

EBA Common Baseline Classification Standard

for Corporate-to-Bank KYC in low-risk situations

Version 1.0 – Final
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Classification: CUG

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1. Context of Proposal

Regulated financial institutions are required to perform periodic robust KYC procedures 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 a pan-European setup, the multitude and the divergencies between several sets of requirements hamper efficient processes for all parties involved, increase the cost of pan-European banking relationships, delay the access to finance and other banking products, and create regulatory and therefore competitive disadvantages between EU-countries. Legal entities such as corporates as provider of KYC data, and regulated financial institutions as consumer of KYC data, are both 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.

Harmonised KYC data requirements for the identification of legal entity customers and verification of their identity will significantly reduce national divergences and allow for a level playing field across the internal market and a consistent application of provisions throughout the European Union. It will enable more standardised and automated digital processes both for customers and banks and support the goal to create a more integrated European financial market.

2. Scope

This document proposes a Common Baseline Classification Standard for KYC data for low-risk situations at the legal-entity-to-bank level. In this context, the common baseline is defined as those datapoints that, in Standard Due Diligence situations, need to be collected from a legal entity customer of a regulated financial institution on a periodic basis.

The proposal will only address KYC datapoints that are repeatedly shared between a legal entity customer and its regulated financial institution(s), thus providing a level playing field within the European Union and certainty for legal entities and regulated financial institutions in respect to KYC datapoints that have to be provided in Standard Due Diligence situations.

The harmonisation proposal does not cover any additional requirements that an institution might have due to the nature of its business with the legal entity customer, or specific information requirements for higher risk situations.

3. Euro Banking Association – Expert Group on KYC related topics (KYCEG)

In February 2021, the Euro Banking Association created the Expert Group on KYC related-Topics (KYCEG) 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 is comprised of subject matter experts representing a diverse range of pan-European financial institutions, both in respect to size and region, to ensure balanced representation of the European financial markets and EU-countries.

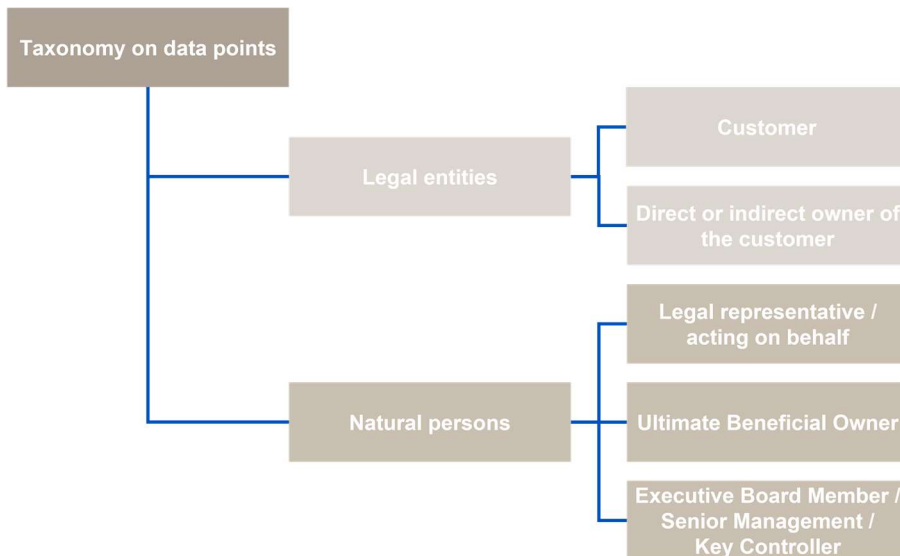
The EBA recommends and supports the introduction of a harmonised pan-European classification standard for legal-entity-to-bank KYC as defined in this document.

4. Approach: Legal Entities and involved natural persons (stakeholders)

The taxonomy covers the legal entity as a customer of the regulated financial institution and also addresses the concept of beneficial ownership and the requirement for regulated financial institutions to obtain and hold adequate, accurate and current beneficial ownership information of their customer and all involved natural persons.

In particular, the taxonomy includes harmonised datapoints related to parental legal entities in the ownership hierarchy (“legal entities as direct or indirect owner of the customer”), and for natural persons who act on behalf of the legal entity customer (“legal representatives / acting on behalf”), are identified as Ultimate Beneficial Owners of the legal entity customer (“UBO”), or are in a senior management position and able to influence business decisions and hence the nature of the customer’s business activities (“Member of the Executive Board / Senior Manager / key controller”).

Additional provisions cover the specific structure of certain legal entities such as trusts and foundations, funds, asset managers and other legal constructs and nominee arrangements and address the need to ensure sufficient transparency related to their beneficial ownership.



5. Provisions related to Legal Entities

5.1. Legal Entity as customer

Regulated financial institutions shall collect at least the following information about a legal entity customer in Standard Due Diligence situations:

- Company name, legal form, country of registration, registration number, registration authority, trading name or 'also known as', full registered or operating address, and if available year of incorporation, date of registration, the names of the legal representatives as well as, where available, the registration number, the tax identification number and the LEI Legal Entity Identifier

If the legal entity is listed at a recognised stock exchange, the following information shall be collected:

- Country/ies of listing, exchange(s) of listing, and, if required to clarify ownership structure, the percentage of listing

In order to understand the legal entity customer's nature of business, the following information shall be collected:

- The NACE (Nomenclature of Economic Activities) industry code¹, the country of primary business activity, information about its engagement with sanctioned countries, its involvement in dual goods trading, and, if required considering the nature of business with the legal entity customer, selective key information describing its financial and income position

5.2. Legal Entity as the direct or indirect owner of the customer

Legal entity customers shall provide information about their legal owners and any beneficial owners who control, directly or indirectly through an ownership interest, the customer entity. In order to clearly and uniquely identify all legal entities that may be in the position to control the legal entity customer through an ownership interest, the following data-points shall be collected:

- Company name, legal form, country of registration

¹ [Complete list of all NACE Code \(nacev2.com\)](https://nacev2.com)

6. Provisions related to natural persons

The collection of personal data should be proportionate and sufficient to fulfil its intended purpose.

