



EBA Common Baseline Classification Standard

Identification of Politically Exposed Persons (PEPs) In the Corporate-to-Bank KYC process

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1. Introduction and Scope

In February 2022 and to support the harmonisation of pan-European KYC processes, the Euro Banking Association (EBA) published its “Common Baseline Classification Standard for KYC data for low-risk situations”¹ (EBA CBCS) at the corporate-to-bank level. In this context, the common baseline has been defined as those data-points that, in low-risk standard Customer Due Diligence (CDD) situations, need to be collected from a legal entity customer of a regulated financial institution on a periodic basis. Due to its focus on low risk CDD situations, the CBCS does not cover any additional requirements that a financial institution might have due to the nature of its business with the legal entity customer, or specific information requirements for higher risk enhanced due diligence (EDD) situations.

In February 2023, the EBA published its study ‘Data Verification for Corporate-to-Bank KYC in Low-Risk Situations’². This paper encapsulates an analysis of the public register landscape and its subsequent findings and recommends the harmonisation of content, data structures, and access mechanisms across Europe’s official registers. It specifically suggests the creation of a unified EU-wide access mechanism for obliged institutions, ideally enabling regulated financial institutions to access any official register via an interconnected portal, thereby bypassing the need for additional registration at a national level. Furthermore, it recommends that all registries should offer data through APIs and open-source data files.

During the preparation of the study focusing on data-verification, the KYCEG (EBA Expert Group on KYC-related Topics)³ also compared national regulations and best-practices to determine if KYC processes could benefit from further harmonisation related to the identification and handling of Politically Exposed Persons (PEP or PEPs), their family member(s) and/or close associates (RCA or RCAs) who are, as ultimate beneficial owners (UBO) or senior manager, a stakeholder in the corporate customer. Potential problems repeatedly surfaced, including the identification of PEPs based on functions, the absence of a common definition who constitutes a family member or close associate, and Member State specific (but not harmonised) regulations in respect to risk-mitigation and risk-classification. Furthermore, it was confirmed that State-Owned Enterprises (SOE or SOEs) are not commonly defined.

¹ EBA Common Baseline Classification Standard for Corporate-to-Bank KYC in low-risk situations. Available at: <https://www.abe-eba.eu/media/azure/production/3433/v2-common-baseline-classification-standard-for-corporate-to-bank-kyc-in-low-risk-situations-clean.pdf>

² EBA Common Baseline Classification Standard Data Verification for Corporate-to-Bank KYC in low-risk situations. Available at: <https://www.abe-eba.eu/media/azure/production/3432/common-baseline-classification-standard-data-verification-phase-2-v10.pdf>

³ EBA Expert Group on KYC-related Topics - objectives and background. Available at: <https://www.abe-eba.eu/market-practices-regulatory-guidance/expert-group-on-kyc-related-topics/>

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Overall, the KYCEG found that the current regulations related to PEPs are not consistent, provide loopholes in certain situations, and cause significant problems for institutions which operate throughout the EU as no single harmonised policy or procedure can be applied for customer relationships which involve a PEPs or RCAs as stakeholder. At the time, the KYCEG suggested that a more detailed analysis of this topic would be required before the KYCEG would feel comfortable to suggest alternatives to current regulation and/or best practices and subsequently propose a suitable approach to harmonisation in this area.

Subsequently, and following the publication of the study related to data verification in February 2023, the EBA, upon recommendation of the KYCEG, launched a new initiative in the realm of KYC practices with a specific focus on Politically Exposed Persons. The primary objective of this initiative is to critically examine the current procedures and due diligence processes related to the identification of PEPs and RCAs. This initiative also delves into sub-topics such as evaluating the potential implications of utilising Functional PEP Lists, and examining the status of state-owned enterprises (SOE or SOEs) where senior managers are classified as PEPs due to the public ownership of their employers.

2. Approach

The KYCEG's primary objective is to identify and address pan-European inconsistencies in KYC due diligence practices, and to uncover any obstacles that could hinder or restrict the deployment of cost-efficient, automated KYC data collection and monitoring processes across the EU/EEA. The group conducts comprehensive analyses of the operational landscape within which regulated financial institutions operate. This document covers the implications and due diligence requirements related to the identification of a PEP or RCAs as a stakeholder of the corporate customer, either as UBO or senior manager.

