

VERIFYING CUSTOMER'S IDENTITY USING IDENTITY DOCUMENT IN THE PRESENCE OF CUSTOMER

The provisions related to customer's identity verification are laid down in the Act on Preventing Money Laundering and Terrorist Financing (444/2017), or the so-called Money Laundering Act. In an identity verification situation, the obliged entity as per the Money Laundering Act has the obligation, among others, to ensure the authenticity and validity of the official document or ID card (hereinafter "ID") presented by the customer as well as the ownership of the document by the customer presenting it. The present document refers to a situation where the customer is personally present in the identification situation.

In the Money Laundering Act, the identification of the customer refers to the establishing of the identity based on the information provided by the customer while the verification of the identity means ascertaining the customer's identity of the basis of documents, data or information obtained from a reliable and independent source. For example, identification means a situation where the customer tells their name while verification refers to a measure whereby it can be confirmed that the customer is the person claiming to be. For example, verification can refer to a situation whereby the customer is compared to the ID presented by the customer. In a situation where another person is operating on behalf of the customer, the identification measures must be targeted both at the customer and at their representative.

Chapter 3 Section 2 of the Money Laundering Act defines the situations where the customer verification as per the Act must be performed (so-called Customer due diligence). Chapter 3 Section 3 of the Money Laundering Act defines the information necessary for customer due diligence, also providing for their retention. Further under Chapter 3 Section 1 of the Money Laundering Act, if the due diligence measures laid down in Chapter 3 cannot be carried out, the customer relationship cannot be established, no transaction concluded, or business relationship maintained.

Verification of Customer's identity

The Money Laundering Act does not define the methods or IDs constituting the basis for customer identity verification. In situations of identity verification in a face-to-face situation, many methods or their combinations can be used. The objective of the situation is to ensure that the customer is the person of the document presented as an ID. Various situations may call for different methods or combinations of several methods.

The verification of the customer identity can be performed by the obliged entity or a potential third party assigned with the customer verification duty. In ensuring customer identity, it is important that the person assigned with the identity verification task knows to perform the actions and is in command of the measures to verify the authenticity of the ID, the verification of the data as well as to compare the customer to the ID presented. This will require training of the persons charged with identity verification as well as clear processes to be followed by the person in charge of the verification to be sure of the identity of the customer. Moreover, these persons must be aware, in advance, which documents (IDs) would be approved by the organisation for identity verification and which authenticity and security elements are related to them.

Situation of identity verification

The necessary time must be reserved for identity verification situation even in busy customer service situations. The person in charge of customer identity verification must verify the identity to the extent of being able to say that the customer is, indeed, the person in the document presented by the customer. Should there be any uncertainty of the identity, the customer relationship or business transaction must not be started or finalised. If necessary, a notification of a suspicious transaction must be made to the Financial Intelligence Unit (FIU).

There may be sector-specific regulations concerning the ways to establish customer relationships or to accept customers, and such regulations must be considered as needed. Moreover, there may be sectoral differences as to which documents are accepted for identity verification. In verifying customer identity, only valid IDs issued by the authorities must be used. This presentation does not address the question which documents or IDs can or cannot be accepted for identity verification purposes. The Appendix (House Rules - How to identify the customer and verify their identity) of the present document presents various measures which either the obliged entity or other party verifying customer identity can take to verify the document authenticity and customer identity in a physical identification situation. In checking the ID, reliable and independent sources must be used, if necessary, to ensure the authenticity of the document and the identity of the customer.

Handing of IDs in verification situations

The IDs must be handled confidentially already in the verification situation. When performing the verification, care must be taken not to disclose personal data to unauthorised parties. For example, if the data of the document are checked aloud with the customer – such as asking them to repeat the personal ID code or the data of the authority who has issued the ID, the sensitivity of the data must be considered in the situation. In other words, care must be taken not to divulge personal data to, for example, outsiders in the same premises.

Use, documentation and retaining of customer data

The data of the document/s or IDs used to verify the customer's identity must be documented and retained. The storage acquired for customer identification purposes must be arranged in a reliable manner. If necessary, the documents can be copied. Chapter 3 Section 3 Subsection 2 of the Money Laundering Act defines the minimum customer due diligence data that must be retained. In addition to this section of law, attention must also be paid to the fact that in a case of a person without a Finnish ID code, the above data must be complemented by information of the customer's nationality and travelling document. In retaining the data, the times specified in the Money Laundering Act must be complied with.

The data on the customer must be acquired only to the extent that is necessary to meet the obligations under the Money Laundering Act. Attention must also be paid to the fact that the data must only be used to meet the obligations under the Money Laundering Act. The data protection principles under the respective legislation must be followed in the collecting, retaining and deleting of the data.

Refusal of transaction and reporting of suspect transaction

Should it be impossible to verify the identity of the customer, the customer relationship must not be established or the transaction concluded. The business relationship with the customer can neither be maintained. In a situation where the customer identity verification cannot be performed, it may be necessary to report a suspect business transaction to the Financial Intelligence Unit (FIU). An example might be a situation where there is justified cause to doubt the authenticity of the ID presented by the customer.

Non-Discrimination Act

The Non-Discrimination Act (1325/2014) must also be followed in identity verification. The treatment of the customer must not be based on prohibited discrimination reasons, unless the differentiated treatment of customers has an acceptable justification based on legislation.

This document was drafted on 16th of August 2021 by the AML/CFT Coordination Group's sub-group of supervisors established by the National Coordination Group on Combating Money Laundering and Terrorist Financing. For more information on the contents of the document, please contact the National Police Board. If you have any other queries, please consult your own supervisor under the Anti-Money Laundering Act.