

SUMMARY OF THE KYC SURVEY

Within the DINNOCAP project, co-financed by the INTERREG Baltic Sea Region Program, the Ministry of Economic Affairs and Communications of Estonia together with the Estonian Chamber of Commerce and Industry surveyed obliged entities to assess the attitudes for applying know your customer (KYC) procedures by them.

At the end of 2021, the information about the survey was published on the website of the Chamber of Commerce and Industry and forwarded by information letter to more than 3,500 members of the Chamber in Estonia. Despite repeated reminders, only 16 companies in Estonia responded to the survey. The Chamber also sent the survey in different languages to its partner organizations in the Baltic Sea region several times, but unfortunately, no responses were received.

The low completion rate of the survey may indicate that many companies and entrepreneurs in the Baltic Sea region are unaware that they are considered to be obligated entities within the meaning of anti-money laundering (AML) regulations.

3 financial institutions, 5 companies providing legal services, and 8 companies providing accounting services responded to the questionnaire. The answers showed that more than half of the respondents have an AML/KYC specialist at work who is responsible for performing KYC procedures. More than half of the respondents also found that the instructions and regulations on the prevention of money laundering are sufficiently understandable. However, those who do not think that the instructions and regulations are clear are the same companies that do not have a specialist working to perform KYC procedures. Two-thirds of the respondents confirmed that their employee (s) have received anti-money laundering training.

3 of the responding companies confirmed that they outsource the provision of the KYC service. The remaining respondents did not even know from whom to purchase the KYC service. 2 of the respondents (small accounting companies) rely only on the data received from the client when performing KYC procedures and do not independently perform additional data collection or verification of the submitted data, the rest of the respondents use also other sources for information collection (database queries, internet searches). The answers show, as was expected, that companies that have an AML/KYC specialist will use a wider range of sources to gather information about their customers.

3 of the respondents incl. the same companies, which relied solely on customer data to conduct KYC, found that they did not face any obstacles in conducting KYC procedures. However, the rest of the respondents stated that to perform more efficient KYC, the problem is the access to the data in the national registers and databases and the costs of obtaining the data, e.g., state fee (62.5% of respondents), as well as insufficient knowledge from where and how to collect data, as well the complexity of regulations and guidelines (50% of respondents). All respondents confirmed that the data in national registers and databases shall be made available for KYC purposes free of charge or a reasonable fee, incl. in a machine-readable format, they would use this option.

It is noteworthy that 75% of respondents consider the data in national registers and databases to be the most reliable source. 62.5% of respondents also preferred that future KYC services should be based on data from national registers and databases. Almost 70% of the respondents also consider the data that the client transmits either physically (handed over at the meeting) or digitally signed by the client to be reliable.

In general, the responses show that companies are ready and interested in receiving machine-readable format data for conducting KYC. 62.5% would prefer to receive KYC information directly and automatically to their accounting or client management program. Half of the respondents would also prefer that KYC data shall be forwarded by their client under consent management. 62.5% would like to have access to various databases where they can view and download the data themselves.

75% of the respondents would prefer the data in national registers and databases to be accessible free of charge and 50% of respondents would like the data to be available in a machine-readable format.

More than half of the respondents think that the regulations and rules for preventing money laundering are too strict compared to neighboring countries and directly restrict their everyday business. Also, 87.5% of respondents think that the state does not pay enough attention to making conducting KYC procedures by obliged entities easier. Nearly 70% of respondents also feel that countries themselves have created barriers that make it much more difficult for foreigners (non-residents) to do business than for residents. It is noteworthy that more than 90% of respondents believe that there should be uniform rules and standards for conducting KYC procedures in the European Union.

Almost all respondents believe that they would be able to conduct KYC procedures more efficiently if they had easier access to the data from national registries (94% of respondents) and if public authorities (i.e., FIU, FA) should provide clearer sector-specific anti-money laundering guidelines (87.5% of respondents). Also, 62.5% of respondents believe that they would be able to perform KYC procedures better if they could obtain the necessary data in a machine-readable format and if KYC procedures would be automated and standardized. Half of the respondents also considered training on KYC and AML to be important.

If there would be a state-recognized KYC service, then over 80% of respondents thought it should be based on a dataset / KYC profile that contains a minimum list of questions, documents, and data to be collected to perform KYC. The same number of respondents considered that other countries should accept KYC data that is recognized by the first country. More than 68% of the respondents believe that the state should provide confirmation (so-called verification) of the data that comes from national registers and databases. 62.5% of respondents believe that the data collected for KYC should be updated (including automatic updates) each time the dataset / KYC profile is used again. 75% of the respondents also think that the person should have access to information about who has requested and used his or her KYC data and for what purpose.

It is also remarkable that all respondents confirmed that if they, as individuals, were asked to give consent to the automatic transmission of their KYC data in national registers and databases to the obliged, they would give such consent.

Conclusions:

- The low completion rate of the survey may indicate that many companies and entrepreneurs are unaware that they are obligated within the meaning of the AML regulations.
- Companies that have an AML/KYC specialist perform KYC with more thoroughness and collect and verify data via various sources.
- Obligated entities consider that access to data in national registers and databases and the cost of obtaining such data (e.g. state fees) is an obstacle when conducting KYC, as well as the fact that the data is not in a machine-readable format.
- Obligated entities trust data in national registers and databases, as well as data that is directly transmitted or digitally signed by customers themselves.
- Obligated entities consider that they do not have sufficient knowledge of where and how to collect data for performing KYC procedures.
- Obligated entities expect AML guidelines to be more understandable.
- Obligated entities expect data in national registers and databases to be available in a machine-readable format.
- Obligated entities expect for procedures for conducting KYC to be automated and standardized, with uniform principles in the EU.
- Obligated entities consider that AML regulations and rules are too strict compared to neighboring countries and directly restrict their everyday business and that the state does not pay enough attention to facilitating the implementation of anti-AML regulations and KYC procedures.
- Obligated entities would prefer a state-recognized KYC service that uses data from national registers and databases.

- Obligated entities consider that the KYC service recognized by the state should be based on a data set / KYC profile containing a minimum list of questions, documents, and data to be collected to perform KYC procedures and that the state should verify the data they have in their national registers. The person, subject to the KYC, should also have access to information on who has requested and used his or her KYC data and for what purpose.
- Individuals agree to give consent (so-called consent management) to obliged entities for automatically receiving their KYC data in a machine-readable format.

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