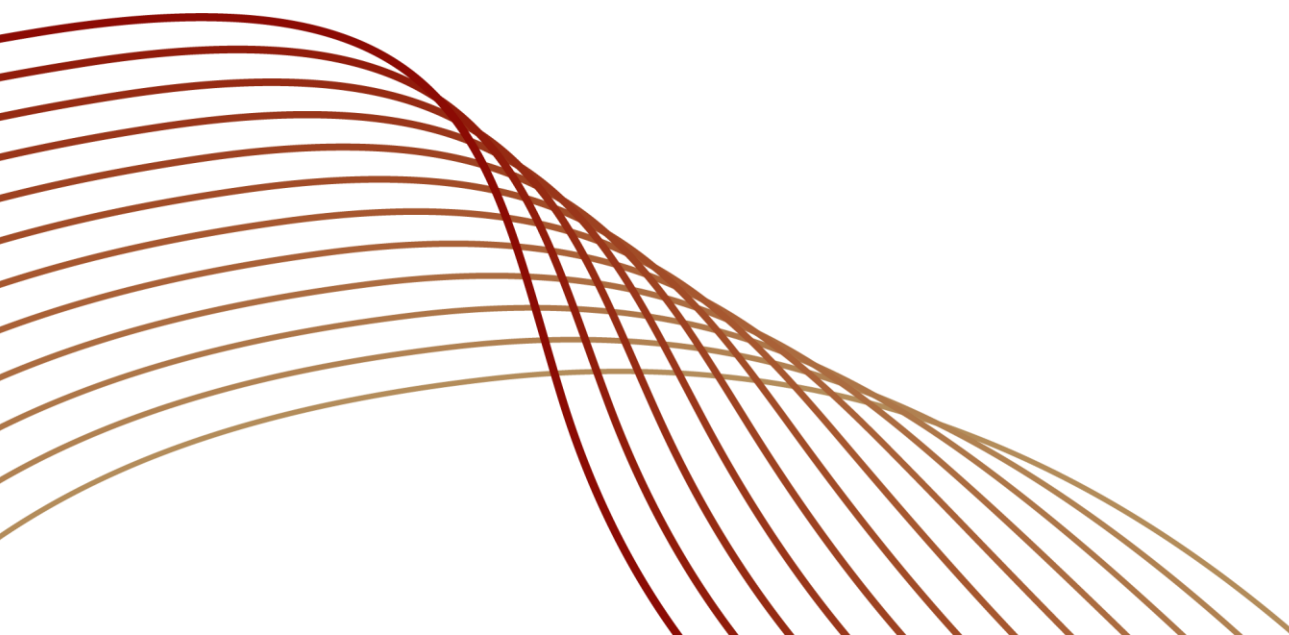


CREATIVE APPROACHES TO REDUCING THE BURDEN OF KYC

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PAUL
HASTINGS

- KYC required under 4th EU Money Laundering Directive (2015/849) (**4MLD**) and EU Wire Transfer Regulation (2015/847)
- Has to be implemented into national laws
- Applicable national laws should normally depend on where establishment (from which provide services) is located
 - Opportunity for regulatory arbitrage
- Key UK AML sources
 - Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
 - Detailed industry guidance produced by the Joint Money Laundering Steering Group
- We will focus on removing “friction” from know your customer (**KYC**) process

- Can KYC be avoided?
 - Is exemption available on basis of e.g. customer type, product and/or transaction amount or volumes?
 - Can you rely on KYC done by third party for its own purposes?

- If KYC unavoidable, can KYC burden be reduced?
 - Is simplified due diligence appropriate?
 - If so, what might it involve?
 - NB, higher risk factors can include e.g. non-face to face customer onboarding process (for which additional check against impersonation fraud may be necessary)
 - Is electronic verification of identity an option?
 - Carries cost, and may have limitations e.g. depending on customer or their jurisdiction
 - How creative can you be, e.g. use of information derived from internal sources or social media?
 - On what basis can you outsource KYC to be done by third party on your behalf?
- Can KYC be delayed, in particular until after onboarding?

- Risk based approach is required
- Counterparts such as banks providing you with accounts may require higher standards

- Will 5MLD apply AML regulation to virtual currency players?



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