



Economy

Adoption of Digital Identity Systems (Digital ID)

Consultation Feedback

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Gouvernement d'Jèrri



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Joint consultation by Government and JFSC



Jersey Financial
Services Commission

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Why did we consult?

- Enhance CDD to identify and verify Customer identities at pace, in a way that is interoperable between Jersey businesses;
- Lower the cost of transactions compared to multiple paper-based checks;
- Improve Customer experience by avoiding duplication;
- Improve accuracy and reliability of CDD processing in Jersey;
- Reduce need for routine manual intervention so compliance resources can be focused on higher value tasks, such as risk analysis.



Consultation resources

- Greater digitalisation can increase Jersey's competitiveness
<https://www.gov.je/Industry/Finance/Pages/PolicyFrameworkForJerseyFinancialServicesIndustry.aspx>
- One of the JFSC's strategic anchors is supporting the digitalisation of financial services
[Strategic framework 2021-2024 — Jersey Financial Services Commission \(jerseyfsc.org\)](https://www.jerseyfsc.org/Strategic-framework-2021-2024)
- FATF encourages the adoption of digital identification systems for supporting CDD requirements
<http://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-on-Digital-Identity.pdf>.
- FATF describe Digital ID as a system that “*uses electronic means to assert and prove a person's official identity online (digital) and/or in-person environments at various assurance levels*”.



Options considered

Facilitating Digital ID adoption

1

Further clarity:

- (a) enhancing Section 4 of the AML/CFT Handbook
- (b) incorporating Digital ID into law

2

Establish an accreditation framework where Digital ID Systems and their providers are accredited

3

Creation of a new class of business/activity where Digital ID System Providers become Supervised Persons



Further Clarity

JFSC

Further guidance included within Section 4 of the AML/CFT Handbook to:

- › Identification and risk management
- › Introduction of “levels of confidence” in relation to different evidence

JFSC hopes this will simplify processes enabling SPs to chose Digital ID Systems suitable for their business and how risk can be managed through levels of confidence.

Government

Amendment of the Money Laundering (Jersey) Order 2008.

Enable use of Digital ID Systems as an appropriate method for SPs to meet CDD obligations by specifically including in ML(J)O “*documents, information, records, etc. obtained using a Digital ID Systems*”.



Accreditation Framework

Set of rules and standards that Digital ID Systems need to meet to be certified.

Not prescribe specific technologies or processes but standard setting. Minimum:

- Requirements of ML(J)O and AML/CFT Handbook
- Inclusivity of user experience requirements
- Follow relevant privacy and data protection laws and requirements
- Have fraud management and appropriate security software

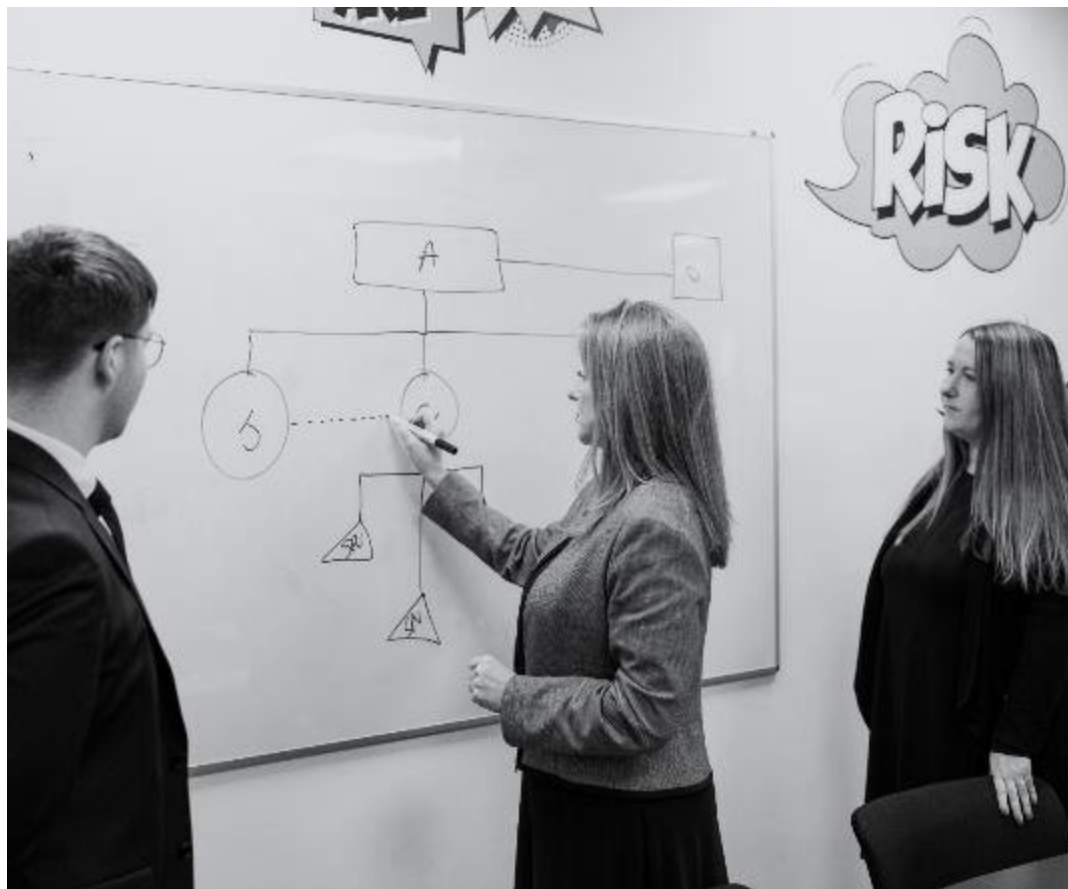
Issue “trust mark” to Digital ID System meeting framework criteria

Options for accreditation included:

- Committee of experts/industry accreditation
- Independent accreditation



New class of business



- › Conceptual option
- › If Digital ID Service Providers were also “Supervised Persons”, Supervised Persons would be able to utilise the Reliance regime
- › Digital ID Service Providers would need to be supervised by a competent authority

Feedback

The Consultation Process closed on 31 August 2022 and feedback was received until Friday September 9th 2022.



