

Consultation: Adoption of Digital ID Systems

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Joint
Consultation



**Jersey Financial
Services Commission**

**What are
we
consulting
on?**

**How best to support the further
adoption of technology
solutions by Supervised Persons
to satisfy their CDD
requirements.**



Supervised Persons?



Any business required to comply with the
ML(J)O 2008

Anyone registered by JFSC under the Proceeds
of Crime (Supervised Bodies) (Jersey) Law 2008



CDD Requirements?



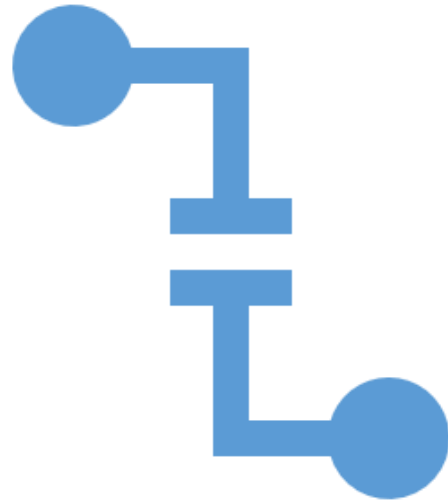
- ML(J)O 2008 requirement to...
 - Find out ID of customer (incl. name and legal status)
 - Obtain evidence that establishes that fact customer is who they say they are.
- AML/CFT JFSC Handbook requirements 3-fold:
 - Identification and verification of a legal person
 - Identification of source of wealth
 - Enhanced due diligence for certain categories of legal persons (e.g., PEPs)
- This consultation is ONLY concerned with ID&V



FATF encourages Digital ID Systems to support CDD requirements

What are "Digital ID Systems"?

"a system that uses electronic means to assert and prove a person's official identity online (digital) and/or in-person environments at various assurance levels"



Who will this consultation affect?

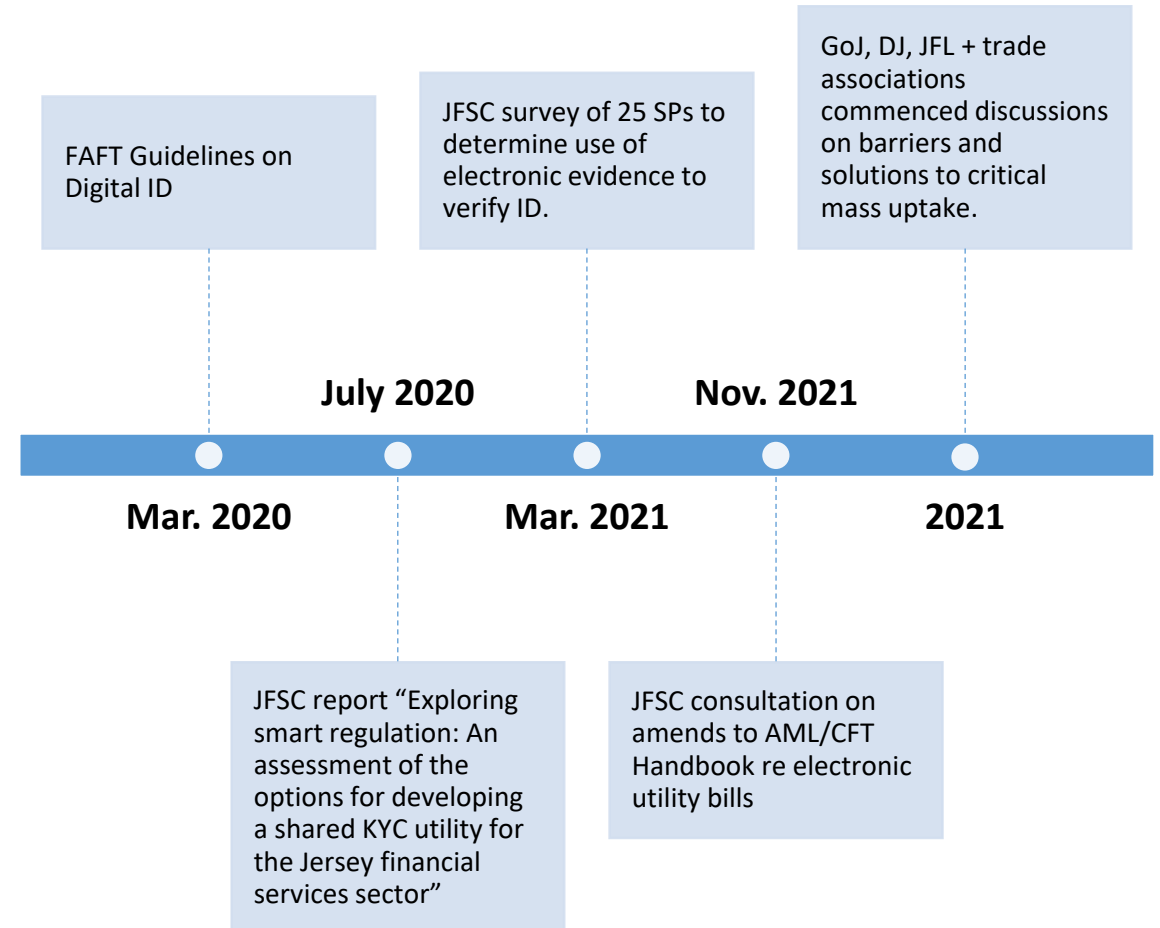
- Supervised Persons
- Customers of Supervised Persons
- Digital ID System providers



