Deloitte.

Digital Onboarding & Electronic Signature Survey

Key findings

February 2022

MAKING AN IMPACT THAT MATTERS since 1845

Digital Onboarding & Electronic Signature Survey

Executive Summary

Digital Onboarding and Electronic Signature

Executive Summary

ABBL launched a market study on the digital onboarding and electronic signature awareness and adoption in Luxembourg

Together with Deloitte, ABBL sent a questionnaire to its members - 49 participants shared their insights

THANK YOU TO ALL FOR THEIR VALUABLE INPUT!

Key findings for both digital onboarding and electronic signature are:

Obstacles to adoption

- Lack of appropriate solutions available
- Difficult integration with legacy systems
- Ambiguous legal framework

Potential accelerators

- Availability of guidelines / best practices
- Clarity on legal enforceability
- Use-cases and blueprints for implementation projects

Introduction

Digital Onboarding and Electronic Signature Survey

ABBL initiative to assess market maturity

- **Context:** study aimed at exploring Digital On-boarding and Electronic Signature practices in Luxembourg
- **Trigger:** unprecedented operational and organisational challenges as a result of the global pandemic
- **Objective:** understand the current adoption status, main obstacles and seek solutions to accelerate the adoption
- **Approach:** survey completed by ABBL members and analysed by Deloitte and the ABBL

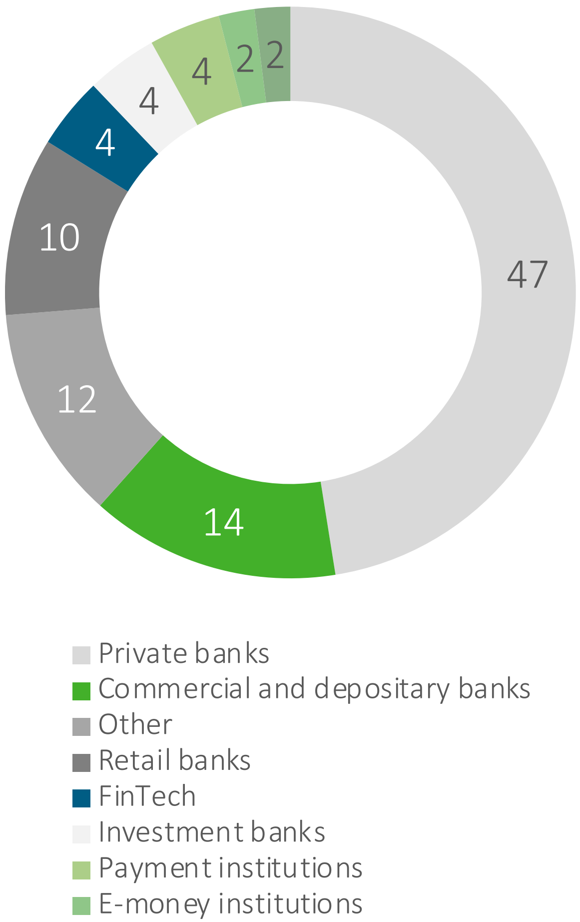
Digital Onboarding and Electronic Signature Survey

Questionnaire Respondents Overview

The main pool of 49 respondents consists of **Private Banks (47%),** followed by **Commercial and Depositary Banks (14%)**

Most of the respondents' customers are in **Luxembourg** and **other EU countries**

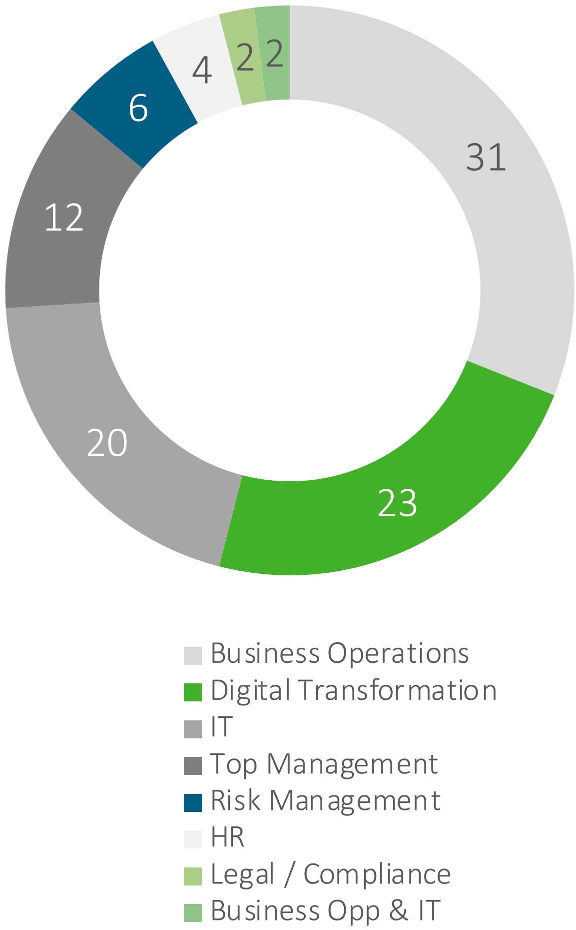
Industries covered (%)



