Digital onboarding and electronic signatures survey

Key findings

February 2022

Digital onboarding and electronic signatures survey

Executive summary

Digital onboarding and electronic signatures
Executive summary

> **ABBL launched a market study on the awareness and adoption of digital onboarding and electronic signatures in Luxembourg**

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

Thank you to all participants for their valuable input.

> **Key findings for both digital onboarding and electronic signatures include:**

Adoption obstacles

- Lack of appropriate solutions
- Difficulty integrating with legacy systems
- Ambiguous legal framework

Potential accelerators

- Availability of guidelines and 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 that explores Luxembourg's digital onboarding and electronic signature practices

Trigger: unprecedented operational and organizational challenges resulting from the global pandemic

Objective: understand the current adoption status and main obstacles, and seek solutions to accelerate adoption

**Approach:** survey completed by ABBL members and results analyzed by Deloitte and ABBL

01
02
03
04
05
06

Digital onboarding and electronic signature survey
## Overview of questionnaire respondents

Most of the 49 respondents were **private banks (47%),** followed by **commercial and depositary banks (14%)**

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

Industries covered (%)

- 47
- 14
- 12
- 10
- 4
- 4
- 4
- 2
- 2
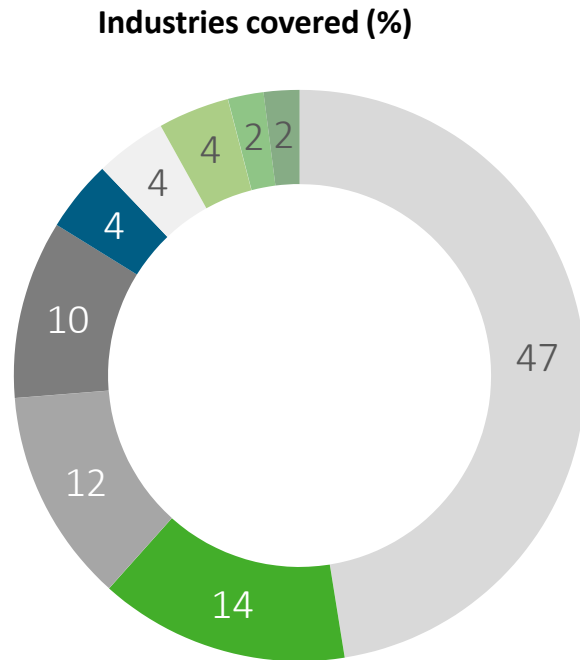
Legend:
- ▪ Private banks
- ▪ Commercial and depositary banks
- ▪ Other
- ▪ Retail banks
- ▪ FinTech
- ▪ Investment banks
- ▪ Payment institutions
- ▪ E-money institutions

Other: law firms, consulting firms, central securities Depositories (CSD), online banking and a mix of industries

Concerned departments are mainly **business operations (31%),** **digital transformation (23%) and IT (20%)**

Departments (%)

- 31
- 23
- 20
- 12
- 6
- 4
- 2
- 2
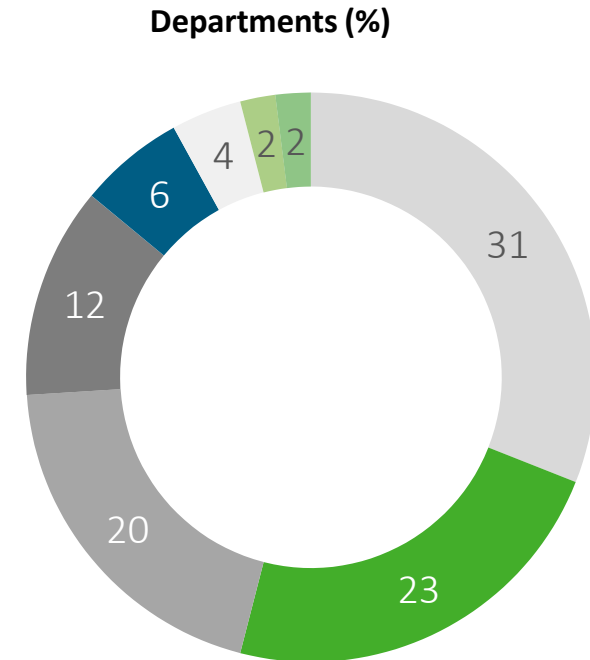
Legend:
- ▪ Business operations
- ▪ Digital transformation
- ▪ IT
- ▪ Top management
- ▪ Risk management
- ▪ HR
- ▪ Legal/compliance
- ▪ Business operations and IT

Overview of regulatory framework

eIDAS Regulation: e-signatures with legal value
Different types of e-signatures for different trust levels

E-signatures **are defined in the eIDAS Regulation** (EU Regulation 910/2014) as a **trust service with legal value**, together with additional digitalization enabling services

E-signatures fulfilling eIDAS requirements benefit from:
- Cross-border recognition
- Interoperability between EU countries
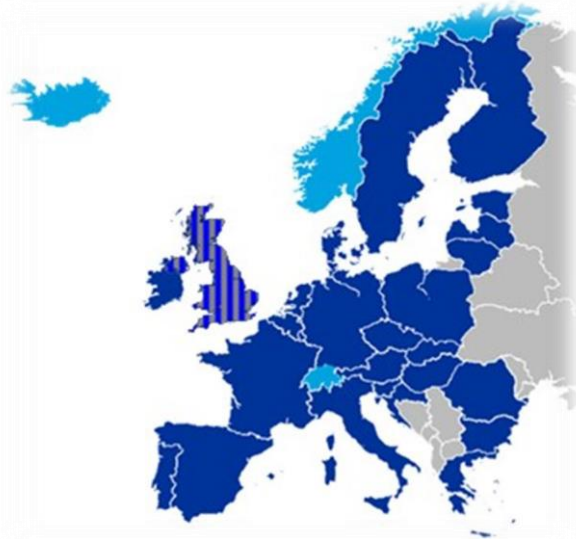
eIDAS defined e-signatures