Overall, the diverse and relatively broad and descriptive classification of individuals who might be a PEP causes significant problems for the financial industry and particularly for banks that operate at a pan-European level.

Given this context, the initiative aims to:

- Review the current methods and standards for identifying PEPs and RCAs
- Assess the ability to identify SOEs and their senior managers who are classified as PEPs due to the public ownership of their employer
- Explore the use of Functional PEP Lists and their potential benefits and challenges
- Provide recommendations which enable or support the implementation of automated perpetual KYC processes and enhance the ability to consistently monitor corporate

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customer data, including PEPs who are a stakeholder in the customer, for adverse changes

The EBA will not propose to amend existing regulations or changes to current KYC policies or best practices. Instead, the focus of the KYCEG has been to analyse the 'tools' that practitioners have at their disposal when identifying Functional PEP Lists and the depth of the information included therein, and the ability to uniformly identify enterprises as 'state-owned'. This approach, and the subsequent recommendations, reflect practical considerations from KYC professionals and aim to enhance the effectiveness of KYC procedures without necessitating regulatory changes, and at the same time support the evolution towards robust, yet efficient, pan-European KYC due diligence processes.

3. Politically Exposed Persons – Identification

Identifying PEPs and their RCAs is a significant challenge faced by financial institutions during their corporate customer KYC process. The complexity of PEP identification stems from the broad range of individuals encompassed by this term as it extends beyond elected politicians to also include individuals serving in legislative, executive, judicial, administrative and military roles, as well as those employed in senior management positions in public bodies and SOEs, plus certain RCAs.

In Europe, the general understanding of a PEP is derived from the Anti-Money Laundering Directive (AMLD)⁴, but the specifics of the PEP definition vary among Member States. Subsequently, each Member State has fine-tuned the implementation based on its own national requirements, resulting in the lack of a harmonised approach, which in turn prevent financial institutions from introducing pan-European harmonised and automated KYC processes.

Mid-January 2024, the European Parliament and the Council of the European Union found an agreement on the text of the upcoming AMLR. The regulation intends to exhaustively harmonise AML/CTF requirements through the EU, closing loopholes used by criminals to launder illicit proceeds or finance terrorist activities through the financial system. At the same time, however, the AMLR allows Member States to apply a risk-based approach and impose additional requirements in situations where country-specific AML risks exist. Due to this provision, the AMLR may eliminate some, but not all of the existing divergences between EU Member States.

⁴ DIRECTIVE (EU) 2015/849 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L0849>.

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3.1. Public Functions

The KYCEG's comparison of the definition of national PEPs and RCAs across Member States revealed significant disparities between individual countries. Most importantly, the levels of government deemed to be politically exposed varies as some countries have included regional or municipal representatives in their list of politically exposed functions, which are in some cases even linked to the size of the city or region. Furthermore, deputies or heads of local administration may be included. Typically, senior representatives of the local office of international organisations are also included, but again the seniority levels vary. The AMLR will address some of these issues, however, divergences e.g., at municipal and local administration level, will continue to exist.

Overall, this fragmented approach requires all obliged institutions to analyse the exact details of the list of politically exposed functions at Member State level, and then to identify the individuals who hold those positions. It necessitates banks operating at a pan-European level to tailor their PEP lists, incorporating additional individuals based on the country of operation. Consequently, an individual could be classified as a PEP or RCA when conducting a business relationship in Country A, but not when the relationship is based in Country B.

The KYCEG also noted the respective provisions in the AMLR which aim to define a more harmonised approach, however, it also noted the risk-based approach of the AMLR which not only enables Member States to set lower thresholds when designating PEPs or RCAs at local/regional levels but also to define other prominent public functions as PEP trigger. Due to this, the group concluded that the most beneficial and easiest solution to this issue would be the publication of the name, position, and date of birth of any person who is deemed to be politically exposed in a reliable official national register, managed at Member State level, and consolidated at EU level.

3.2. Senior Management of State-owned Enterprises

The KYCEG emphasised that there is no universally agreed-upon definition of what constitutes a SOE, leaving it to the individual institution to evaluate ownership structures or the presence of public control through other means. While the idea of majority public ownership and control through other means is conceptually straightforward, the thresholds for public ownership can vary by country, ranging from 25% (which represents blocking power) to 75% (which provides the ability to enforce decisions). Furthermore, the phrase "control through other means" necessitates investigation and manual decision-making, both of which pose challenges to automation. Public pan-European databases or registers who could mitigate these issues do not exist.