**Other: law firms, consulting firms, securities depositary, CSD, online banking and mix of industries*

The ownership of the topic is mainly with **Business Operations (31%), Digital Transformation (23%)** and **IT departments (20%)**

Departments (%)



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Overview of Regulatory Framework

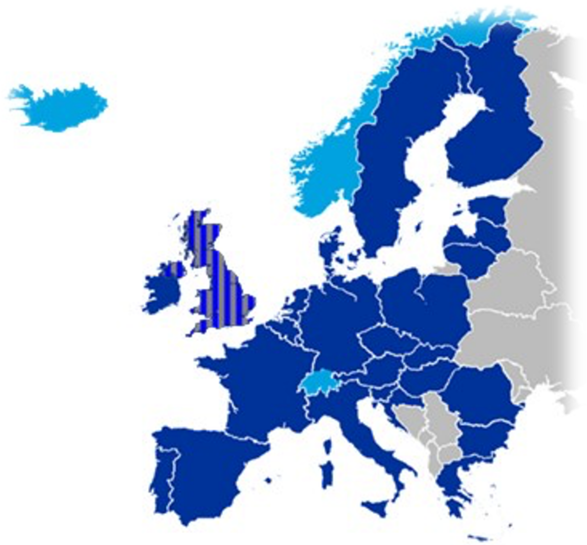
eIDAS Regulation: e-Signatures with legal value

Different types of e-Signature for different levels of trust expectation

The concept of e-Signature **is included in the EU Regulation eIDAS** (910 / 2014), defined as a **Trust Service with legal value**, together with additional digitalization enabling services

e-Signatures respecting eIDAS requirement benefit from:

- Cross-border recognition among area of applicability
- Interoperability within EU countries



eIDAS defined e-Signatures

- **'Simple' Electronic Signatures**
- **Advanced Electronic Signatures (AdES)**
- **Qualified Electronic Signatures (QES)**

e-Signature benefits

- **Facilitated Resilience and Continuity despite lack of physical presence**
- **Cost Reduction while increasing process efficiency**
- **Strategic benefits and increased brand value**
- **Enhanced Cybersecurity and Regulatory compliance**

Digital Onboarding Framework

Transitioning to a widespread use of electronic means for AML/CTF purposes

Customer Onboarding

2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

2014: Client identification for KYC purposes is mainly performed face-to-face by FSIs

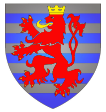
2014: EU countries start authorizing Financial Institutions to identify clients remotely, allowing **videoconferencing for KYC**

2016–2018: CSSF – publishes and updates FAQ on **video-identification** [1]

2018:

- The new **AML/CTF EU directive 2018/843** (AMLD5) is published in the Official Journal of the European Union on 19 June 2018
- AMLD5 explicitly allows obliged entities to use, for the completion of their Customer Due Diligence duties (identification):
  - **eIDAS compliant technological means**
  - **other nationally recognized solutions**

2020:



AMLD5 is transposed in Luxembourg through the Law of 25th of March 2020, maintaining the identification provisions of the Directive allowing **Digital Onboarding**

2021:

European Commission publishes a Proposal for European Digital Identity (EUid) and Revision of the eIDAS Regulation

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1 - Frequently asked questions on AML/CTF and IT requirements for specific customer on-boarding/KYC methods - Version of 8 March 2018

New framework for a European Digital Identity

Current status

European Commission published a Proposal for European Digital Identity (EUid) and Revision of the eIDAS Regulation

Client identification for KYC purposes is mainly performed face-to-face by FSIs

CSSF – publishes and updates FAQ on **video-identification** [1]

European Commission publishes a Proposal for European Digital Identity (EUid) and Revision of the eIDAS Regulation

Customer Onboarding

2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021

EU countries start authorizing Financial Institutions to identify clients remotely allowing **videoconferencing for KYC**

- The new **AML/CTF EU directive 2018/843** (AMLD5) is published in the Official Journal of the European Union on 19 June 2018
- Among others, AMLD5 explicitly includes the capability for obliged entities to use, for the completion of their Customer Due Diligence duties (identification):
  - **eIDAS compliant technological means**
  - **other nationally recognized solutions**

AMLD5 is transposed in Luxembourg through the Law of 25^{th} of March 2020, maintaining the identification provisions of the Directive allowing **Digital Onboarding**

Trigger: high discrepancies between countries within the 2014 eIDAS framework due to a lack of a formal requirements for EU Member States to make the national digital ID interoperable within the other Member States

eIDAS V2: On 3 June 2021, the European Commission proposed a new framework for European Digital Identity, which will be available to all EU citizens, residents, and businesses within the EU

Expected result: safer use of online services and higher control over personal data

