



EMBASSY OF ESTONIA
VILNIUS



REPUBLIC OF ESTONIA
MINISTRY OF ECONOMIC AFFAIRS
AND COMMUNICATIONS



DIGINNO KYC PROJECT

Is cross-border KYC possible?



DIGINNO

(Digital Innovation Network)

- DIGINNO is funded by INTERREG Baltic Sea Region 2014-2020, the overall aim of which is to accelerate the movement of the Baltic Sea
- One of the focuses of the DIGINNO project is the digitization of cross-border e-services in the G2B direction
- The goal is to increase the volume of cross-border e-services and also to raise awareness of cross-border e-services among public authorities, businesses and organizations



DIGINNO's main outputs

- Company digitalization toolkit for SMEs
- 4 show-case models of G2B cross-border e-services: eCRM, cross-border business registration, KYC, eReceipt
- Policy recommendations White Paper

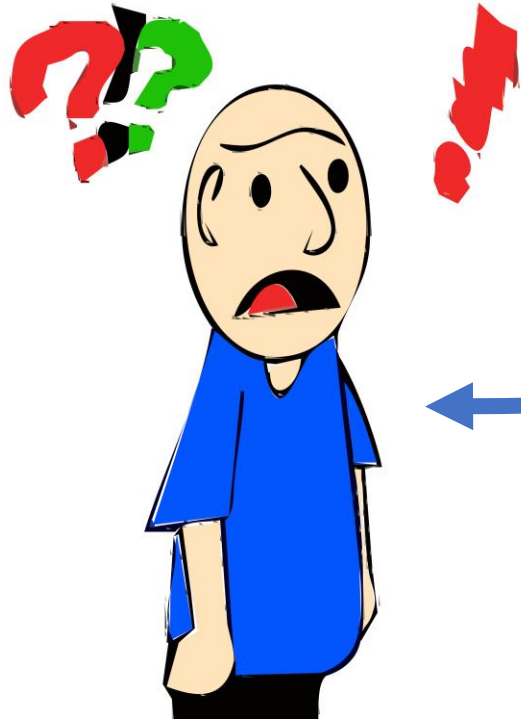
DIGINNO KYC

- Kick-off november 2018
- Establishing KYC country workgroups (Estonia, Latvia, Lithuania?, Denmark?)
- Drafting KYC-to-be future vision per country (December 18 – March 19)
- International workgroup 1st meeting (February 19)
- International workgroup 2nd meeting (March 19)
- Estonian-Latvian workgroups joint meeting (April 19)
- Drafting joint KYC-to-be vision, KYC-as-is and Business Canvas (May 19)

Why we have KYC at all?

- To identify the client and its location / place of domicile
- To assess the risk in connection with anti-money laundry (AML) and contra funding of terrorism regulations (CFT)
- To establish the real beneficiaries and politically exposed persons (PEP)
- To assess the risks and contra-measures for fighting with corruption
- To avoid the conflict with international (financial) sanctions

KYC as it really is today




- I request your identity document
 - Please prove your place of residence
 - Where do you work?
 - What are you doing?
 - How much do you earn?
 - Who are your relatives?
 - Please submit your CV
- etc. etc. etc



KYC as it really is today

The laws and regulations obligate obliged entities to collect, assess and analyze information, but

- there is no unified/standardized KYC process
- the State has most of the data needed for KYC, but does not give access to such data
- same data is collected by obliged entities again and again
- data is not cross- and/or re-usable
- collected data is not valid cross-border