Moreover, the KYCEG pointed out the lack of explicit guidelines regarding the government-level of public ownership (whether it is state, regional, or municipal) and the size of the entity, whether determined by total assets, turnover, or number of employees. This has led to situations where the senior management of a small local enterprise may be subject to PEP-

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related scrutiny in some EU countries, but not all. To address this, some Member States have introduced additional clarifications or thresholds related to the number of employees, turnover, or total assets, thereby exempting smaller entities from PEP considerations. Others have provided comprehensive lists that include all companies considered to be under government control, however, typically without specifying any thresholds which would trigger PEP-related due diligence for AML purposes.

The AMLR will address some of the above issues and clarifies that the PEP-related provisions will only apply to publicly owned or controlled “medium-size” and “large-size” legal entities as defined in Article 3 of Directive 2013/34/EU⁵. However, Member States will have the right to reduce the proposed thresholds regarding total assets, turnover or number of employees, so banks will have to continue to take country specific regulations into account when defining their KYC processes.

3.3. Family Members and Close Associates (RCAs)

The KYCEG found that the process of identifying RCAs requires intensive manual efforts to meet regulatory obligations. In many cases, individual interviews are necessary to determine whether an UBO or senior manager of a corporate customer is a RCA of a PEP. Additionally, these interviews may need to be tailored to account for the lack of a standardised definition of what constitutes a family member, as some countries include siblings, while others do not.

The ALMR accepts that Member States have different socio-economic and cultural structures, which may, for example, influence the potential for abuse of sibling relationships. For this reason, it includes siblings as ‘family member of a PEP’ only at highest government levels and leaves it to the individual Member State to apply a broader scope and include siblings of any other PEP based on its own national risk assessment.

The term “Close Associate” also presents interpretive challenges. For instance, it’s unclear whether all UBOs of a corporate customer are considered ‘PEPs by association’ if one of them is a PEP, or if a PEP serving as a senior manager of a corporate customer automatically triggers a PEP classification for all other senior managers. Banks tend to err on the side of caution, which results in a significant number of individuals being classified as associated with a PEP ‘just in case.’ This, in turn, potentially leads to a higher risk classification of corporate customers and the corresponding enhanced due diligence which comes at an additional cost, even in cases where no such risk exists. The AMLR will not address this issue and instead recommends that AMLA should have the task of issuing guidelines on the criteria to identify individuals who are deemed to be close associates of a PEP.

⁵ DIRECTIVE 2013/34/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. Available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF>

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4. Current Means of Identification

4.1. PEP-lists provided by Commercial Vendors

The KYCEG confirmed that most institutions turn to commercial third-party vendors for PEP lists, and there are several well-established providers that offer commercial PEP lists for screening purposes. These providers typically offer comprehensive global databases that include PEPs, some of their relatives, and sometimes, but not consistently, close associates, as well as other high-risk individuals and entities. However, the use of these services typically involves a subscription or licensing fee, and the exact cost can vary depending on the specific needs of the organisation. In addition, and relevant from a regulatory compliance point of view, the European Banking Authority's risk guidelines⁶ mandate that banks as regulated financial institutions must verify the accuracy of these external lists. This requirement, which is also driven by the fact that relying on external parties often constitutes outsourcing of compliance requirements, has led to varying levels of regulatory acceptance of such lists as reliable sources across Europe, which again prevents banks from fully automating their PEP-screening processes. As such, commercial lists do not comprehensively solve the problem of identifying PEPs and their family members or close associates consistently throughout Europe.

4.2. The EU list of prominent public functions

In November 2023, the EU published a consolidated Functional PEP List⁷ which includes relevant PEP positions at Member State level, at accredited international organisations and EU institutions and bodies. The KYCEG confirmed that the consolidated Functional PEP List provides a single source of information, which is helpful when investigating the regulatory requirements in a particular Member State. However, the consolidated list does not provide any help for an institution that intends to automate its processes as it does not include any useful data such as name, position or date of birth of the individual who holds a PEP-position.