Next steps: Member States to establish a common toolbox by Q3 2022

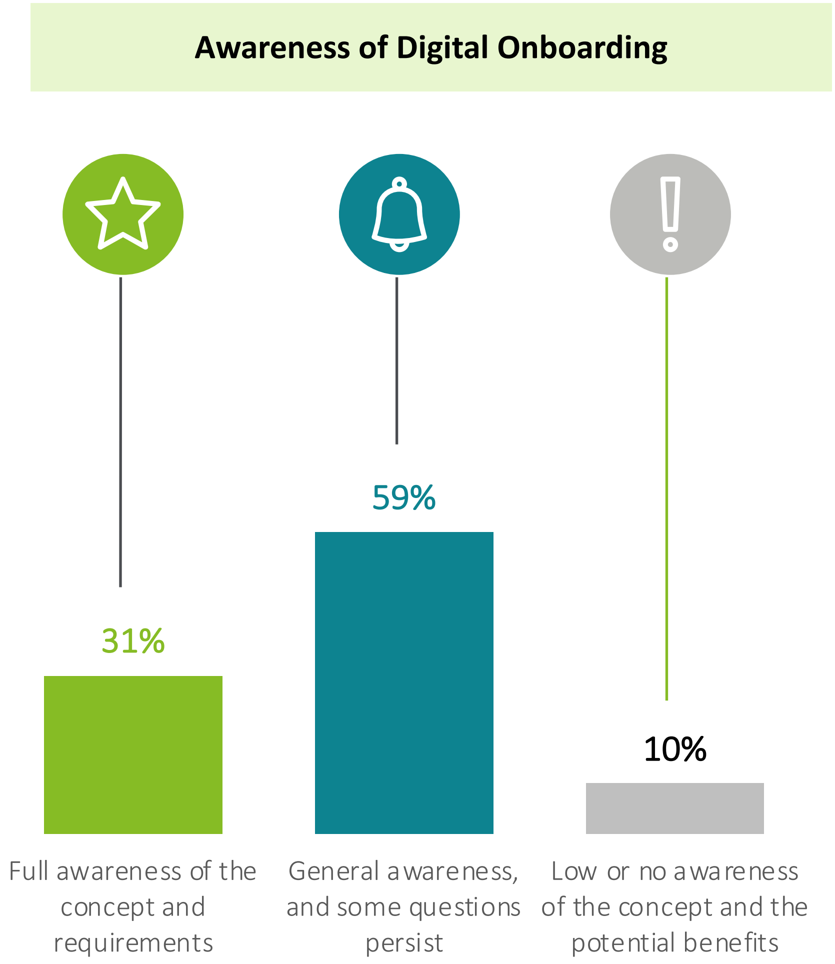
Digital Onboarding

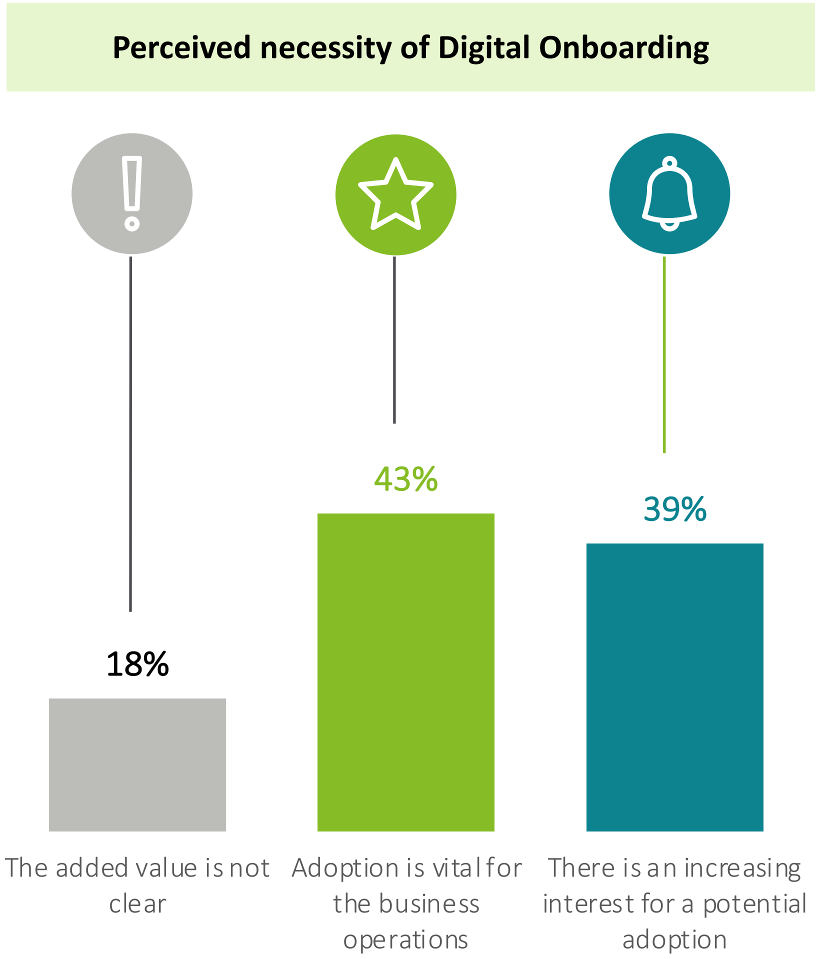
Key Findings

Digital Onboarding – Awareness

Organisations are **generally familiar** with the concept of Digital Onboarding, with the highest perceived awareness level within **IT department** compared to other internal teams