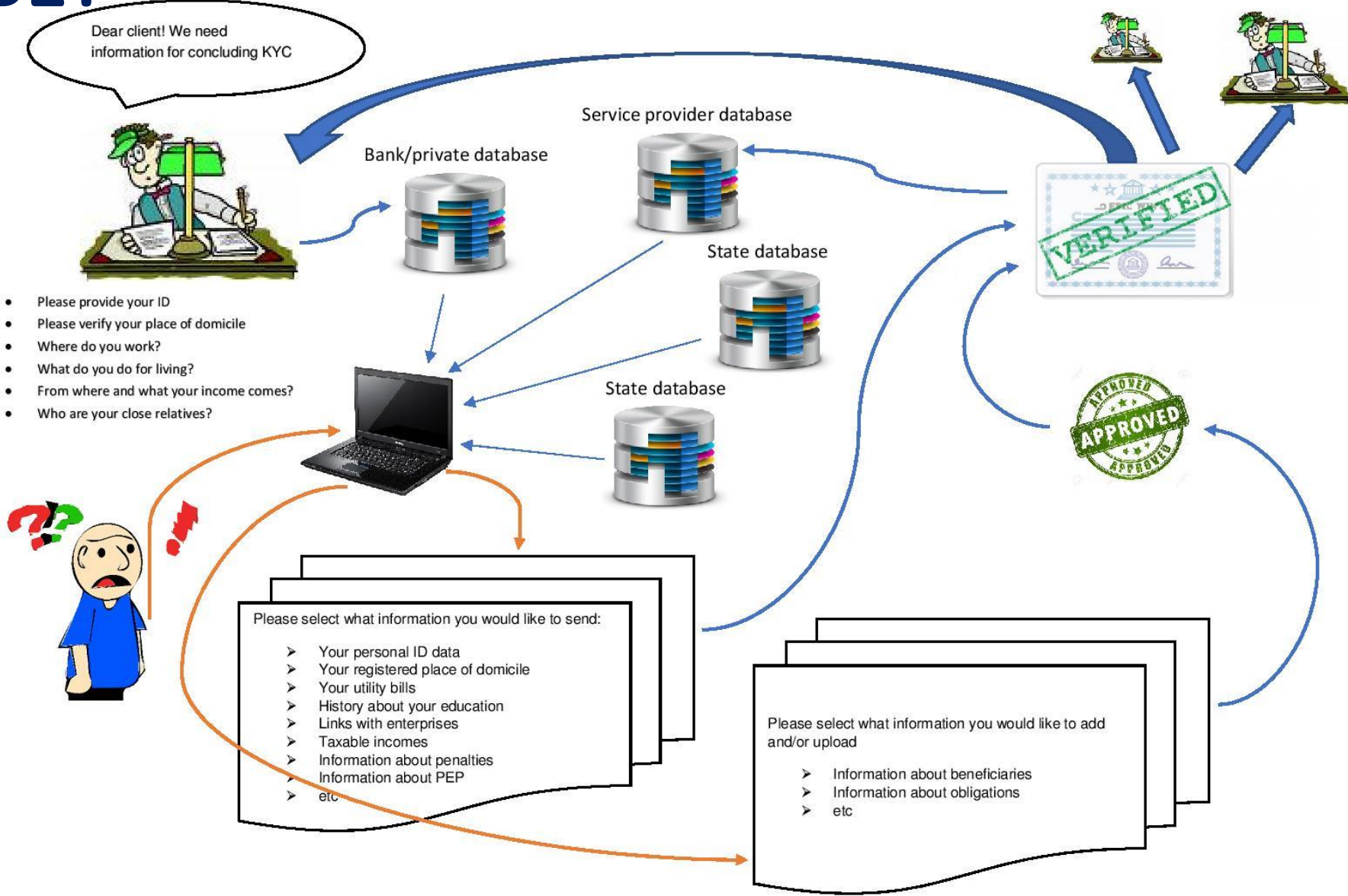


KYC has already
spread beyond
obligated
persons

Beside the obliged entities (as stated in AML/CFT regulations), nowadays KYC has been used more and more in private sector for voluntary reasons:

- to make sure the contractors/partners are liable and law obedient
- to avoid and fight against unfair competition
- to fight against gray economy
- to maintain good reputation
- to avoid conflict of interest

KYC TO-BE?



KYC TO-BE

Advantages

- Reduces the resource for collecting and analyzing data and for transmitting data (time and money), automated data management and analysis (eg XBRL), better and more accurate risk prevention / detection
- Speed of data collection and data quality (and reliability), faster and more accurate response, less additional movements and bureaucracy
- More effective risk detection and risk prevention = A more reliable country

KYC TO-BE *vision*

- Harmonization of a minimum list of questions, documents and collectable data that are needed to conclude KYC (i.e. shall be listed which data will be collected from business register, population register, PEP register, beneficial owners register, state revenue register, land book, vehicle register, criminal records database, document register, credit bureaus data etc.)

KYC TO-BE *vision*

- An agreed normative, substantive, and best practice for data transmission framework (i.e. possible data exchange standards XML, XBRL, JSON or other) under which service providers can create their services

KYC TO-BE *vision*

- Adopted cross-border (or transnational) acts/regulations to guarantee cross-border usage/applicability of such services and adopted that for obliged entities to fulfill the AML/CFT regulations is not needed to obtain consent from the person.
- Access to state registers is granted to obliged entities and licensed entities (e.g. credit institutions, audit firms, credit bureau, service provider etc.) free of charge or with reasonable costs

KYC TO-BE *vision*

- Other States accept the KYC data that is recognized by the first State (transnational agreements)
- State confirmation of the data it has/owns (i.e. symbolically confirms their accuracy as these data come from national registers) except. beneficial owners and PEPs data which shall be checked each and every time by the obliged entities and/or licensed entities

KYC TO-BE *vision*

- State acceptance of licensed entities (e.g. credit institutions, audit firms, credit bureau, service provider etc.) to validate the information entered by persons about themselves (e.g. data about foreign beneficiaries, PEPs etc.)

KYC TO-BE *vision*

- An ability to create a KYC profile, which consists of both automatically collected (query-based) and self-contained data (documents that cannot be obtained from national databases based on inquiries).
- Profile can be created by person itself or by obliged entities and/or licensed entities (e.g. credit institutions, audit firms, credit bureau, service provider etc.)