Comparing the Member State's contribution to the consolidated list, and analysing the different approaches taken by each state, the KYCEG concluded that the consolidated Functional PEP List in its current state does not address industry concerns and requirements, as such being another example where the delegation of the implementation of an EU directive to Member State level does not lead to the anticipated results.

It was observed that the understanding of what constitutes a "list" varies significantly. Countries like Austria and Italy, among others, adopted a descriptive approach and only provide examples of prominent functions, which means that regulated financial institutions must decide

⁶ European Banking Authority, Final report on Guidelines on money laundering and terrorist financing risk factors, 07/10/2021, available at <https://www.eba.europa.eu/legacy/regulation-and-policy/regulatory-activities/anti-money-laundering-and-counteracting-financing-1?version=2021#activity-versions>

⁷ Prominent public functions at national level, at the level of International Organisations and at the level of the European Union Institutions and Bodies, Document 52023XC00724, Official Journal of the European Union of November 10, 2023. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:C_202300724.

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if the holder of a particular public position qualifies as a PEP or not. In contrast, Poland provides a comprehensive list of more than 200 positions in local and English language, whilst Bulgaria offers additional information and associates every relevant position with an internal reference number as a unique identifier to aid obligated institutions. Hungary includes interactive web-links to relevant administrative departments, enabling banks to manually identify the current holder of the prominent position. These countries were noted as positive examples by the KYCEG, showing how the EU directive can be executed in an industry-friendly manner. The AMLR seems to recognise the above discrepancies in Article 33.1(a) and empowers the Commission to adopt, by means of implementing act, the format to be used in such lists, but until such act is implemented the discrepancies as identified above will continue to exist.

From a 'level of administration' point of view, a comparison of the content of the Functional PEP Lists at the Member State level confirms the still existing lack of consensus on who exactly qualifies as a PEP. The interpretations continue to vary widely, with some countries, such as Germany, focusing solely on the highest government and federal state level. On the other hand, Member States like Lithuania provide a comprehensive list of PEP-positions extending to municipal level, encompassing city mayors and their respective directors of administration.

Based on its analysis, the KYCEG highly recommends the publication of harmonised Functional PEP Lists which explicitly list all relevant PEP-positions. In addition, it proposes to disclose the full name of the current position holder, plus date of birth, in Functional PEP Lists at Member State level and consolidated into one consolidated list at EU level. Consistent with the KYCEG's recommendations for commercial and UBO registers, this information should be centrally available to banks and other obliged institutions in open-source data files and via API. However, this recommendation does not apply to family members and close associates, as their right to privacy potentially takes precedence over the financial institutions' need for access to harmonised digital data.

In the segment of SOEs, the KYCEG concluded that similar diversities exist. The quality of related information in the consolidated PEP list ranges from countries which provide a generic description of what constitutes a SOE (usually 50% public ownership or control through other means), whilst others add specific thresholds related to total assets, turnover or number of employees. This approach forces financial institutions to (manually) identify if a corporate customer is a SOE, followed by the application of such thresholds. On the other hand, the KYCEG found constructive examples and positively noted the contribution of countries such as Denmark, Estonia, Lithuania, Malta and Romania which have published a conclusive list of all SOEs in their country and the exact position of employees which are deemed to be politically exposed. Consequently, the KYCEG recommends that all EU Member States follow the example set by those five countries and provide a definitive list of all relevant SOEs. In addition, it recommends including respective flags in the commercial and/or UBO transparency registers to enable banks to deploy automated processes to identify Senior Managers holding politically exposed positions in SOEs.

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5. Risk Mitigation and Risk Classification

Upon identification of a PEP or RCA as a stakeholder (UBO or Senior Manager) in the corporate customer, AMLD and the AMLR foresee that additional risk mitigation measures must be deployed. These measures include the requirement for senior management approval when conducting a financial relationship with such customer, and the identification of the PEP's Source of Wealth (SOW). In addition, the Source of Funds (SOF) must be scrutinised for all financial transactions instigated by the PEP.

Again, the KYCEG noted that the existing directives, as well as the AMLR, only provide the descriptive framework related to such risk mitigation measures, leaving it to local Member State regulation to provide details related to the exact execution of these measures. As a result, the term 'senior manager approval', and more specifically the required hierarchical level within the financial institution, differs between individual Member States. Further pan-European differences exist in the risk-classification process of corporate customers which involve a PEP as stakeholder. In some countries, financial institutions are enabled to adopt a risk-based-approach and treat the presence of a PEP or RCA as a risk-factor among others, whereas countries such as Spain or Portugal require their financial institutions to treat all such customers as inherently high-risk, regardless of circumstances.

