

REMOTE IDENTIFICATION OF CUSTOMERS



FINANCE
LATVIA
ASSOCIATION

NEW REGULATION FOR SECURE AND CONVENIENT CUSTOMER INTERACTIONS

- On 3rd July 2018, the Cabinet adopted the regulation on remote identification of customers.
 - The regulation specifies how service providers subject to the Law on the Prevention of Money Laundering and Terrorism Financing must establish business relationships with customers. The regulation applies to credit institutions, licensed lenders, insurance companies, certified auditors, investment management companies and other businesses (hereinafter referred to as service providers).
 - The regulation defines the procedure for customer onboarding without the need for in-person signing of documents
- and customer identification, as well as the cases where this applies, enabling compliant remote performance of these compulsory onboarding procedures.
- This makes a variety of services accessible more quickly and to a broader extent, enhancing Latvia's competitive edge internationally. Remote identification previously lacked an articulated legal framework for methods that would permit a service provider to forgo enhanced customer due diligence when onboarding a customer remotely. Enhanced customer due diligence requirements and the associated costs would often deter service providers from offering remote identification as a viable option.



SERVICE PROVIDERS CAN DECIDE:

- which services they want to allow for remote identification of customers;
- in which countries and administrative territories remote identification is available;
- which requirements they apply for remote identification.

FOUR METHODS OF REMOTE IDENTIFICATION

UNIVERSAL, SECURE, AND SUITABLE FOR A WIDE VARIETY OF SERVICES AND USERS:

1. Secure electronic signature.
2. Video identification in the form of a specific video interview via a dedicated app or website using an encrypted connection, which includes an interview and the presentation of an identification document.

SUITABLE FOR LOW-RISK, LOW-VOLUME TRANSACTIONS (PRIMARILY IN LATVIA, THE BALTICS AND THE EU):

3. Bank transfers whereby service providers identify their customers – suitable for, for example, granting a loan remotely, or activating a parking fees account.
4. Selfie and identity document photo sent to service provider (usually via a dedicated app).



 eID.AS

Commercial entities may involve suitable outsourcing service providers in the remote identification of their customers.

The Cabinet Regulation does not alter the existing methods which customers use to access banking services on the web or on their smartphones.

Remote identification of customers applies not only to individuals, but to legal entities as well – whenever they want to, for example, open a bank account, request a new service, or report changes concerning customers' power of attorney.

Remote identification will be introduced gradually; the process will take time, in order for a comprehensive risk assessment, drafting of necessary policies and procedures, and employee training to prevent the use of false identities to be carried out.

The Cabinet Regulation does not affect the procedure for how foreign companies identify their customers based on their home country legislation.

The association's involvement in drafting the Cabinet Regulation for remote identification of customers was consistent with the [Open Digital Finance Framework](#) 2018 priorities and the, ["Finance industry associations' proposals for a joint position on the future EU and Latvian finance market, technological innovations in financial services"](#) submitted to EC deputy chair V. Dombrovskis on 5th June 2017 by nine associations from finance and related industries of Latvia.

The association's Digital Transformation Committee and Legal Committee work on remote identification by taking input from banking experts.

To prepare its suggestions, the association cooperated with the Alternative Finance Services Association of Latvia, the Latvian Leasing Association, the Latvian Chamber of Commerce and Industry, the Latvian Insurers Association, and the Latvian Information and Communication Technology Association.

As a means of sparking expert discussions within the industry on remote identification of customers, the Association, COBALT Latvia, and the Innovation Centre of the University of Latvia and Microsoft held the ["Discussion On The Future Regulation Of Remote Electronic Identification And Onboarding"](#) on 26th January 2018.

We will be organising further discussions on remote identification of customers in the second half of 2018.



JANUARY 26, 2018 9:00-12:00

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FACEBOOK PAGE

[HTTP://EJ.UZ/
DISCUSSION2601](http://ej.uz/discussion2601)

**DISCUSSION ON THE
FUTURE REGULATION
OF REMOTE
ELECTRONIC
IDENTIFICATION AND
ONBOARDING**

Association of Latvian Commercial Banks LATVIJAS UNIVERSITĀTE COBALT Microsoft