



For the attention of consumerprotectionpolicy@centralbank.ie

26 October 2017

The Central Bank of Ireland
PO Box No 559
New Wapping Street
North Wall Quay
Dublin 1
Ireland

Dear Sirs

Response to your discussion paper on Consumer Protection Code and the Digitalisation of Financial Services

Know Your Customer is a provider of technological solutions for identity verification of individuals and corporations. Given the challenge faced by businesses to continue to meet anti-money laundering requirements whilst implementing digitalisation in their services, we would like to provide our thoughts on a number of the questions set out in your discussion paper.

Our responses are detailed below underneath each relevant question.

DIGITALISATION AND EVOLVING FINANCIAL SERVICES LANDSCAPE

1. Are there evidence or examples of other relevant types of innovation in retail financial services, which are not already covered in this Discussion Paper? If so, please provide details.

Yes the increase of technology tools to verify identify both quickly and accurately, in line with anti-money laundering legislation, which compliments the speed at which people can now sign up for new products and services on line, and enabling service providers to still meet their legal identify verification requirements.

2. Considering the Irish market, what innovations are more likely than others to develop and/ or have the greatest impact on consumers? Please provide reasons for your answer.

Q: What is the market's opinion that certified copies of PoI are still a valid form of accurate identify verification? Document authentication is not addressed in the paper and offers the best approach to the protection of consumers and companies in the fight against identity theft. Reference is made to e-



authentication in terms of PSD2 and the EBA's draft RTS around security of payment but not in the initial identity authentication or verification process.

POTENTIAL RISKS AND BENEFITS

3. Please outline any other potential benefits or risks for consumers that have not been captured in this section?

While “more accurate KYC information and KYC automation” are listed in the benefits sections the risks section misses the risk of Impersonation of a consumer in a digitized on-boarding environment. Consumers risk being impersonated by fraudsters on digital channels if e-KYC methods are implemented without proper safeguards that require the user to provide documentary identity evidence like government photo ID checks and additional means to insure the identity of the person. This has happened in other jurisdictions where regulatory guidelines are not sufficiently precise, and e-KYC is sometimes done by comparing just the individuals name and address with databases collated from various non-official sources. Our recommendation is to strengthen procedural requirements against impersonation in the code. It would also advantageous to create government-backed digital identities with strong access control. These digital identities could then be used in secure online financial transactions instead of pictures of paper proof-of-identity documents.

4. Considering the Irish market, what benefits and risks do you think are most likely to materialise and/or have the greatest impact on consumers? Please provide reasons for your answer.

The inability for the Irish market to move in-line with international development for a mobile first solution places Ireland at a severe disadvantage. Offering all financial participants, the security of a digital identity endorsed by the regulatory authority of the Irish market offers the ONLY true process improvement to the consumer. While an industry lead initiate like blockchain makes perfect sense to share identity information; only a verified and authenticated solution from the governing body of these industry participants will ensure compliance and acceptance. This cannot be owned by the industry participants but only by an official government appointed entity.

CONSUMER PROTECTION FRAMEWORK

6. With reference to the potential risks and benefits for consumers in the area of access do you consider consumers to be adequately protected in a more digitally-enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.

Cloud solutions are now the default options for consumers in many industries (mTravel, mBanking, mHealth). Statistics from Gartner and Forrester show that they are now the preferred approach and offer consumers tremendous



improvements to key variables, such as customer loyalty, profitability, customer service, thus greatly increasing customer referrals by existing customers to new customers. Know Your Customer would urge the Central Bank to look at the approach other industries like health have taken to improving the access consumers have to health technologies via cloud solution providers.

OTHER GENERAL QUESTIONS FOR DISCUSSION

20. Given responsibility for the protection of consumers lies with regulated firms, how should the Code put greater obligations on firms to use innovative technologies in a positive way, to improve services and better protect consumers' best interests? Please provide specific suggestions of how this could be achieved.

In examining onboarding as the keystone for long-lasting consumer protection, we hold the view that market participants can take a strategic and integrated approach to address business, regulatory, and technological imperatives in order to transform onboarding. Any fundamental technology challenge in onboarding does not absolve a market participant from having to look across involves all areas involved in the identification, storage, and management of structured and unstructured data. Innovative client due diligence should essentially be capable of providing a quantum leap in the front office next-generation onboarding programs while translated this information to middle and back offices (and with a minimal amount of error) to ensure a workflow that extract data from various sources for correct identification tools and lower-cost labour costs in the process.

In recent years regulation has increased and could be viewed as an obstacle for innovation. Financial firms, in particular, have focused the major part of their resources on remediation programs to the detriment of innovation. To prevent this unsuitable approach, regtech will help: better manage the regulatory requirements, reduce compliance costs, do not make processes difficult for consumers, limit invocation that could be good for customers/market in general. Automation is the only solution that can extract, compute, and aggregate the relevant elements of KYC, allow for real-time risk/fraud identification from official sources, use of rules based language and interface to build flexible reporting that can evolve with regulation. RegTech can also include visualisation tools for better decision making and information sharing, immutable records for trusted information like transfer of ownership or identities for AML and KYC purposes, and offer scalability that only a cloud-first approach can deliver. The consumer protection code could include a score card to which technology solution submit responses and allow consumers have a much clearer picture from a trusted central source of what is available to them.



**Know Your
Customer**

Should you require any clarification on the points above, or have any questions, please do not hesitate to contact me.

Yours faithfully
For and on behalf of
Know Your Customer Limited

C Christensen
Director & CEO

Email cchristensen@knowyourcustomer.com