"**Simple**" electronic signatures

Advanced electronic signatures (AdES)

Qualified electronic signatures (QES)

E-signature benefits

Resilience and continuity despite lack of physical presence

Cost reductions and increased process efficiency

Strategic and brand value gains

Enhanced cybersecurity and regulatory compliance

Digital onboarding framework

Transitioning to widespread digitalization for anti-money laundering and counter-terrorist financing (AML/CTF)

Know-your-customer (KYC) client identification is mainly performed face-to-face by financial services institutions (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 begin authorizing FSIs to identify clients remotely, allowing **videoconferencing for KYC**

- The fifth **AML/CTF Directive (EU) 2018/843** (AMLD5) is published in the Official Journal of the European Union on 19 June 2018
- AMLD5 explicitly allows obliged entities to use the following to complete their customer due diligence duties (identification):
    - **eiDAS-compliant technological means**
    - **Other nationally recognized solutions**

AMLD5 is transposed in Luxembourg through the Law of 25 March 2020, which maintains the directive's identification provisions that allow **digital onboarding**

1 - Frequently asked questions on AML/CTF and IT requirements for specific customer onboarding/KYC methods—8 March 2018 version

01
02
03
04
05
06

New European Digital Identity framework
Current status

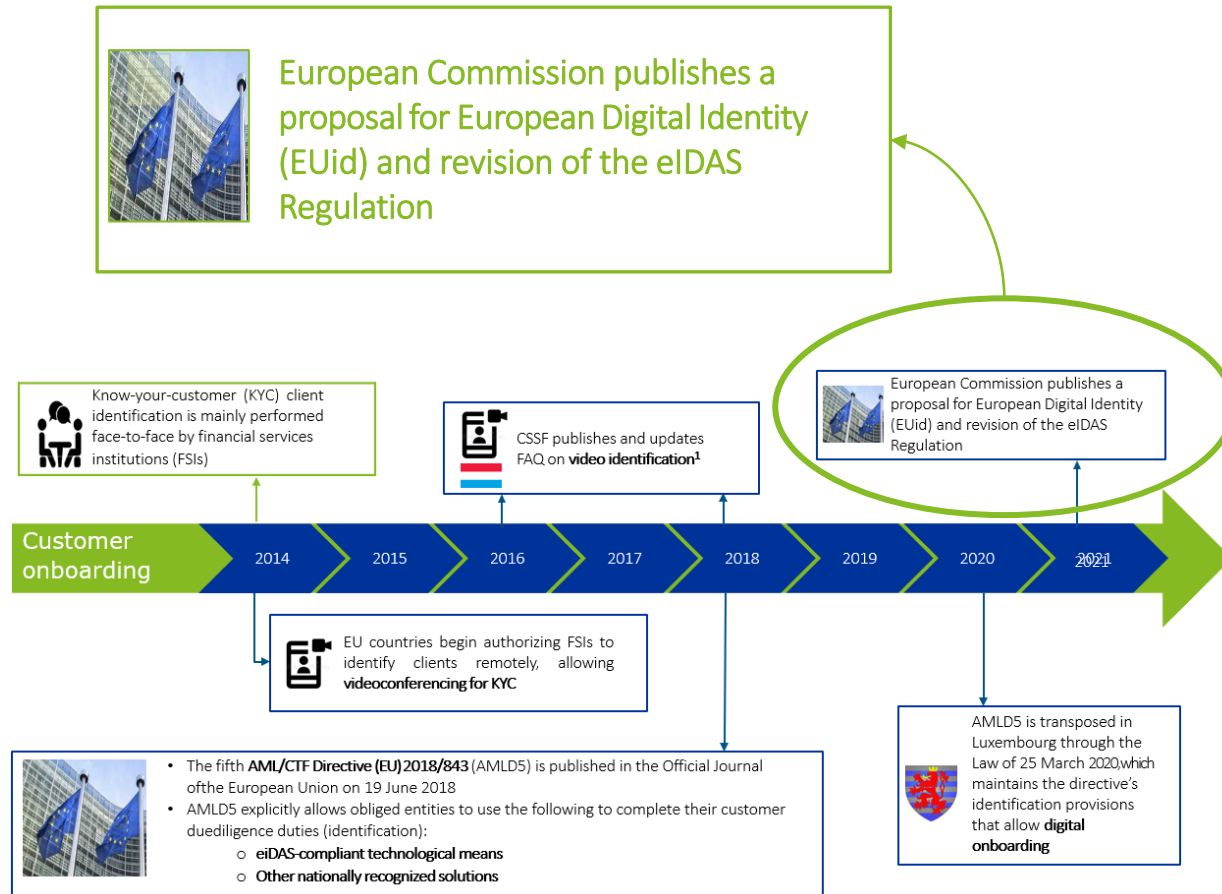European Commission publishes a proposal for European Digital Identity (EUid) and revision of the eIDAS Regulation

