

Covid-19 helps digitise customer identification (3/52/20)

The pandemic has not only brought restrictions but also accelerated the digitisation of the customer identification process. Before the pandemic, the Latvian Anti Money Laundering and Counter Terrorism and Proliferation Financing ("AML/CTPF") Act had its subjects focusing on customer identification in person, yet the restrictions are forcing them to minimise direct contact and to create new ways of customer identification.

Customer identification and due diligence

This process is necessary to know your customers and to analyse their business, potential risks (including sanctions), where their money comes from and how it fits the purpose of their business transactions, and to create a transparent environment where persons subject to the AML/CTPF Act can rely on their customer data and, if necessary, identify suspicious transactions and duly report them.

Individuals

Identifying a Latvian-resident individual relies on details from their identification document (passport or ID card): first name, surname, and personal identity number.

A non-resident is identified by their first name, surname, birth date and photo, plus the number and date of issue of their identification document and the issuing country and institution.

If a non-resident arrives in person, they need to carry a valid identification for entering in Latvia.

Entities

Identifying an entity relies on the following details: company name, registration number, registered office and actual address, incorporation documents, a copy of the passport or other identification of a person representing the legal arrangement, and details of the ultimate beneficial owner.

Section 23 of the AML/CTPF Act prescribes how its subject can perform remote identification involving one or more approaches based on a risk assessment:

1. Obtaining additional documentation or information that proves the customer's identity;

** Make sure you can trust the source of information.*

2. Checking any documents submitted additionally or seeking confirmation from an EU registered credit or financial institution that the customer has a business relationship with that institution and it has performed customer identification in person;

** An extra check is advisable to verify the authenticity of documents submitted. If the customer has a business relationship with a credit or financial institution, this needs to be documented*

under *section 37 of the AML/CTPF Act*.

3. Making sure the first payment in a business relationship is made from an account opened in the customer's name at a credit institution that is covered by the AML/CTPF Act or EU enactments;

** Latvian and EU AML/CTPF requirements must be met. When payment is made from a US credit institution, the identification process and documents obtained might not meet EU requirements.*

4. Requesting the customer's personal presence on the first transaction;

** The customer should provide proof of identity.*

5. Obtaining a resident individual's identification details from a document they have signed with a secure electronic signature.

** The customer can sign a questionnaire or other documentary evidence with a secure electronic signature to enable identification based on that signature.*

How do I prove my identity remotely?

- A secure electronic signature;
- A SmartID electronic signature using biometric data (mainly government agencies and financial or credit institutions);
- A video conference/call identification.

Future technologies that facilitate and accelerate the identification process are being adopted. The pandemic has spawned a number of innovative electronic identification ideas, such as e-KYC, and the opportunity to perform *VideoID*, *SmileID*, *SignatureID*, and *eID*. For customer due diligence, developers are building apps that cooperate with credit and financial institutions and access databases and registers to check customer details at a single location.

Credit institutions are currently using the *eID* process by activating or renewing the *SmartID* app many are familiar with. With a smartphone camera on, the app can read the machine-readable zone and microchip of an identification document. The app identifies the customer by comparing the data it read on the document and recognising the customer's face. In the near future this method of identification could be used not only by credit institutions but also by other persons subject to the AML/CTPF Act.

A digital identification process will save time, money and labour, while sufficient automation will eliminate human error, check the required data, and never miss any important details, so the customer will be satisfied with an optimal length of identification.