

Identification & Verification Measures

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Overview of Session

- The Concept of Identification and Verification of Customers
- Verification of Identity in Face-to-Face Scenarios
- Verification of Identity in Non-Face-to-Face Scenarios
- Identification and Verification of Legal Entities and Arrangements

Identification and Verification - Introduction

- **Regulation 7(1)(a) - PMFLTR**

  Customer due diligence measures shall consist in:

  (a) the identification of the customer, and the verification of the identity of the customer on the basis of documents, data or information obtained from a reliable and independent source:

- **Identification –** The obtainment of a set or personal and identifying details on the customer

- **Verification** – Verifying these personal details against documentation, data or information obtained from reliable and independent sources

Identification and Verification - Introduction

- **Regulation 7(8) - PMFLTR**

  The extent of the customer due diligence measures shall be commensurate to the risks of money laundering and funding of terrorism identified through the risk assessment carried out in terms of regulation 5(1) and may vary from case to case.

- To this effect Implementing Procedures offer more flexibility:
  - Set Principles / Standards
  - Provides Guidance
  - Flexible on measures / means that can be adopted

- Subject persons shall demonstrate that CDD measures are commensurate to the risks of ML/FT identified through CRA.

Identification

Standard:

- Official Full Name
- Place and Date of Birth
- Residential Address
- Nationality
- Identity Reference Number

Low Risk:

- Official Full Name
- Date of Birth
- Residential Address

Verification

- **Verification consists in:**
  - Verifying that a customer exists;
  - Customer is who he/she purports to be;

- **Verification has to be carried out by making use of documentation, data or information obtained from reliable and independent source/s:**
  - Independent - Source which is independent of the customer
  - Reliable – Reputable and trusted. This depends on various criteria (e.g. Jurisdiction of issuance of document, whether it is issued by a public authority or private entity, whether the private entity is a regulated entity etc)

Verification – Face-to-Face Scenarios

- **Standard Verification Requirements:**
  - Referring to government issued documents or other documents recognised as legal means of identity; and
  - Which contain photographic evidence of identity.

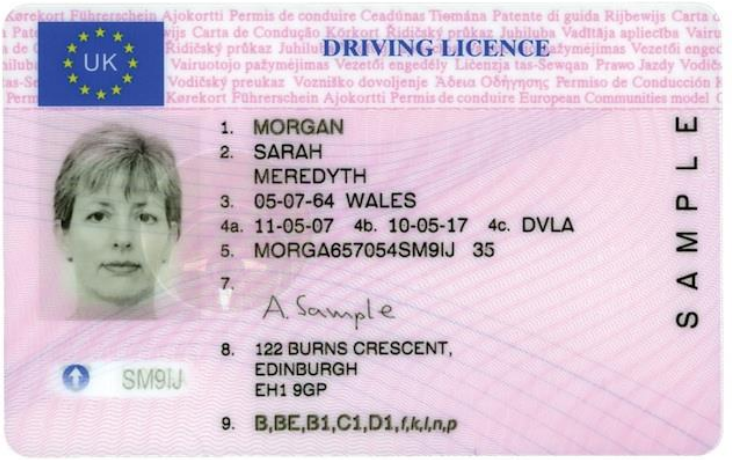


- Passport

- Identity Card

- Residence Card

- Driving License



Unexpired

Verification – Face-to-Face Scenarios

- **Verification of Residential Address:**
  - Residential Address can be verified using the same document used to verify the customer's identity (ID Card, Passport, Driving License etc)
  - Where such document does not make reference to residence another document has to be obtained:
    - Correspondence from government authority, department or agency;
    - Official conduct certificates
    - Any government issued document
    - Statements or letters of reference issued by licensed financial entities
    - Utility Bills
    - Lease Contract

    <u>Not more than 6 months old</u>

Verification – Face-to-Face Scenarios

- **Verification of Residential Address – Alternative Measures**
  - Mailing of correspondence
  - Mailing of automatically generated codes
    - *Records to be kept in such cases:*
      - Proof that the client was reachable at that address
      - (*tracking report + copy of correspondence signed by customer*); or
      - Advice of delivery signed by customer
      - Evidence that automated code was received (e.g. inputting of received code on on-line platform)
  - Use of databases maintained by public authorities (e.g. Electoral Register)
    - Where other personal details have already been verified

Verification – Face-to-Face Scenarios

- **Verification in Exceptional Scenarios -** IPs recognise that there are exceptional circumstances where standard identification documentation cannot be provided



Is it because identification documentation does not exist? Or

Is it avoidance or reluctance by customer to provide documentation?

- **Examples of Exceptional Scenarios** (Identification details do not exist or Customer does not possess standard documentation):
  - Asylum Seekers
  - Customers having temporary addresses
  - Individuals Residing in Residential Care
  - Minors

Verification – Face-to-Face Scenarios

- **Verification in Exceptional Scenarios**
  - In such cases subject persons need to adopt alternative measures that give reasonable confidence of identity verification and bearing in mind the risk posed by the particular relationship or transaction:

  - Examples:
    - Customer residing in residential care – Letter from the administrator/s
    - Minors – Birth certificates and verifying the identity of the parents/legal guardians
    - Asylum Seekers / Refugees – FIAU Guidance on AML/CFT Obligations in relation to Payment Accounts with Basic Features

Verification – Face-to-Face Scenarios

➢ Authenticity Checks

- Revised IPs provide guidance how to check whether documents have been forged or tampered with:
  - Examine that the optical security features on the document are visible
  - Examine the lamination to check for any signs of tampering e.g. border around the photographic image or raised surfaces
  - Uneven document colours, non-uniformity of text, font or typeface
  - Verify or decode the MRZ code



Verification – Face-to-Face Scenarios

- **Authenticity Checks – Open Sources of Information**
  - www.edisontd.net
  - http://www.consilium.europa.eu/prado/EN/prado-start-page.html

Verification – Non-Face-to-Face Scenarios

- **Introductory Concepts**
  - Online or Remote type of business / service poses a higher risk of customer impersonation:
    - Clients are not met physically and are unable to present original documents;
    - Ease of accessing service at any time, from anywhere and in a rapid manner;
    - Possibility of setting fictitious accounts or multiple accounts and avoid detection

  - Business Relationships or Occasional Transactions established on a non-face –to-face basis are not to be automatically treated as high risk. A holistic CRA determines the risk.