Most respondents see the necessity of Digital Onboarding adoption in the organisation





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Digital Onboarding – Adoption

Solutions in use:

In-house solutions

IDnow

LUXTRUST Enabling a digital world

callpoint

OLYMPIC BANKING SYSTEM by ERI

WDX

welcome

21% - Digital Onboarding is **already adopted**

17% - **Preliminary analysis** has been completed, and a solution is currently **under implementation**

35% - There is an **ongoing analysis** evaluating the possibility to adopt a Digital Onboarding solution

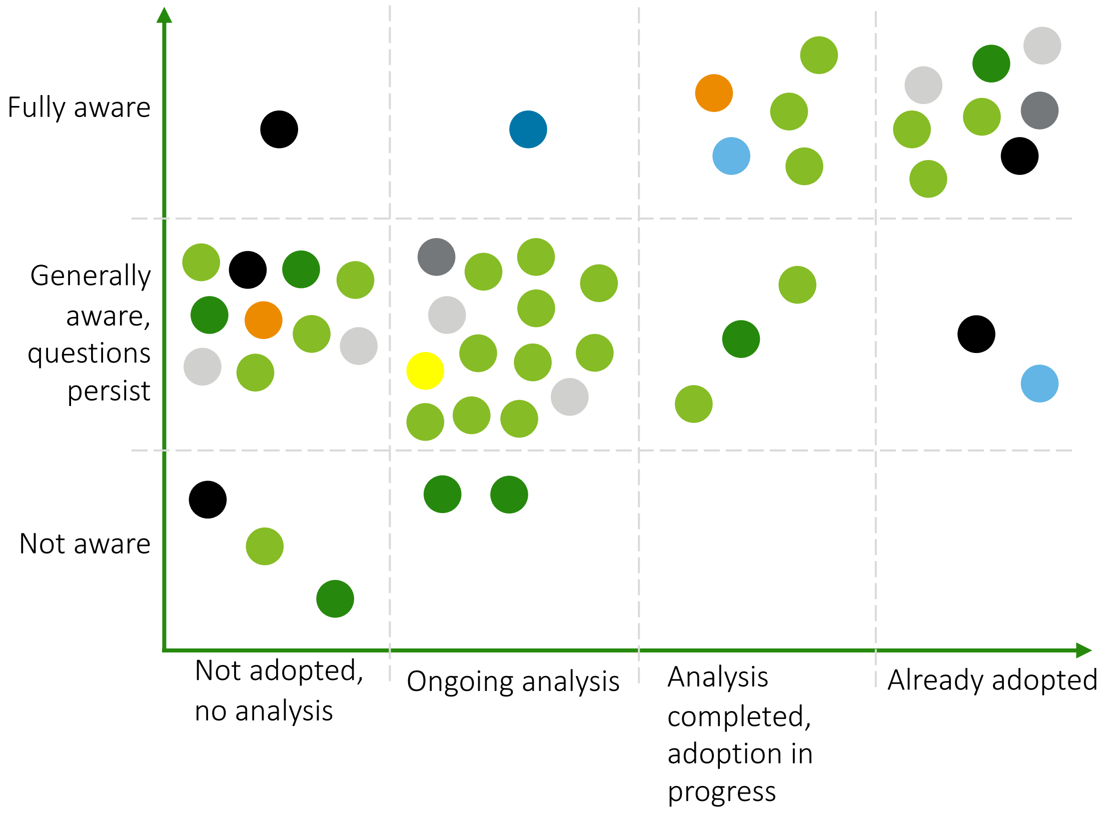
27% - Digital Onboarding is **not adopted** and no preliminary analysis is planned to assess a potential adoption

Digital Onboarding – Awareness & Adoption zoom-in

For all the entities that either have implemented or are currently implementing a remote identification solution, the **customer is identified through a digital identity already in their possession** (e.g. eID, e-Signature) and/or via a video-conference

From the solutions that are already adopted, the most popular ones are **IDnow and in-house developed solutions**

Most popular use cases: customer onboarding, supplier onboarding, employee onboarding, periodic KYC review, remote KYC



7 Commercial and depositary
1 E-money institutions
2 FinTech
2 Investment bank
2 Payment institution
23 Private bank
5 Retail bank
1 Support PSF
6 Other