Know-your-customer (KYC) client identification is mainly performed face-to-face by financial services institutions (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 begin authorizing FSIs to identify clients remotely, allowing **videoconferencing for KYC**

- The fifth **AML/CTF Directive (EU) 2018/843** (AMLD5) is published in the Official Journal of the European Union on 19 June 2018
- AMLD5 explicitly allows obliged entities to use the following to complete their customer due diligence duties (identification):
  - **eIDAS-compliant technological means**
  - **Other nationally recognized solutions**

AMLD5 is transposed in Luxembourg through the Law of 25 March 2020, which maintains the directive's identification provisions that allow **digital onboarding**

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

eIDAS V2: on 3 June 2021, the European Commission proposed a new European Digital Identity framework for all EU citizens, residents and businesses

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

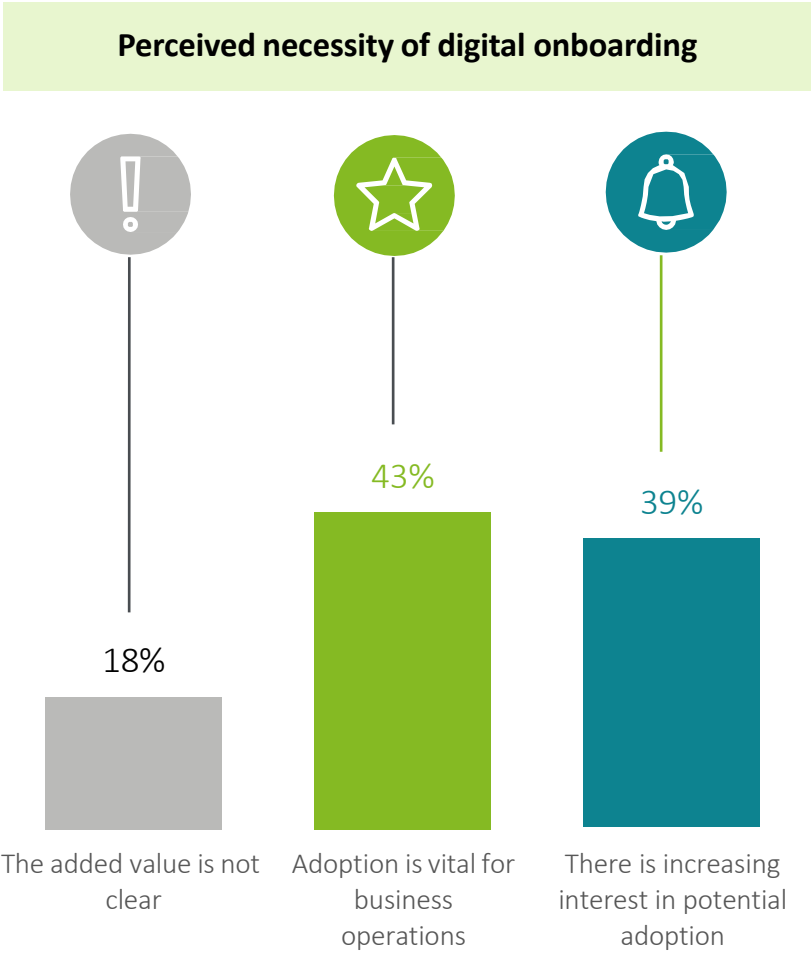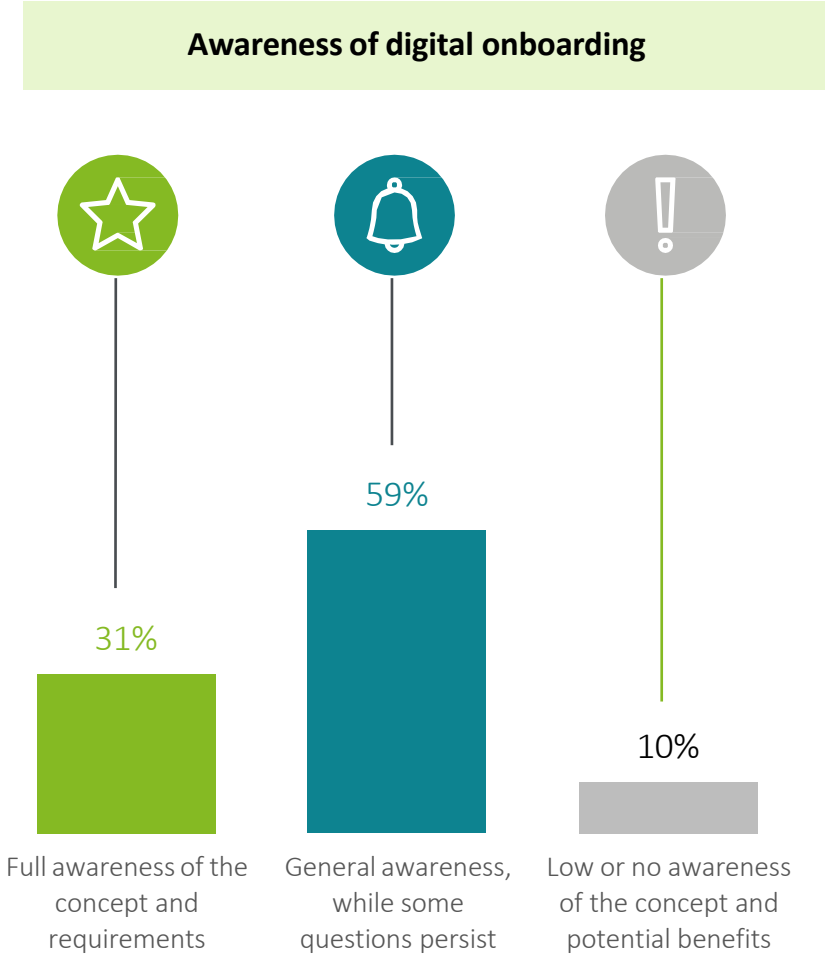**Next steps:** Member States to establish a common toolbox by Q3 2022

