

Digital Client On-boarding in Financial Services

(update FINMA-Circular 2016/7 Video- and Online-Identification)

Digital Trust

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Get up-to-date on the most important changes during the consultation phase

On 18 March 2016 the FINMA Circular 2016/7 “Video and online identification” entered into force. With the circular FINMA enabled financial intermediaries to on-board new customers using video conferencing and online procedures.

According to FINMA, initial experiences in connection with video and online identification have shown that some of the rules are not yet or are no longer optimally suited to financial markets or financial intermediaries. The circular is therefore being amended to take into consideration the feedback as well as the technological changes that have occurred in the interim. Currently the draft of the new circular is in consultation phase.

The checklist below provides you a quick glance at the key changes of the draft:

Changes in video identification

- Minimum check of three instead of one optical security features to hinder false identification documents
- New form-related features such as layout, fonts and spelling of identity documents must be previously collected from an identity document database and verified during the process of identification
- A transaction number (TAN) is no longer required, cross-checks and check of identification documents is considered sufficient
- New, if the person to be identified occurs to be a higher risk level individual a video identification can still be carried out, however consent of the line manager, a superior instance or senior management is required before on-boarding.

Remark: Even though a TAN is no longer required, when establishing beneficial ownership (margin no. 48), a TAN can still be used instead of the Qualified Electronic Signature.



Changes in online identification

- Minimum check of three optical security features to hinder false identification documents (as far as they are perceptible from the image)
- Compare the identification documentation with an identity document database.
- Ensure that the contracting party's photo has been created in the course of the identification process (e.g. by using liveness detection).
- In the future, not only a Swiss-based bank payments will be accepted in the identification process but also banks in Liechtenstein or foreign banks if they:
 - are based in a Financial Action Task Force (FATF) member country¹ provided that the country has been minimum rated partially compliant for customer due diligence, and
 - that country has completed the fourth round of mutual evaluation and has an anti-money laundering and combating the financing of terrorism (AML/CFT) system rated as moderate or better under Immediate Outcome 3 (Supervision) and 4 (Preventive measures).

The 6 steps of digital client on-boarding using video identification

Below are the six key steps carried out when on-boarding a new customer:



¹FATF members as of February 2018 include 35 countries (that include Western Europe, UK, US, Russia, China, Japan) and 2 regional organisations (Gulf Co-operation council, European Commission).
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