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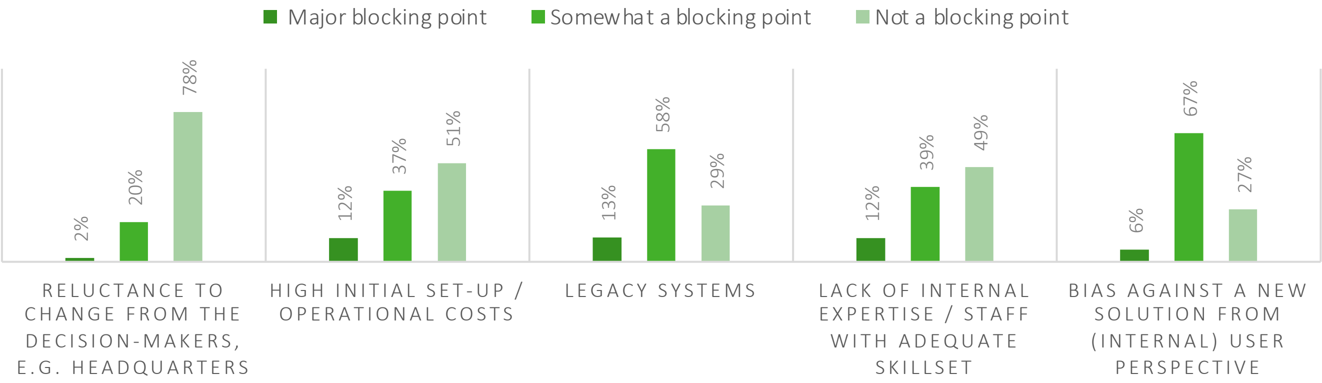
Digital Onboarding – Obstacles limiting the adoption

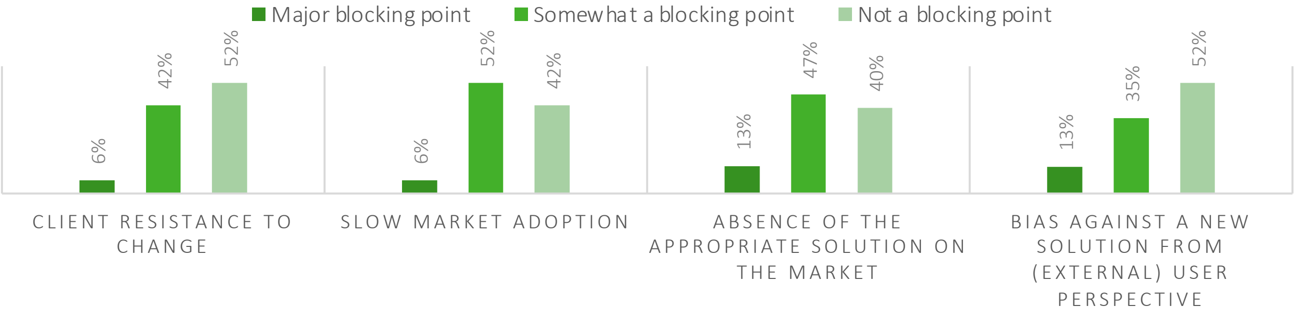
Intra-organisational Environment

Obstacles: legacy systems, high initial set-up or operation costs, lack of internal expertise and bias against a new solution



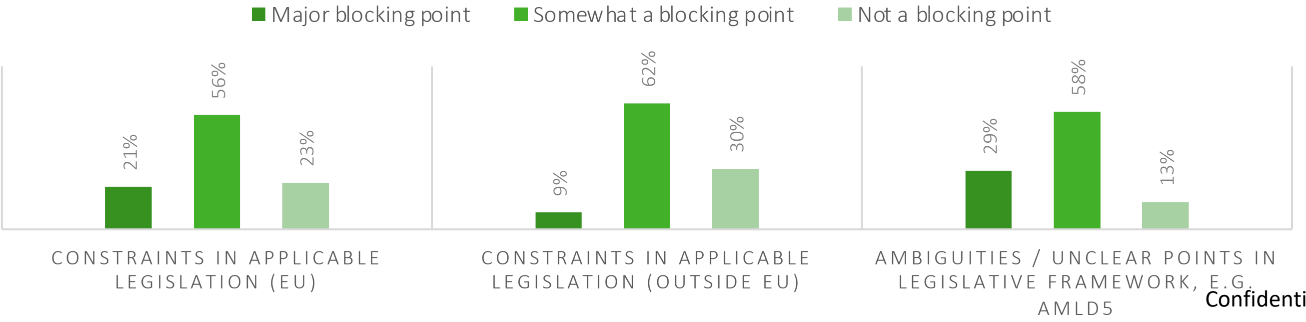
Business Environment

Obstacles: slow market adoption, absence of an appropriate solution on the market and bias against a new solution



Regulatory Environment

Obstacles: Constraints in applicable legislation (both EU and third countries) and ambiguities in legislative framework



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Digital Onboarding – Accelerators

Identified accelerators **most helpful** in the adoption of Digital Onboarding are:

- **guidelines and/or best practices** on this subject
- overview of **legal applicability** of different methods

Industry wide **use-cases** for Digital Onboarding solutions are also expected by the industry in order to facilitate the implementation of Digital Onboarding

Accelerators considered to be less helpful are **webinars** focused on increasing general awareness