01
02
03
04
05
06

Digital onboarding

Key findings

Digital onboarding—awareness

Organizations are **generally familiar** with digital onboarding, with **IT departments** perceived as the most aware compared with other internal teams

Most respondents see the necessity of adopting digital onboarding in their organization

Awareness of digital onboarding

31%
Full awareness of the concept and requirements

59%
General awareness, while some questions persist

10%
Low or no awareness of the concept and potential benefits

Perceived necessity of digital onboarding

18%
The added value is not clear

43%
Adoption is vital for business operations

39%
There is increasing interest in potential adoption

Digital onboarding—adoption

Solutions in use:

In-house solutions

IDnow

LUXTRUST
Enabling a digital world

OLYMPIC
BANKING SYSTEM
by ERI

callpoint

WDX

w! welcome

21% have **already adopted** digital onboarding

17% have already completed a **preliminary analysis** and are **currently implementing** a solution

35% are performing an **ongoing analysis** to assess the possibility of adopting a digital onboarding solution

27% have **not adopted** digital onboarding and do not plan to perform a preliminary analysis to assess a potential adoption

01
02
03
04
05
06

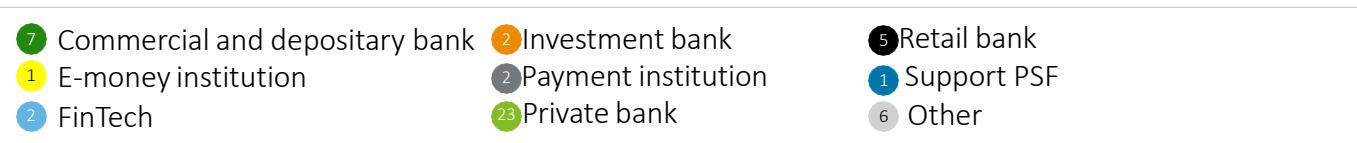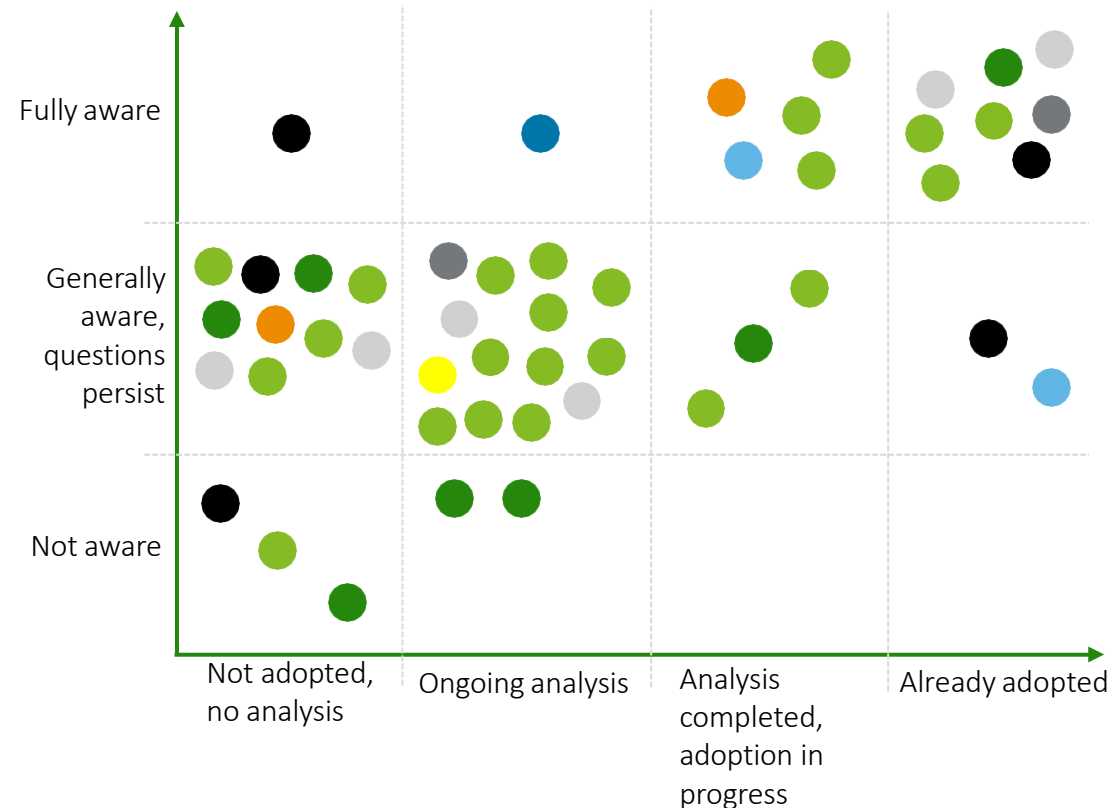# Digital onboarding—awareness and adoption focus

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

> The most popular solutions already adopted are **IDnow and those developed in-house**

> The **most popular use cases** are customer onboarding, supplier onboarding, employee onboarding, periodic KYC review and remote KYC