Good engagement

- Wide range of respondees
- Banks
- Identity Service Provider (IDSP)

Barriers

- Industry needs confidence to invest in digital solutions
- Differing risk appetites across businesses and sectors
- Lack of critical mass uptake

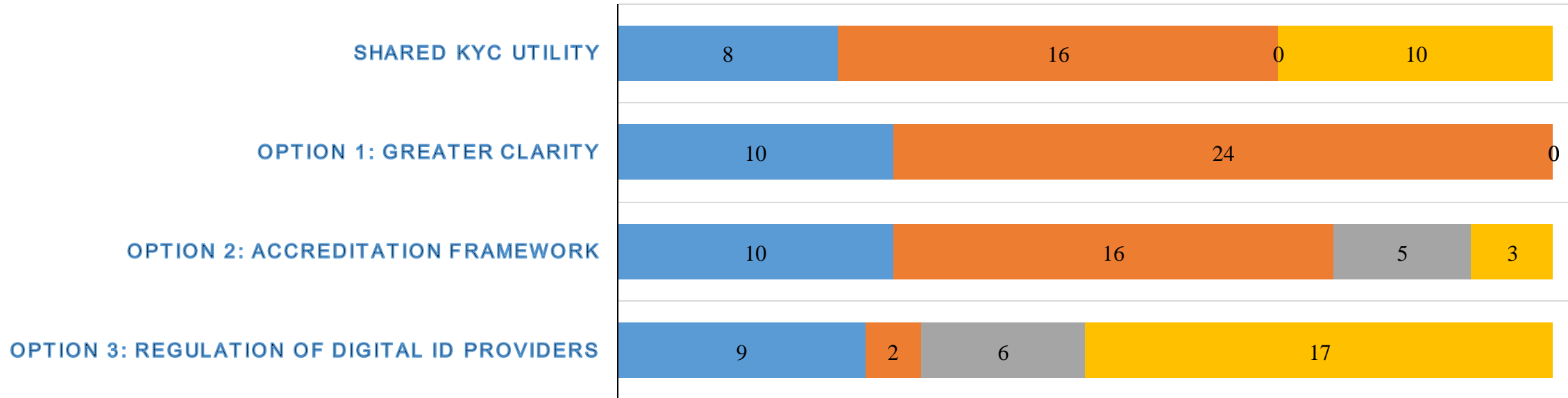
Shared KYC Utility?

- This would be a jurisdictional product that could be utilised by multiple stakeholders and could take a number of forms such as a public-driven initiative or a private partnership

Options feedback:



■ No Comment ■ Support ■ Support with Concerns ■ Concerns



Option 1 – unanimous support

Option 2 – not viable: cost and concern over interoperability but benefits in technical standards

Option 3 – split by strong views: pros and cons – further investigation?



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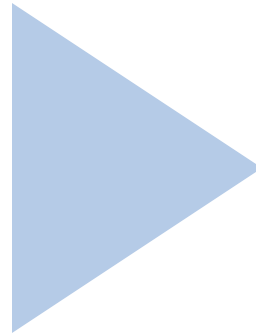
Next Steps...

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Clear winner?



Option 1 with
Option 2
technical
standards
framework



Two-stage
process

Stage 1 – Q1 2023



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Further guidance included within Section 4 of the AML/CFT Handbook:

- › Remedy immediate wins and clarifications from the feedback received from firms as part of the Consultation Process.
- › Will include an amendment to the guidance for utilising evidence obtained by a Trust and Company Service Provider.

Government

Amendment of the Money Laundering (Jersey) Order 2008 Article 3(4) to specifically include “*documents, information, records, etc. obtained using a Digital ID Systems*”.

Enhance definitions within Article 1(2) utilising the FATF Glossary (similar to the Exemptions work).



Stage 2: Q2 2023 – what does good look like?

JFSC

Update s.4 AML/CFT Handbook guidance to provide further information for Supervised Persons:

- To assist in decision making process for suitable Digital ID System
- To enable demonstration of use of Digital ID System to meet CDD obligations
- On risks involved and how risks might be managed through levels of confidence

Government

Government to work on what good looks like from the Accreditation Proposal for Digital ID System Service Providers:

- Requirements of ML(J)O and AML/CFT Handbook
- Inclusivity of user experience requirements
- Follow relevant privacy and data protection laws and requirements
- Have fraud management and appropriate security software

Additional support for industry coming from:



Jersey Financial
Services Commission



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Jersey Finance

Delivering Insight • Driving Innovation

DIGITAL > JERSEY





How will this be delivered?

- Aim is to share an understanding of approach
- Consensus of best way for Island to proceed as a whole
- Mixture of live events and online presentations / materials
- Regular updates as situation develops





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Response Paper – 1 December 2022