KYC TO-BE *vision*

- Profile (i.e AML passport), which has already created, is interoperable in all cases where obliged entities want or need to carry out KYC.
- It shall be created on once-only principle and updated (incl. automatic updates) every time the profile is used again

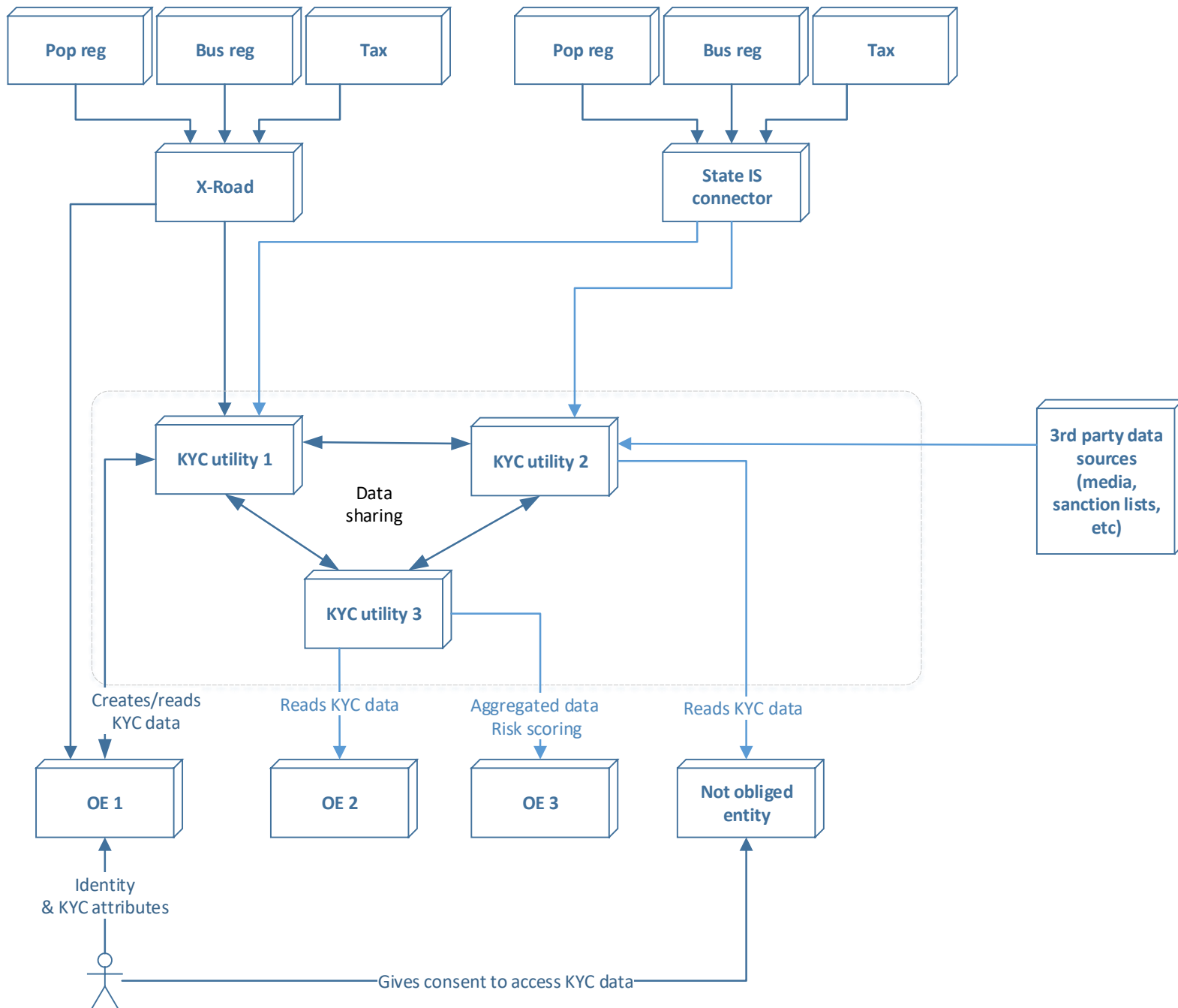
KYC TO-BE *vision*

- On the basis of existing and entered data, visual display is created of inter-dependency links between the person(s) and the company(s).
- Contradictions between the data collected, the data provided by the person itself and the data entered by licenses entities must be visible. Licensed entities are entitled to check which data is correct in case of inconsistencies (if possible)



KYC TO-BE *vision*

- Voluntary KYC should be available using the same principles, but the consent of person should be obtained once, when the profile is created or used again



Identity attributes
 Name, Address, Date of Birth, Nationality, and Occupation.

Legal name, Address, Unique Identifier

KYC attributes
 PEP status, Source of funds, Tax and Fiscal residence, Beneficial Owner Identity, Source of funds, Brand name



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Thank you for your attention!

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