The KYCEG proposes the application of a risk-based approach related to PEPs and RCAs in all EU Member States and welcomes the provision in Article 33.3(b) of the AMLR which specifies that AMLA, within a defined timeframe, shall issue guidelines on the level of risk associated with a PEP and RCAs, and guidance on how such risks are to be assessed. The level of senior management approval should be determined on a case-by-case basis, taking specific risk factors into account. These include, among others, a distinction between a PEP as UBO and a PEP who came into existence due to their role as a senior manager in a SOE. Similar distinctions should be applied during the risk classification process, thus eliminating situations where customers undergo high-risk due diligence and high-risk classifications where no such risk exists.

Finally, the KYCEG positively noted the harmonised "PEP-Status Termination Process" in Article 35.2 of the AMLR which enables obliged institutions to reassess the PEP-related risks 12 months after the individual has left the role which triggered the PEP-status.

6. KYCEG Recommendations

Following the extensive analysis of the regulatory environment related to PEPs and RCAs, the KYCEG concluded that the recent directive-driven initiatives (such as UBO transparency registers or in this case the publication of a consolidated Functional PEP List) have not resulted in a harmonised pan-European regulatory environment. Banks still have to consult national regulations to understand which level of government is deemed to be politically exposed, and the lack of harmonised definitions, for example of RCAs or SOEs, require expensive manual

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adjustments to each KYC file which could involve a PEP. As a result, regulated financial institutions are still not able to automate their standard KYC due diligence processes, including PEP screening, and are not able to limit manual investigative efforts to situations which really require deeper scrutiny as they pose a higher risk of money laundering and terrorist financing. The main reason for the lack of pan-European harmonisation is that the implementation of conceptually useful initiatives has been delegated to individual Member States. The AMLR will solve some of these issues, however, its general provision of enabling Member States to fine tune for example thresholds based on national risk-environments and to add other prominent public functions as PEP trigger at local level, will – understandably - keep the regulatory environment fragmented. Furthermore, none of the initiatives to date cover the provision of machine-readable reliable data, the only source of which currently are – with restrictions related to outsourcing and incurring additional cost - external commercial third-party data services.

However, the KYCEG noted positive examples related to the implementation of PEP-related measures imposed via the AMLD at Member State level, particularly in relation to some of the Functional PEP Lists. A handful of countries have demonstrated how such lists can be created in a format which supports the financial industry, proving that it can be done.

In conclusion, the KYCEG recommends the following:

- Functional PEP Lists at Member State level are recommended to include the exact position which is politically exposed. Generic terms or a list based on examples such as ‘among others’ or ‘including but not limited to’ put a stop to any automation efforts as human judgement will be required in most cases. The format of this list should be harmonised based on a template provided at EU-level.
- The name and date of birth of any individual who holds an official position should be included in the lists. The respective data is public knowledge and available elsewhere, and the KYCEG found no apparent reason why Member States could not publish a public consolidated list which includes the full name, function, and date of birth of the PEP-position holder. However, unless the data is held in an ‘legitimate reason’ access-controlled database, this recommendation does not include family members or certain close associates for who privacy concerns must be evaluated first
- All Member States should publish a conclusive list of legal entities which are under its ownership or control so that banks and other obliged institutions are enabled to automatically identify these SOEs and their respective senior managers for PEP related due diligence purposes. The format of this list should be harmonised based on a template provided at EU-level. This information should also be included in commercial and/or UBO transparency registers, which in turn should be accessible via API and provide harmonised electronic data

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- The detailed national Functional PEP Lists should be consolidated at EU-level and made accessible to all obliged institutions via an electronic portal. The consolidated data should be harmonised in terms of structure and should be made available in electronic format
- Risk mitigation and risk classification processes should enable banks and other obliged institutions to adopt a uniform risk-based approach to KYC, adjusting the due diligence level to align with each corporate client's specific risk profile. This includes that PEPs, their family members, and close associates who pose a lower risk should be subject to less stringent scrutiny compared to higher-risk individuals, instead of labelling all PEPs as inherently high risk

The KYCEG concluded that, in order to enhance the effectiveness of AML and CTF controls, and to reduce the KYC burden on banks (and other obliged institutions) and their corporate clients, it is crucial for European and national regulators, public operators of commercial and UBO registers, to not only create and operate in a harmonised regulatory environment, but also to leverage technological solutions. These solutions should enable banks and other obliged entities to automate the data collection and verification process, streamline operations, and promote data sharing and collaboration among stakeholders.