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

Digital onboarding—obstacles to adoption

> **Intra-organizational environment**
>
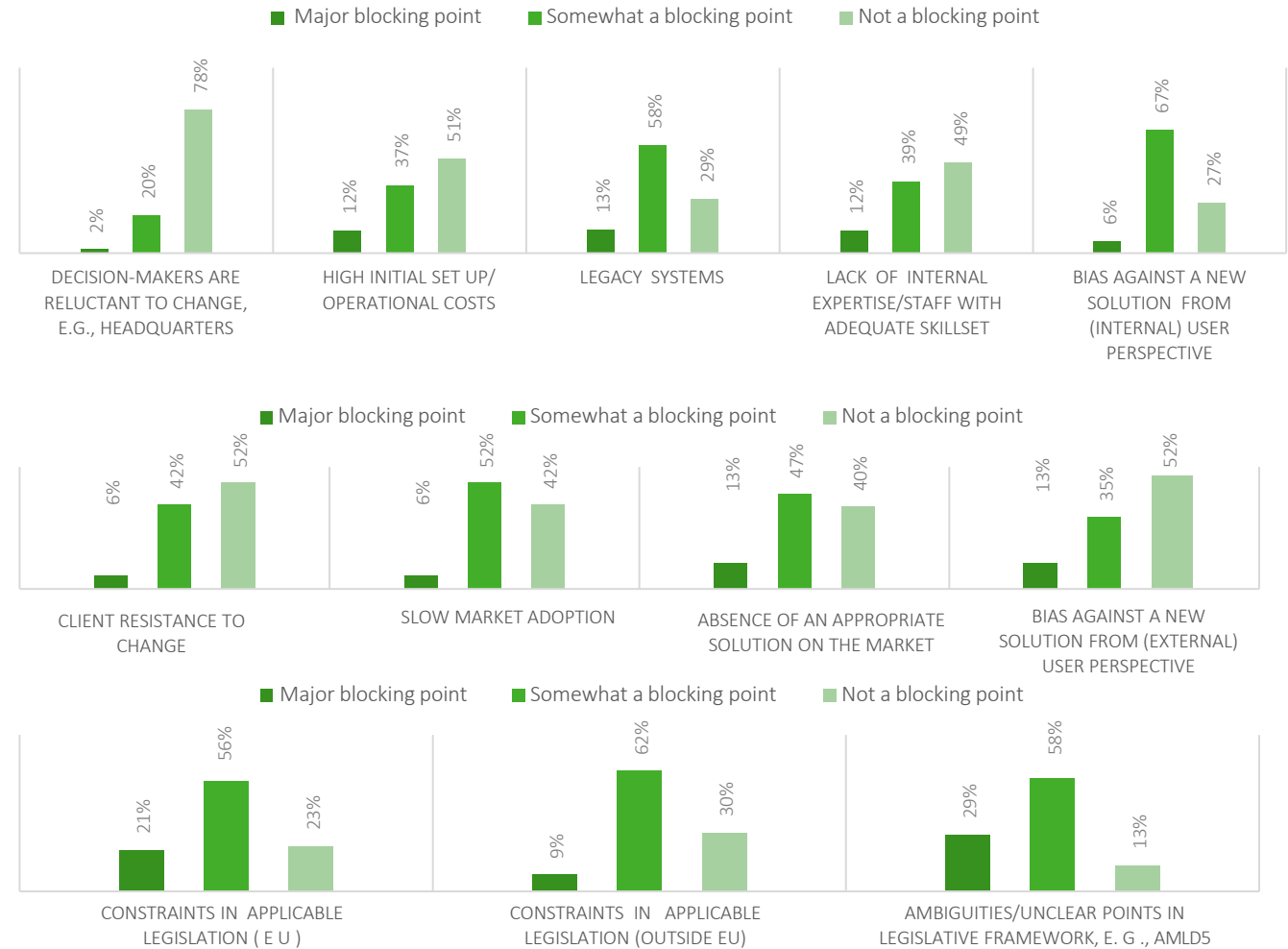> Legacy systems, high initial setup or operation costs, lack of internal expertise and bias against a new solution

> **Business environment**
>
> Slow market adoption, lack of appropriate solution on the market and bias against a new solution

> **Regulatory environment**
>
> Constraints in applicable legislation (both EU and third countries) and ambiguities in legislative framework

■ Major blocking point   ■ Somewhat a blocking point   ■ Not a blocking point

	Major blocking point	Somewhat a blocking point	Not a blocking point
DECISION-MAKERS ARE RELUCTANT TO CHANGE, E.G., HEADQUARTERS	2%	20%	78%
HIGH INITIAL SET UP/ OPERATIONAL COSTS	12%	37%	51%
LEGACY SYSTEMS	13%	58%	29%
LACK OF INTERNAL EXPERTISE/STAFF WITH ADEQUATE SKILLSET	12%	39%	49%
BIAS AGAINST A NEW SOLUTION FROM (INTERNAL) USER PERSPECTIVE	6%	67%	27%

	Major blocking point	Somewhat a blocking point	Not a blocking point
CLIENT RESISTANCE TO CHANGE	6%	42%	52%
SLOW MARKET ADOPTION	6%	52%	42%
ABSENCE OF AN APPROPRIATE SOLUTION ON THE MARKET	13%	47%	40%
BIAS AGAINST A NEW SOLUTION FROM (EXTERNAL) USER PERSPECTIVE	13%	35%	52%