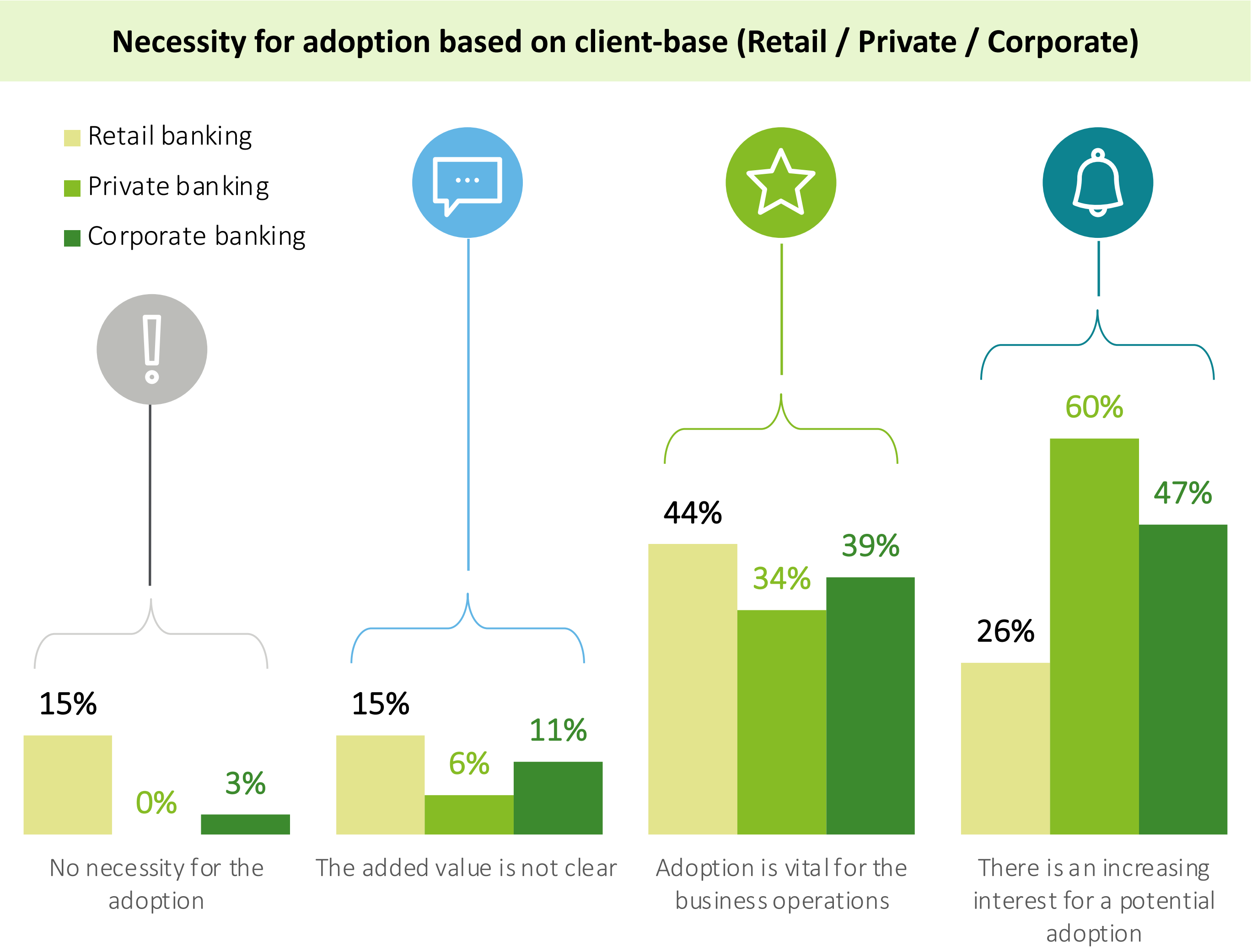
Electronic Signature

Key findings

Electronic Signature – Awareness

For most respondents, Electronic Signature is considered as **vital** or of **interest** for all business lines

There is **more interest** in using Electronic Signature for Private Banking and Corporate Banking clients rather than for Retail Banking clients



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Electronic Signature – Awareness & Adoption zoom-in