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Background

Context

Regulated financial institutions are obliged to perform periodic robust know-your-customer (KYC) reviews on all their customers. These procedures seek to identify and verify the customer's identity, understand, and test the customer's profile, business and account activity, identify relevant adverse information and risk, assess the potential for money laundering and/or terrorist financing to support actionable decisions to mitigate against financial, regulatory and reputational risk and ensure regulatory compliance. In essence, KYC is essential to comply with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations, as well as to prevent fraud and reputational risks.

From a regulatory perspective, banks are required to tailor their KYC processes in accordance with the laws of the country in which they operate. The Anti-Money Laundering Directive (AMLD⁸) issued by the European Union lays down a framework to combat money laundering and terrorist financing, aiming to foster a uniform regulatory environment across the European Union (EU). However, and typical for directives as a regulatory instrument, the specifics of its implementation are steered by individual EU Member States. This means that while the AMLD provides the overarching guidelines, the precise details of implementation differ from one Member State to another. Consequently, KYC procedures can vary significantly between European countries. The multitude and divergence of national requirements result in highly fragmented processes, rather than creating an efficient, pan-European procedure for banks and their corporate customers. This lack of harmonisation impedes timely access to finance and other banking products for customers and hinders the forward-looking, efficient and yet robust digitalisation of the KYC processes in financial institutions operating at a pan-European level.

The European Commission will harmonise and strengthen the current EU AML framework in the Anti-Money Laundering Regulation AMLR⁹. This regulation will replace and/or complement existing Anti Money Laundering Directives and will be directly applicable throughout the EU. Once in effect, the AMLR has the potential to significantly reduce, at least for low-risk customer relationships, national divergences and allow for a level playing field across the internal market and a consistent application of provisions throughout the EU.

⁸ DIRECTIVE (EU) 2015/849 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L0849>.

⁹ REPORT on the proposal for a regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. Available at https://www.europarl.europa.eu/doceo/document/A-9-2023-0151_EN.html.

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However, irrespective of the regulatory environment, the key requirements for a regulated financial institution when conducting KYC due diligence on corporate customers include verifying the data related to the corporate itself and identifying its ultimate beneficial owners (UBO) and any PEP or RCA who are, either as UBO or senior manager, a stakeholder in the corporate customer. Corporate data verification is typically conducted via reliable national commercial registers, however, the identification of UBOs and PEPs causes significant issues as there are no reliable pan-European databases available to obliged institutions that hold sufficient, consistent and up-to-date information about these individuals. This problem is not addressed in current market regulations, nor in the AMLR. Consequently, the identification and verification process, particularly in cross-border relationships, will continue to involve a significant amount of cumbersome manual investigative work. This not only incurs significant cost but also leads to noticeable delays in onboarding new corporate customers or periodically reconfirming KYC data for existing clients.

Euro Banking Association – Expert Group on KYC-related Topics (KYCEG)

In February 2021, the Board of the EBA – upon recommendation of a sounding expert group consisting of delegates of EBA member institutions – approved the establishment of the ‘EBA Expert Group on KYC-related Topics’ (KYC Expert Group or KYCEG). The KYCEG was tasked to define a harmonised pan-European classification standard for KYC data in the field of corporate-to-bank KYC and to agree on a joint interpretation of regulatory KYC requirements at a pan-European level. The KYCEG commenced work in May 2021.

The KYCEG consists of subject matter experts from a variety of European financial institutions, ensuring a balanced representation of the European financial markets and EU countries. These representatives, who hold senior positions in KYC and/or compliance departments, provide practical execution-related advice based on their experience in managing KYC processes and performing KYC due diligence. Due to this background, the KYCEG will only provide practical advice. Their intention is not to provide EU or national policy recommendations or advocate for the in- or exclusion of particular rules or regulations.