What has been tried already?



- 2015 – JFSC amends to AML/CFT Handbook on what use E-ID played in CDD process
- 2017 – JFL Strategic Review = recommended streamlining onboarding/KYC processes via central utility
- 2018 – GoJ produced Technical Analysis and Requirements Specification paper for eVID (working group incl. GoJ, DJ, JFL and JFSC)
- 2019 – JFSC made further amends to AML/CFT Handbook to expressly permit evidence of ID to come from electronic sources.



Why are we doing this?

IFC = maintain competitive operating environment



CDD required to be carried out on every customer (sometimes multiple times during the lifetime of a relationship).

CDD is....

- Time consuming
- Imposes significant costs for SPs
- Inconvenience for customers

What do we want to achieve?



Enhance	Lower	Improve	Improve	Reduce
Enhance outcomes of CDD processes	Lower the cost of transactions compared to multiple paper-based checks	Improve customer experience	Improve accuracy and reliability of CDD processing within Jersey	Reduce need for routine manual intervention so resources can be focused elsewhere

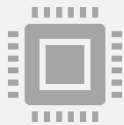
Barriers?



Industry confidence to invest in digital solutions



Differing risk appetites across businesses and sectors



Lack of critical mass uptake

How do we overcome these barriers?



3 options...

1. Further flexibility around existing regime?
2. Establish Digital ID accreditation framework for Digital ID Systems?
3. Create new class of business/activity – supervision of Digital ID System providers?

Option 1 – Amend existing regime

- JFSC provide further guidance in s.4 AML/CFT Handbook on risks involved in ID&V to assess evidence quality + introduce “levels of confidence” akin to UK
- JFSC hopes will simplify and clarify process enabling SPs to chose Digital ID Systems suitable for their business and how risk can be managed through levels of confidence.



Option 1 continued...

GoJ amend ML(J)O 2008 to enable use of Digital ID Systems as an appropriate method for SPs to meet CDD obligations by specifically including in ML(J)O “documents, information, records, etc. obtained using a Digital ID Systems”

Will be done regardless of outcome of consultation
BUT does it go far enough?



Option 2 – Accreditation Framework

- Set of rules and standards Digital ID Systems need to meet to be certified under framework
- Not prescribe specific technologies or processes to be used but standard setting.
- Minimum:
 - Requirements of ML(J)O and AML/CFT Handbook
 - Inclusivity of user experience requirements
 - Follow relevant privacy and data protection laws and requirements
 - Have fraud management and appropriate security software
- Issue “trust mark” to Digital ID System meeting framework criteria



Option 2 continued...

- How accredit?
 - Committee of experts/industry accreditation
 - Independent accreditation
- Pros and cons to each and we want to hear from industry on its preferred method of accreditation if option 2 is the preferred means by which to overcome the barriers to adoption.
- Whatever the accreditation process, interoperability with other jurisdictional requirements is key.



Option 3 – New Class of Business

- Early stages of development...
- Regulate Digital ID Systems providers = SPs
- Enable “Reliance – Obligated Persons” instead of outsourcing ID&V part of client onboarding
- Clear benefits but operational challenges for regulator – can these be overcome by JFSC/another regulator outsourcing to professional services firm or other?



To conclude



Will solving the ID&V onboarding issue make life easier for you?

Have we identified the barriers correctly?

What do you think of the 3 options canvassed and where should we focus our attentions in order to overcome the barriers?

Should we be considering anything else?



CONSULTATION OPEN UNTIL 31 AUGUST 2022



- Ways to respond...
- Government (and JFSC) economy@gov.je

OR

- via JFL to Nathalie Andersson
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