	Major blocking point	Somewhat a blocking point	Not a blocking point
CONSTRAINTS IN APPLICABLE LEGISLATION (E U)	21%	56%	23%
CONSTRAINTS IN APPLICABLE LEGISLATION (OUTSIDE EU)	9%	62%	30%
AMBIGUITIES/UNCLEAR POINTS IN LEGISLATIVE FRAMEWORK, E. G ., AMLD5	29%	58%	13%

01 02 03 **04** 05 06

Digital onboarding—accelerators

Most helpful identified accelerators in the adoption of digital onboarding are:

- **Guidelines and/or best practices** on the subject

- Overview of the **legal applicability** of different methods

Industry-wide **use cases** for digital onboarding solutions are also awaited by the sector to facilitate implementation

Accelerators considered less helpful are **webinars** focused on increasing general awareness
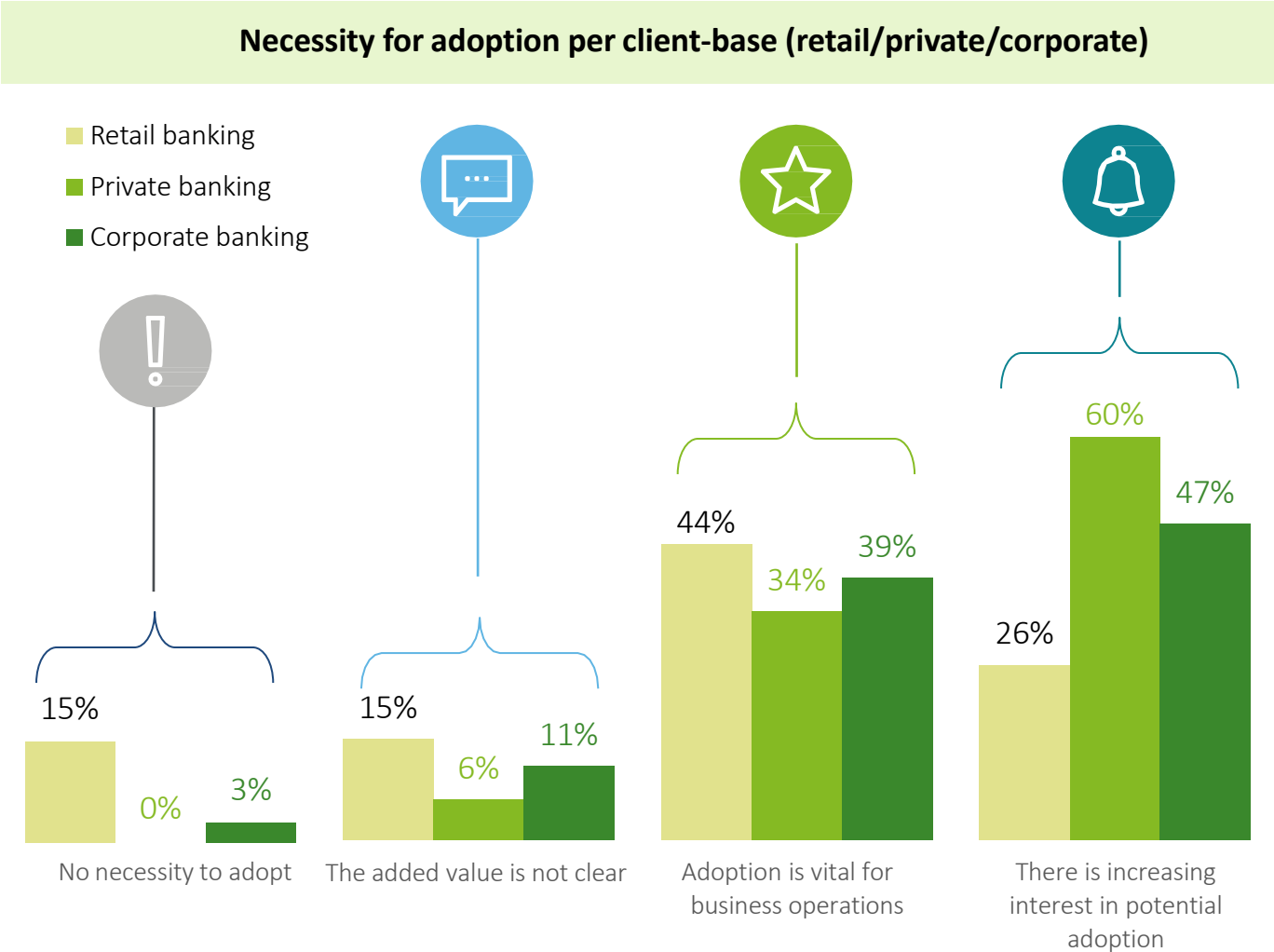
01
02
03
04
05
06

