International Banking Federation

5th Floor, 1 Angel Court
London EC2R 7HJ
Mobile: + 44 (0)7725 350 259
Web: www.ibfed.org

Mr. David Lewis
Executive Secretary
Financial Action Taskforce (FATF)
2 rue Andre Pascal
75116 Paris
France

6 December 2019

Dear Mr Lewis,

Re: FATF draft guidance on digital identity

The International Banking Federation (IBFed)[1] appreciates the opportunity to comment upon the FATF draft guidance on digital identity (digital ID).

As you know, the International Banking Federation (IBFed1) is the representative body for national and international banking federations from leading financial nations around the world. This worldwide reach enables the IBFed to function as the key international forum for considering legislative, regulatory and other issues of interest to the banking industry and its customers. We also have a keen interest in the efficiency of the global tax system.

We support the draft guidance's recognition that the roles of public and private sector actors in establishing reliable and workable systems for digital ID may vary, depending on the digital ID system and the regulatory framework in a particular jurisdiction. However, it is important

[1] The International Banking Federation (IBFed) was formed in 2004 to represent the combined views of our national banking associations. The IBFed collectively represents more than 18,000 banks, including more than two thirds of the largest 1,000 banks in the world. IBFed member banks play a crucial role in supporting and promoting economic growth by managing worldwide assets of over 75 trillion Euros, by extending consumer and business credit of over 40 trillion Euros across the globe, and by collectively employing over 6 million people. The IBFed represents every major financial centre and its members' activities take place globally. With its worldwide reach the IBFed is a key representative of the global banking industry, actively exchanging with international standard setters and global supervisory bodies on subjects with an international dimension or with an important impact on its members.

that the guidance supports a consistent set of global standards. Where a particular regulatory framework does not support reliance on a government-endorsed digital ID system, we consider that financial entities should not be solely responsible for assessing the assurance level of the digital ID systems, as this would be challenging without clearer national, regional or intergovernmental guidelines. It is also important that such guidelines do not directly or indirectly support any particular technology, particularly given the rapid rate of innovation.

We support the draft guidance recommendations for collaboration between public and private sector actors, and would recommend that these recommendations include an express reference to market resilience considerations. In a competitive market there will be situations where a supplier ceases to be active, raising further challenges of complexity from the need to manage the customer records they hold so that regulated sector can continue to service their customers without disruption. This complexity is not conducive to market resilience. Collaboration could explore opportunities and challenges in pursuing a more simple Government-led agreement with suppliers, which could be less fragile than the multiple bilateral arrangements currently in place between regulated sector entities and KYC data providers.

We fully support the draft guidance's goal of supporting financial inclusion. However, we think that it is important to keep in mind the necessary balance between the AML/CFT requirements and financial inclusion objectives. The assurance level of the digital ID systems is dependent on the AML/CFT risk of the business relationship. Competent authorities can therefore support financial inclusion by providing clearer guidelines or regulations on the cases where a lower assurance level for identity proofing/enrolment and/or authentication is allowed for the purpose of financial inclusion. National authorities should also be encouraged to be more proactive in addressing specific financial inclusion problem cases, such as by issuing or authorising digital identities for specific customer groups (e.g. refugees). The guidance could also note that use of a digital identities should not be reliant upon expensive technology (e.g. if a smart phone is required to use the ID this could drive further financial exclusion).

We would support inclusion of wider AML/CTF use cases than identification and authentication of natural persons. Some digital ID providers already offer more than identification and authentication, and provide further attributes that may be useful also for AML/CTF and wider financial crime compliance purposes. The guidelines should therefore recognise such additional attributes and indicate how these may also be used within the FATF framework. This could, for instance, include an attribute that would provide the relying party with the information about whether a specific person is a PEP or not. Once a digital ID is declared as reliable, it should be sufficient to prove the facts that are linked to this digital ID.

In addition, it is not clear why the draft guidance shouldn’t be applicable to representatives and beneficial owners of legal persons, who are themselves natural persons. We believe there would be merit in having guidance on the use of digital ID in the onboarding and customer due diligence processes of legal persons, which also shares many of the potential benefits described in this draft guidance for their use by natural persons.

We hope that our contribution is useful and would like to thank you for taking our input into consideration.

Yours sincerely,

Mrs Hedwige Nuyens

Managing Director
International Banking Federation