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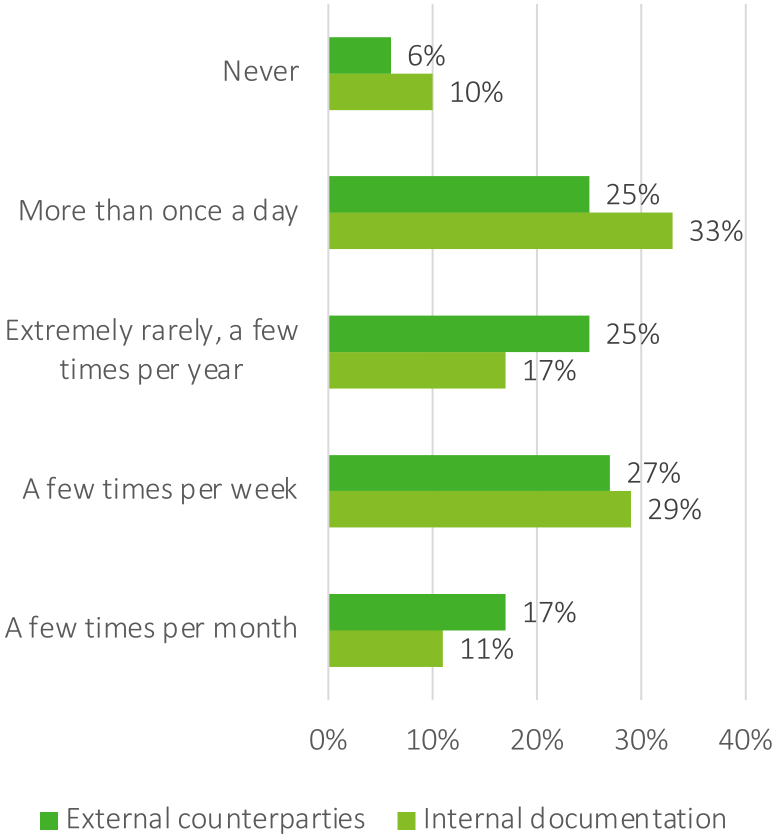
Electronic Signature – Adoption

Digitally signed documents received as part of day-to-day business



Solutions in use

CONNECTIVE

Adobe Acrobat DC

LUXTRUST Enabling a digital world

DocuSign

evidos EVIDENCE IN ONLINE SERVICES

OneSpan Be bold. Be secure.

In-house solutions

logalty

IDnow.

COSI LuxTrust Solutions

Skribble

Overall, around **60%** of the respondents **have adopted an e-Signature solution**

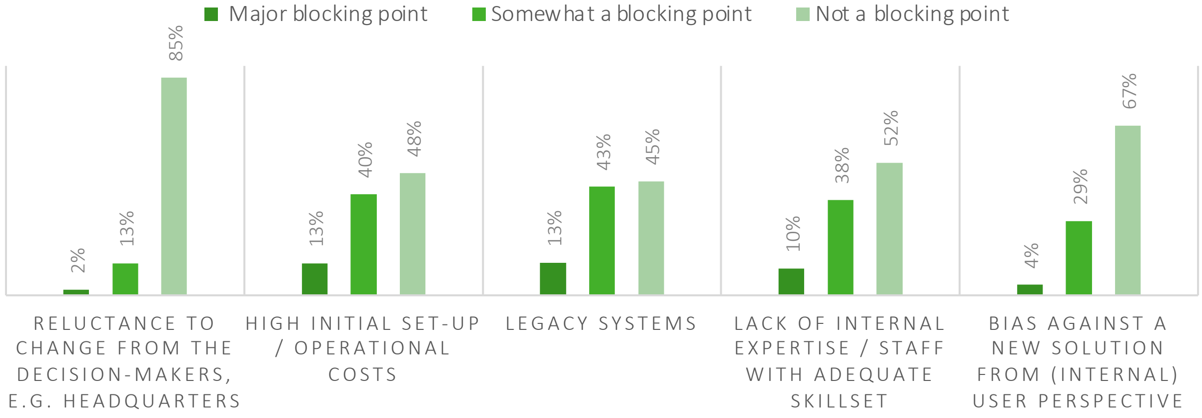
Generally, **a mix of all e-signature types** (simple, advanced, qualified) **are used depending on document type**

All types of processes are covered: customer services, third party service providers, internal operations

Electronic Signature – Obstacles limiting the adoption

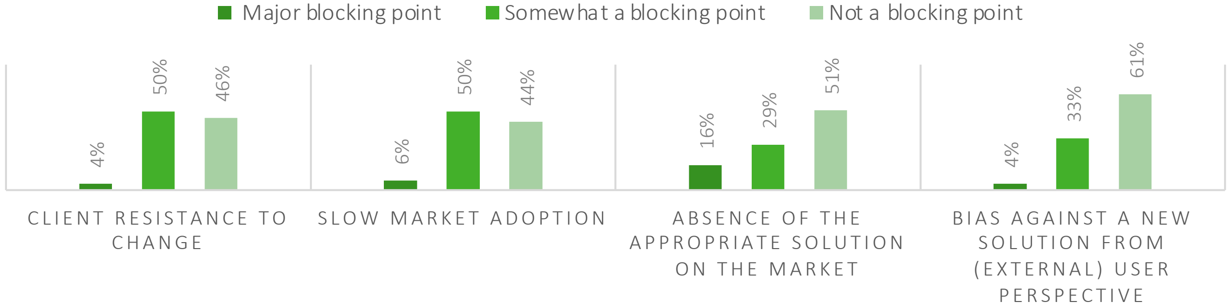
Intra-organisational Environment

No major blocking points were highlighted at internal level, however legacy systems, high costs and lack of expertise were pointed out as possible obstacles