Electronic signatures
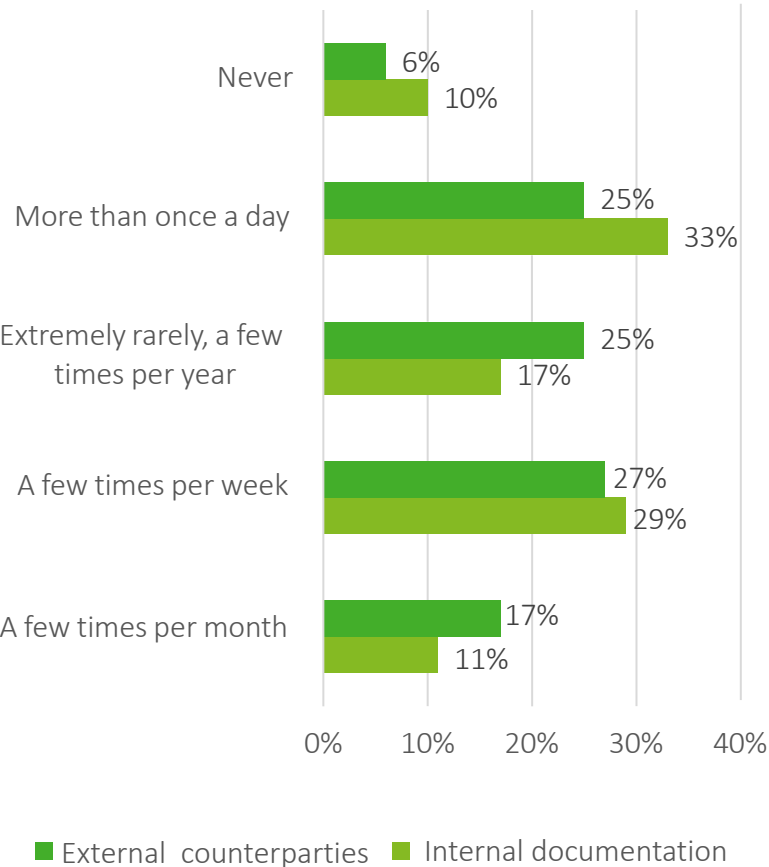
Key findings

Electronic signatures—awareness

> For most respondents, electronic signatures are considered **vital** or of **interest** for all business lines

> There is **more interest** in using electronic signature solutions amongst private banking and corporate banking clients than retail banking clients
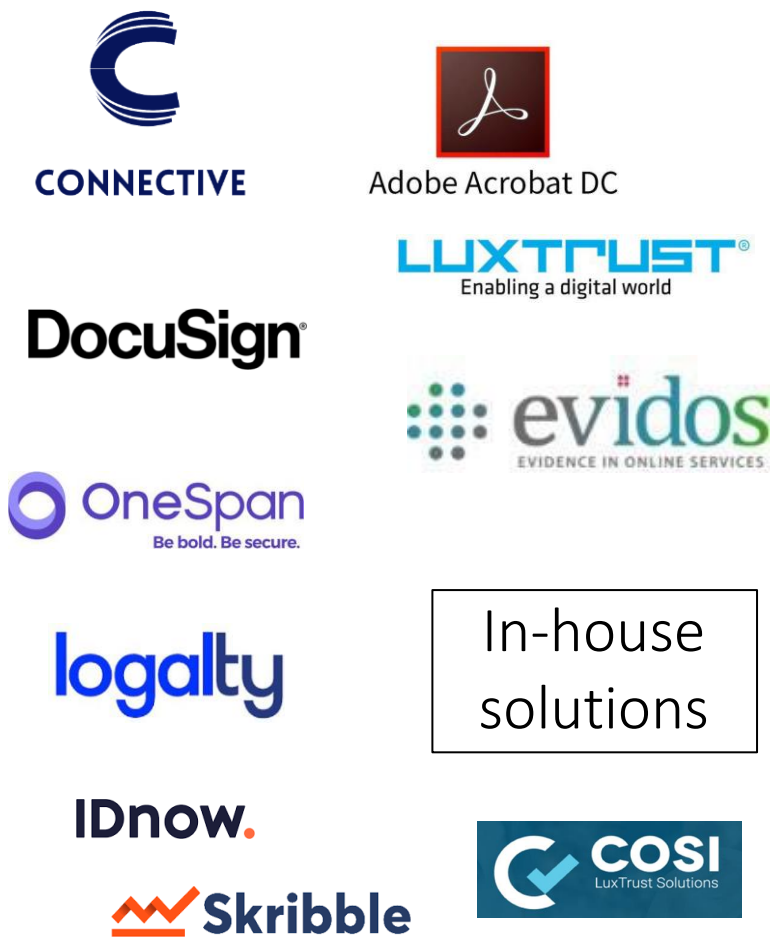
Necessity for adoption per client-base (retail/private/corporate)

- Retail banking
- Private banking
- Corporate banking

No necessity to adopt
- 15%
- 0%
- 3%

The added value is not clear
- 15%
- 6%
- 11%

Adoption is vital for business operations
- 44%
- 34%
- 39%

There is increasing interest in potential adoption
- 26%
- 60%
- 47%

Electronic signatures—adoption

How often are digitally signed documents received during day-to-day business?

Category	External counterparties	Internal documentation
Never	6%	10%
More than once a day	25%	33%
Extremely rarely, a few times per year	25%	17%
A few times per week	27%	29%
A few times per month	17%	11%

Axis: 0% 10% 20% 30% 40%

■ External counterparties ■ Internal documentation

Solutions in use

CONNECTIVE

Adobe Acrobat DC

LUXTRUST — Enabling a digital world

DocuSign®

evidos — EVIDENCE IN ONLINE SERVICES

OneSpan — Be bold. Be secure.

logalty

In-house solutions

IDnow.

