

EBA Expert Group on KYC-related Topics (KYCEG) Terms of Reference

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 created the EBA Expert Group on KYC-related Topics (“KYCEG”) in February 2021. In February 2022, the KYCEG delivered the EBA Common Baseline Classification Standard (CBCS) for Corporate-to-Bank KYC in low-risk situations. In January 2023, the KYCEG delivered an update to the EBA CBCS, together with a Data Verification Document highlighting (remaining) discrepancies between EU countries and proposing a harmonised approach to data verification for corporate-to-bank KYC in low-risk situations.

At its meeting on 7 July 2023, the Board of the Association endorsed these updated Terms of Reference of the EBA Expert Group on KYC-related Topics to cover continuation of works around pan-European harmonised processes and best practices 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 discuss regulatory KYC requirements at a pan-European level in order to identify regional differences in respect to the interpretation or execution of these regulatory requirements. It shall formulate recommendations for a suitable approach to harmonisation, and by doing so support the creation of best practices and the implementation of harmonised KYC processes for corporate-to-bank relationships throughout Europe.

Scope of activities

The activities of the Expert Group will be structured on the basis of selected areas or topics that members identify and that the Board of the Association decides to engage in (each such area or topic being defined as a “work package”). As a first step, the Expert Group will be asked to evaluate the advisability to cover selected areas or topics at the Euro Banking Association, and to formulate a recommendation to the Board of the Association. The decision to engage in a work package on a selected area or topic will be taken by the Board of the Association.

The Expert Group will, following the adoption of these updated Terms of Reference, analyse in more detail KYC processes related to Politically Exposed Persons (PEP) with a view to propose a suitable approach to harmonisation and/or best practices in support of implementation at the corporate-to-bank level.

In support of its works, the Expert Group may solicit views from relevant actors in the field of corporate-to-bank KYC and seek an information exchange with relevant market regulators.

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 as long as it is tasked to cover agreed work packages. The Expert Group will be disbanded following delivery of the agreed tasks.

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