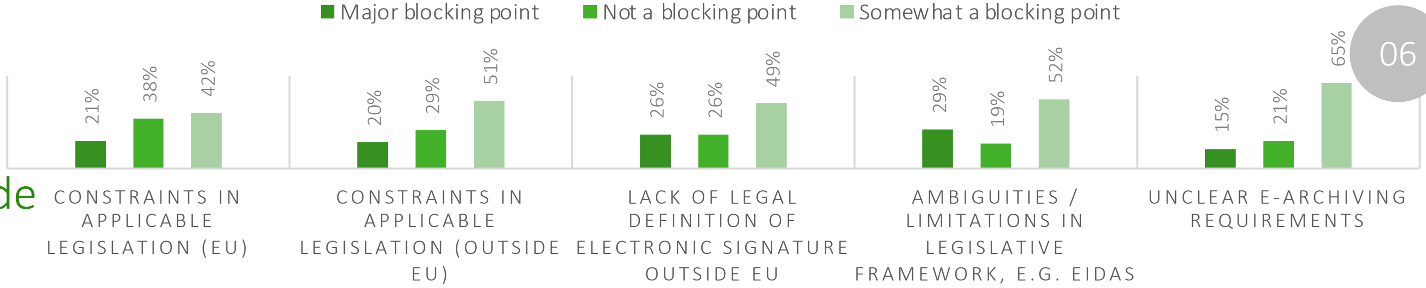
Business Environment

The following obstacles could mostly limit the adoption by respondents: client resistance to change and slow market adoption



Regulatory Environment

Constraints in applicable legislation, ambiguities in legislative framework and lack of clear e-Signature definition outside of EU are considered as obstacles



Electronic Signature – Accelerators

Identified **accelerators** that would be **most helpful** in the adoption of Electronic Signature are:

- **guidelines and/or best practices** on this subject
- overview of **legal applicability** of eIDAS Electronic Signatures outside of EU

Exemplary **blueprints of signing processes** allowing the use of Electronic Signature and industry wide use-cases are also expected by the industry in order to facilitate the implementation of Electronic Signature

Exemplary **blueprints of archiving and storing processes** for electronically signed digital documents are also possible accelerators, however webinars focused on increasing general awareness are considered less helpful

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Conclusions & Recommendations

Digital Onboarding & Electronic Signature

Obstacles in the digitalization of Luxembourg Financial sector

Adopting e-Signature and Digital Onboarding solutions is not a simple task. Risks deriving from an inadequate adoption of digitalised processes, lack of awareness on inter-related national and international regulations and additional obstacles are negatively impacting the implementation level of Digital Onboarding and e-Signature across the Luxembourg financial sector.

- Unclear e-archiving Obligations for dematerialized processes
- Data protection and cyber security concerns
- e-Signature legal validity in Non-EU countries
- Lack of legal definition of Electronic Signature outside EU
- Legal power of Simple e-Signature vs Advanced e-Signature vs Qualified e-Signature
- Ambiguities / unclear points in legislative framework, e.g. AMLD5, eIDAS

Risks deriving from an inadequate adoption of Digital Onboarding and e-Signature

Weak evidence in case of legal proceedings

Not understanding that the e-Signature adoption is part of a more complex digital environment might cause poor management of support processes such as long-term archiving or e-Signature verification processes, **invalidating the legal validity of the e-Signature**

Increase cyber security and data protection risks

The adoption of e-Signature might include relevant modifications to the entire IT environment. Not realizing the impact of such change might cause to **unmanaged new threats and vulnerabilities** generated by the new IT operating model

IT disruptions due to the non-compatibility with current IT Architecture

When adopting an e-Signature platform, **poor business analysis** could mean a solution poorly integrated with the IT environment, increasing operational risks and damaging business continuity in case of disaster (flood, fire, health pandemic etc.)

Reduction of cost efficiency benefits

A simple or advanced e-Signature, adopted for documents requiring strong legal validity, might offer **weak evidentiary value**. However, a Qualified e-Signature implemented for all processes might cause **avoidable costs**

Accelerators

Based on Survey responses, most helpful accelerators would be:

Electronic Signature

- Guidelines / use-cases defining what types of Electronic Signature to adopt based on the type of document
- Overview of legal applicability inside and outside the EU and eIDAS Electronic Signature scope
- Templates for a structured approach to manage an electronic signature implementation project and blueprints for signing, archiving and storing processes

Digital Onboarding

- Guidelines / best practices defining existing Digital Onboarding methods
- Overview on legal applicability and regulatory requirements for the Digital Onboarding adoption
- Industry-wide use-cases for Digital Onboarding solutions

Recommendations & next steps

Electronic Signature

Organize a dedicate eSignature project involving all the required stakeholders of the bank (Business, Compliance, IT, Risk, etc.)

Perform the assessment on which type of eSignature to be used for different documents, using a risk-based approach

Select the solution that best meets the assessment results

Launch the project of implementation covering the business and functional aspects, but also the IT risks and data protection

Digital Onboarding

Assess the digital onboarding solutions for the bank, in the light of business and IT requirements but also from a regulatory perspective

Define the use-cases for the adoption of the Digital Onboarding solution

Launch a project of implementation covering requirements as technical, security, regulatory, etc.