Verification – Non-Face-to-Face Scenarios

- **Means of verifying identity of remote customers**

Documents	Electronic Means
1. Transmission of Identification documents or other documents in copies or original	1. Use of commercial electronic data providers
2. Use of Video Conference Tools – Where identification or other documents or made available over the video call	2. Use of E-Ids or Bank-IDs
3. Use of Identity Verification Software – Enabling the upload of identification documents and having inbuilt verification and authenticity checks	3. Verification of identity Platforms

Verification – Non-Face-to-Face Scenarios

- **Use of E-Ids**

  - https://ec.europa.eu/cefdigital/wiki/display/EIDCOMMUNITY/Overview+of+pre-notified+and+notified+eID+schemes+under+eIDAS

ID & V – Legal Entities and Arrangements

- **Regulation 7(1)(a) - PMLFTR**
  - "…Provided that where the customer is a body corporate, a body of persons, or any other form of legal entity or arrangement, subject persons **shall also** verify the legal status of the customer and shall also identify all directors and, where the customer does not have directors, all such persons vested with its administration and representation;"

- **Regulation 7(1)(b) – PMLFTR**
  - "the identification, where applicable, of the beneficial owners, and the taking of reasonable measures to verify their identity so that the subject person is satisfied of knowing who the beneficial owners are, including, in the case of a body corporate, foundations, trusts or similar legal arrangements, the taking of reasonable measures to understand the ownership and control structure of the customer;"

ID & V – Legal Entities and Arrangements

- **Identifying the legal entity or arrangement**
  - Obtaining a set of details depending on the type of entity or arrangement

- **Verification of legal entity / arrangement details**
  - Referring to independent and reliable sources / documents;
    - IPs Provide a list of documents
    - In case of obtainment of documents in copy subject persons have to assess on the basis of risk whether additional measure/s is necessary

- **Verification of legal status**
  - Verification that entity is not dissolved, struck off, wound up, deregistered or terminated.

ID & V – Legal Entities and Arrangements

- **Identifying the directors or persons vested with the administration**
  - Collecting a set of personal details or corporate details depending on whether the directors / administrators are natural or juridical persons
  - IPs list the details that are to be collected for natural as well as juridical persons
  - Details can be collected by referring to constitutive or other corporate documents already collected (as long as these contain all necessary details)
  - Subject persons are only required to identify the directors / administrators unless:
    - Directors / Administrators are acting as agents
    - Directors / Administrators are also beneficial owners (this is always the case vis-à-vis trusts, foundations and similar legal arrangements)

ID & V – Legal Entities and Arrangements

- **Understanding the ownership and control structure**
  - Obtaining an explanation of the ownership and control structure to the extent necessary to determine who the beneficial owner is
  - Conduct independent research to verify this information (consulting online databases, company registers, audited accounts, or requesting certification)
  - In case of purpose foundations that are not set up for the benefit of particular individuals but for a cause subject persons are required to establish the control structure (i.e. how that entity or arrangement is administered)

ID & V – Legal Entities and Arrangements

- **Identifying and Verifying the Identity of the Beneficial Owners**

  - Collecting a set of personal details on the individuals that are beneficial owners

  - Verifying these set of personal details using similar methods as outlined for customers

  - In the case of trust, foundations and other legal arrangements the concept of beneficial ownership goes beyond the beneficiaries (incl. settlor, trustee, protector, beneficiaries…)

ID & V – Legal Entities and Arrangements

- **Identifying and Verifying the Identity of the Beneficial Owners**

  - Where certain beneficial owners (i.e. settlor, protector and trustee) are legal entities, the subject person is required to identify and verify the entity itself and not the structure and beneficial owners behind it

  - Where the beneficiary is a body corporate then subject persons are required to identify and verify the beneficial owners behind the same

  - Beneficial ownership registers may be consulted but not used as the only source

  - In case of beneficiaries designated by class or characteristics, beneficiaries that are unaware of trust existence or conditional benefit – IPs cater for such scenarios allowing flexibility in identification and possibility of delaying verification

ID & V – Legal Entities and Arrangements

- **Procedure in the case of Listed Companies**

  - For companies having securities listed on a regulated market subject persons are only required to identify and verify them

  - Subject person has to ascertain and retain appropriate records showing that:
    - Securities are listed on a regulated market in the EEA or a reputable jurisdiction
    - The company is subject to disclosure requirements (equivalent to EU Directive requirements) that ensure transparency

  - Subject persons are also expected verify that the same company has no regulatory history of breaching disclosure requirements

Identifying and Verifying Agents

- **Who is the agent?**
  - Person requesting the establishment or a relationship or the carrying out of an occasional transaction on behalf of someone else (i.e. the customer)

- **Regulation 7(3) –** *"Where a person purports to act on behalf of a customer… subject persons shall ensure that such person is duly authorised in writing to act on behalf of the customer and shall identify and verify the identity of that person"*

  - Subject persons should obtain written authorisation giving the agent the power or representation
  - Subject persons should assess the rationale behind this representation arrangement



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