA Guidelines be the standard for all financial market players?

- Since 2020, EBA has been the supervisor for the competent AML and CFT for all financial market entities, including life insurers and life insurance intermediaries.
- The Guidelines apply to financial sector entities that apply CDD measures under the AML Directive ("**Obligated Entity**") where business relationships are established with their customers remotely (without physical contact).



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

1. Introduction and ongoing update of a procedure for remote establishment of business relations

- the procedure should be developed by the **Compliance Officer** and adopted by the Management Board;
 - the minimum the procedure must involve is set out in point 4.1.1. of the EBA Guidelines;
 - ongoing monitoring of the remote onboarding solution is required
-
- the features and functioning of the solution(s) put in place to collect, verify and record information throughout the remote onboarding process;
 - which solution might apply to each category of customers, products and services;
 - the types of documents that are admissible and the information that is necessary to identify the customer and verify their identity;
 - the level of human intervention;
 - the controls frequency and rules of ongoing monitoring;
 - the training programs and induction for the staff.



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

2. The obligation to carry out a pre-implementation risk assessment of the planned solutions

- an assessment of the **reliability and independence** of the sources of information used;
- an assessment of the **impact** arising from the use of the remote customer onboarding solution on business-wide risks, including ML/TF, operational, reputational and legal risks; and the identification of possible mitigating measures and remedial actions for each risk identified;
- tests to assess fraud risks, including **impersonation fraud risks** and other information and security risks;
- an end-to-end testing of the functioning of the solution(s) for the targeted customer(s), product(s) and service(s).



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

3. Information gained during remote onboarding

- should be up-to-date and of sufficient quality;
- any images, video, sound and data are captured in a readable format and sufficient quality so that the customer is unambiguously recognisable;
- should be stored in accordance with GDPR;
- any technical shortcomings that might hinder the identification process, such as unexpected connection interruptions, should be detected and investigated;
- any proof of identity collected during the process of establishing a remote relationship should be time-stamped and securely stored.



Popular remote onboarding methods

Fotoverification (selfie verification)

Usually, the combination of:

- automatic reading of data from the identity card (OCR (Optical Character Recognition) is a technique that helps automatically obtain customer personal data directly from a photo, e.g. his ID card. This way it can be confirmed whether the data entered by the customer is true and correct); and
- biometric verification of the face using a smartphone camera.

Videoverification

During a video-recorded interview, the insurer's representative can look at the originals of the documents presented by the customer and assess whether the person in the photo in the ID document is actually the person he is talking to.

Source: <https://www.electronicid.eu/de/solutions/vidoid>



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

4. Photoverification

Obligated Entity should, inter alia:

- ensure that the photograph is taken under **proper lighting**;
- ensure that the photograph is **taken at the time** the customer is performing the verification process;
- perform **liveness detection verifications**;
- in situations where the evidence provided is of insufficient quality resulting in uncertainty so that the performance of remote checks is affected, the individual remote customer onboarding process should be discontinued and redirected, where possible, to a face-to-face verification, in the same physical location.



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

5. Videoverification

Obligated Entity should, inter alia:

- ensure that the **quality of the image and audio** is sufficient;
- foresee the participation of staff that has **sufficient knowledge** and is **sufficiently trained**;
- develop an **interview guide**, including guidance on observing and identifying **psychological factors** that might characterise suspicious behaviour during remote verification;
- where possible remote onboarding solutions should include **randomness in the sequence of actions** to be performed by the customer for verification process.



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

6. Authenticity checks

Proposed methods for verifying data obtained through remote onboarding:

- **verification transfer** – the first payment made into an account held in the name of a customer with a credit or financial institution subject to EEA legislation or in a third country which imposes requirements no less robust than those provided for under the AML Directive;
- **generation of a code** (one-off and time-limited) to be confirmed by the customer during the remote verification process;
- capture **biometric data** from the customer for comparison with data collected from other independent and reliable sources;
- **telephone contacts** with the customer;
- direct mailing (both postal and electronic) to customer.



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines

7. CDD outsourcing

If the Obligated Entity relies on external parties to carry out CDD, it should:

- ensure that Obligated Entity's remote onboarding policies are **effectively implemented** by the outsourcing provider. This should be achieved by: **regular reporting, ongoing monitoring, on-site visits** or **sample testing**;
- carry out assessments to ensure that the outsourcing provider is suitable to perform the remote onboarding process. This may be addressed by **assessment of staff training, technology fitness** and **data governance** at outsourcing provider;
- ensure that the outsourcing provider request the **consent** of the Obligated Entity on any proposed changes of the remote onboarding process or any modification made to the solution provided by the outsourcing provider.



EBA Guidelines on the use of remote customer onboarding solutions

Main requirements introduced by the EBA Guidelines



CDD outsourcing

With respect to customer's data, the Obligated Entities should ensure that:

- only **necessary** customer's data is collected and stored with a **clearly defined retention period**;
- access to data is strictly **limited and registered**;
- appropriate **security measures** are implemented to ensure that the stored data is protected.



EBA Guidelines on the use of remote customer onboarding solutions

On 10 March 2022, the consultation on the draft EBA Guidelines were closed. Final wording of the EBA Guidelines taking into account the comments made in the consultation process is awaited.

The EBA Guidelines will come into force within **3 months** from their publication in all official EU languages.



Thank you for your attention!



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