

EBA Expert Group on KYC-related Topics (KYCEG)

Terms of Reference

Approved by the Board of the Euro Banking Association on 15 April 2021

Topical context

Regulatory and market requirements are key drivers in the area of “Know Your Customer” (KYC) processes. In the recent years, the banking sector has been actively looking at how to best meet the requirements set out by different market regulations. Various industry standards have been created, focusing on technical requirements, but as well on agreeing and implementing concrete market practices.

However, both corporate customers and banks are still faced with a diversity of national, European and global procedures, data definitions, guidelines and standards, which is detrimental to fully digitised and harmonised KYC processes. In a pan-European setup, the multitude and the divergencies between several sets of requirements hamper efficient processes for all parties involved.

Against this background, a pan-European harmonisation effort can contribute to more standardised and digitalisable processes both for corporate customers and banks and would be in support of the goal towards an integrated market.

Background on the involvement of the Euro Banking Association (EBA)

The Euro Banking Association has traditionally accompanied major European regulatory initiatives through the initiation of dedicated industry practitioners’ bodies. These groups analyse and provide guidance on particular topics and aim to address at industry-wide level practical and compliance issues related to implementation, especially with a focus on pan-European transparency and guidance for PSPs.

In line with this approach, the Board of the Association endorsed in its meeting on 26 February 2021 - based on the recommendation of a group of experts acting as a sounding board - the creation of an EBA Expert Group on KYC-related Topics (“KYCEG”) to support the works around a harmonised pan-European classification standard for KYC data in the field of corporate-to-bank KYC.

Task and scope of activities

Task

The task of the EBA Expert Group on KYC-related Topics (hereafter the “Expert Group”) is to support the discussions on a joint interpretation of regulatory KYC requirements at a pan-European level and to define a common baseline classification standard for KYC data and documents in support of an implementation at the corporate-to-bank level. The activities of the Expert Group will be structured in a phased approach, and upon completion of each phase the Expert Group will evaluate the advisability to enter into a next phase and formulate a recommendation to the Board of the Association. The decision to enter into a next phase will be taken by the Board of the Association.

Phased approach

The activities of the Expert Group shall be focused on the following deliverables:

- 1) Phase one : Create a common baseline classification standard (i.e. a taxonomy to classify a set of jointly agreed minimum requirements) for corporate customer/bank KYC data.
- 2) Phase two : Map the common baseline classification standard against specific (national) KYC data and documents in support of the development of a harmonised dataset.
- 3) Phase three : Define requirements for a technical standard (e.g. technical specifications, syntax etc) in support of the development of a harmonised pan-European KYC process for requirements in scope.

Progressing with the activities described for phase two and phase three will be subject to a recommendation on advisability and a subsequent decision by the Board.

Scope of activities

The Expert Group will develop and prepare a proposal for a pan-European common baseline classification standard in the area of corporate-to-bank KYC. The Expert Group will solicit views from relevant actors in the field of corporate-to-bank KYC data exchange platforms and also seek an information exchange with relevant market regulators. In particular in relation to phase three, the Expert Group will seek interaction with relevant stakeholders specialised in creating technical standards.

The Expert Group will not look into:

- any aspects of data sharing
- the creation of a KYC utility
- bank-individual risk management or compliance policies or processes
- scoring methods or any related data processing models including aspects of transaction monitoring

The Expert Group acts in an advisory capacity and will formulate proposals for formal endorsement by the Board of the Association. It will not discuss any matters that may potentially be or become part of the domain of competition law.

Composition and organisation

The Expert Group shall be composed of practitioners in the field of KYC who are officers or employees of EBA members operating as AS-PSP in Europe.

Members of the Expert Group shall be familiar with current market regulations, regulatory initiatives and industry standards and practices. They shall be involved in implementation activities within their respective banks and/or national communities.

The activities and meetings of the Expert Group will be administratively supported by the EBA Secretariat.

The Expert Group shall interact through conference call facilities, or, as topics command and as agreed by the group, physical meetings. Meetings will be called by the EBA Secretariat, who will chair the meetings as facilitator.

Duration

The mandate of the EBA Expert Group on KYC-related Topics runs for an initial period ending upon completion of the deliverable for phase one. Upon recommendation by the Expert Group, it can be prolonged following a decision by the Board of the Association to progress to a next phase. The Expert Group will be disbanded following delivery of the agreed tasks.

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