
PRESS RELEASE

ESAS PUBLISH OPINION ON THE USE OF INNOVATIVE SOLUTIONS IN THE CUSTOMER DUE DILIGENCE PROCESS

The Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published today an [Opinion](#) on the use of innovative solutions by credit and financial institutions when complying with their customer due diligence (CDD) obligations. This [Opinion](#) is part of the ESAs' wider work on creating a common understanding on the responsible and effective use of innovation by credit and financial institutions, which can enhance their Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) controls.

Under EU law, credit and financial institutions are required to assess money laundering and terrorist financing (ML/TF) risks associated with their business and put in place effective policies and procedures to mitigate these risks. CDD measures are central to these policies and procedures. However, EU law is technology-neutral and does not set out in detail how these CDD measures should be applied, giving an opportunity to financial and non-financial innovators to explore new ways of meeting institutions' CDD obligations. While these innovations can improve the effectiveness and efficiency of AML/CFT controls, there is a risk that they could weaken ML/TF safeguards, if applied unthinkingly.

In this [Opinion](#), the ESAs explore how innovative solutions currently used by credit and financial institutions can help them meet their AML/CFT obligations more effectively. For example, solutions that involve non-face-to-face verification of customers may contain built-in features that can establish whether the identity document presented belongs to the person presenting it, based on a combination of multiple parameters, including biometric facial recognition, the document's security features and optical character recognition. Innovations can also significantly improve credit and financial institutions' transaction monitoring processes by automating them and by allowing data to be pulled from multiple data sources instantly. This provides a comprehensive view of the customer's profile and transaction patterns.

With this [Opinion](#), the ESAs aim to foster the development of a common understanding between national competent authorities across the EU of the appropriate use of innovative solutions and encourage national competent authorities to support those solutions where these improve the effectiveness and efficiency of AML/CFT compliance. Yet, they also highlight specific ML/TF risk factors associated with these solutions as well as wider internal control

aspects that they should consider when supervising credit and financial institutions that make use of these solutions. In particular, national competent authorities should consider (i) oversight and control mechanisms; (ii) the quality and adequacy of CDD measures; (iii) the reliability of CDD measures; (iv) delivery channel risks; and (v) geographical risks.

Legal basis

This [Opinion](#) was issued in accordance with Article 29(1) (a) and Article 56 of Regulation (EU) No 1093/2010; Article 29(1) (a) and Article 56 of Regulation (EU) No 1094/2010; and Article 56 of Regulation (EU) No 1095/2010, which mandates the ESAs to provide opinions to National Competent Authorities in order to foster a common supervisory culture and consistent supervisory practices in areas of its competence, which include AML/CFT.