6.1. Natural person as legal representative / acting on behalf

Financial institutions need to verify that a natural person purporting to act on behalf of the legal entity customer is so authorised and shall identify and verify the identity of that person. The following datapoints shall be collected to achieve this purpose:

- All first names and surname, month and year of birth, nationality or nationalities, or statelessness and refugee or subsidiary protection status where applicable, and, where applicable, the tax residence, the tax identification number or other equivalent number assigned to the person by his or her country of usual residence and the national identification number, the type of legitimisation document, where applicable; the usual place of residence or, if there is no fixed residential address with legitimate residence in the Union, the postal address at which the natural person can be reached and, where possible, the occupation, profession, or employment status and the tax identification number.

6.2. Natural person as Executive Board Member or Senior Management

Personal information related to Executive Board members who are not deemed to be legal representatives should be collected for PEP and Sanction Screening purposes. The proposed dataset is deemed to be sufficient and therefore proportionate for this purpose and shall include:

- All first names and surname of the individual, the month and year of birth, and information describing the position of the individual in the company

6.3. Natural person as Ultimate Beneficial Owner

The ultimate beneficial owner (UBO) is defined as any natural person who ultimately owns or controls a legal entity, as well as any natural person on whose behalf or for the benefit of whom a transaction or activity is being conducted. This includes the treatment of natural persons as UBO who control or benefit from Trusts, Foundations or other similar legal arrangements.

Beneficial ownership information shall be adequate, accurate, and current and include the following:

- All first names and surname, month and year of birth, nationality or nationalities, or statelessness and refugee or subsidiary protection status where applicable, and, where applicable, the residential country, the tax residence, the tax identification number or other equivalent number assigned to the person by his or her country of usual residence and the national identification number

Information such as country of birth or place of birth should be collected if the above information

is not sufficient to uniquely identify a specific ultimate beneficial owner of the legal entity customer.

7. Status of Document

7.1. Version history

Version	Classification	Date
V1.0	Closed User Group	February 2022

7.2. Legal notice

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The EBA recommends the EBA CBCS to its members, who may share the EBA CBCS with peers and other related stakeholders. The EBA and its KYCEG may solicit views from relevant actors in the field of corporate-to-bank KYC data exchange platforms and will also seek an information exchange with relevant market regulators.

APPENDIX I

Summary of datapoints for Legal Entities		
Company name	Legal entity as customer	
Legal form	Legal entity as direct and indirect owner	
Country of Registration		
Trading name / also known as		
Full registered and/or operating address	Legal entity as customer	
Year of incorporation (if available)		
Date of Registration (if available)		
Registration Number		
Registration Authority		
LEI		
Tax ID		
Tax residence		
Names of Legal Representatives		
(NACE) Industry Code(s)		Legal entity as customer (Business Activity Information)
Country of Primary Business Activity		
Engagement with Sanctioned Countries		
Involvement in dual use good trading		
If required, selective key financial information		
Summary of datapoints for Natural Persons		
Family Name / Surname	Natural person as legal representative	
All first names	Natural person as beneficial owner (UBO)	
Date of birth (MM/YYYY)	Natural person as member of the Executive Board or Senior Management	
Position in company (if applicable)		
Nationality/ies	Natural person as legal representative	
Residential Country	Natural person as ultimate beneficial owner (UBO)	
Tax Residence		
Tax ID		
Full residential address	Natural person as legal representative	
National Identification Number		
Type of ID document		
Occupation, profession, employment status		

Application of datapoints for special entity types and arrangements			
Type	Base Module	Add-on as customer	Add-on as Owner
Asset Manager	Legal Entity	None	None
Private Equity Fund	Legal Entity	Type of Fund UBO module to be applied to general partners	Type of Fund UBO module to be applied to general partners
Fund	Legal Entity	If regulated: Type of Fund Purpose and strategy of Fund Regulated status Regulator Country of regulator Type of license	Type of Fund
NGO	Legal Entity	Purpose of the NGO	None
Government Body	Legal Entity	Link with Government / State of Entity	None
Trusts, Foundations, Fiducies and similar legal structures	Legal Entity	UBO module to be applied for Trustee, Beneficiary, Executor Settlor, Protector	UBO module to be applied for Trustee, Beneficiary, Executor Settlor, Protector

APPENDIX II

The below diagram shows the conceptual approach of using the common baseline classification standard to identify relevant stakeholders of a legal entity customer and the datapoints which need to be collected for KYC purposes.

The harmonised datapoints cover the entity itself, all legal entities in the ownership hierarchy, and a variety of natural persons who act on behalf of the legal entity customer, e.g., are identified as Ultimate Beneficial Owners, are in a senior management position, or influence the customer through a trust structure

The diagram is for illustration purposes only and does not cover all potential use cases