COSI — LuxTrust Solutions

Skribble

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

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

All types of processes are covered: customer services, third-party service providers and internal operations
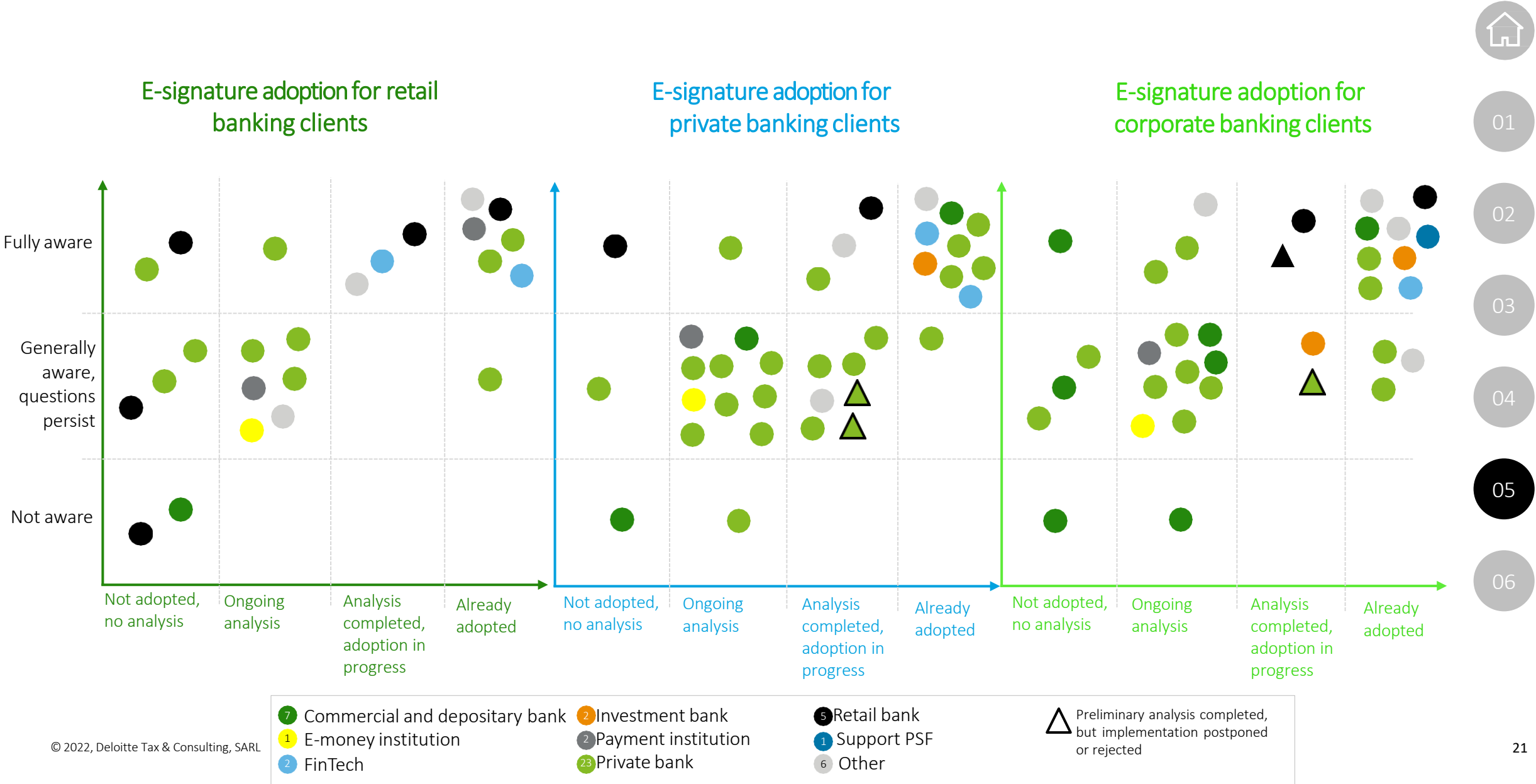
01 02 03 04 **05** 06

Electronic signatures—awareness and adoption focus

E-signature adoption for retail banking clients

E-signature adoption for private banking clients

E-signature adoption for corporate banking clients

Legend:
- 7 Commercial and depositary bank
- 1 E-money institution
- 2 FinTech
- 2 Investment bank
- 2 Payment institution
- 23 Private bank
- 5 Retail bank
- 1 Support PSF
- 6 Other
- △ Preliminary analysis completed, but implementation postponed or rejected

Electronic signatures—obstacles limiting adoption
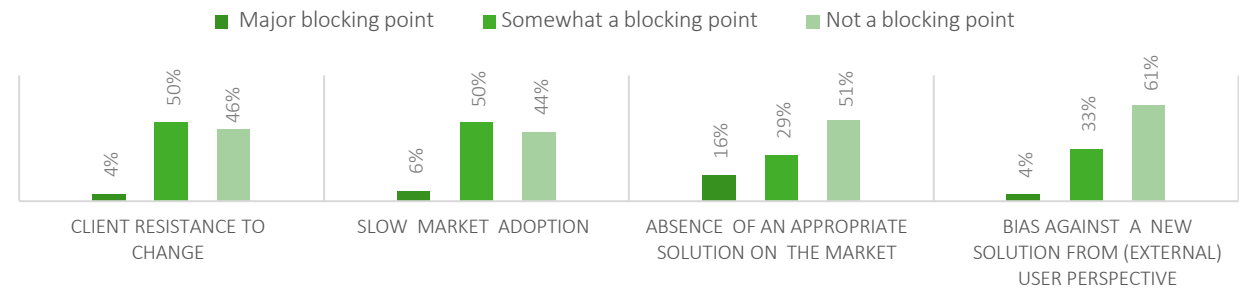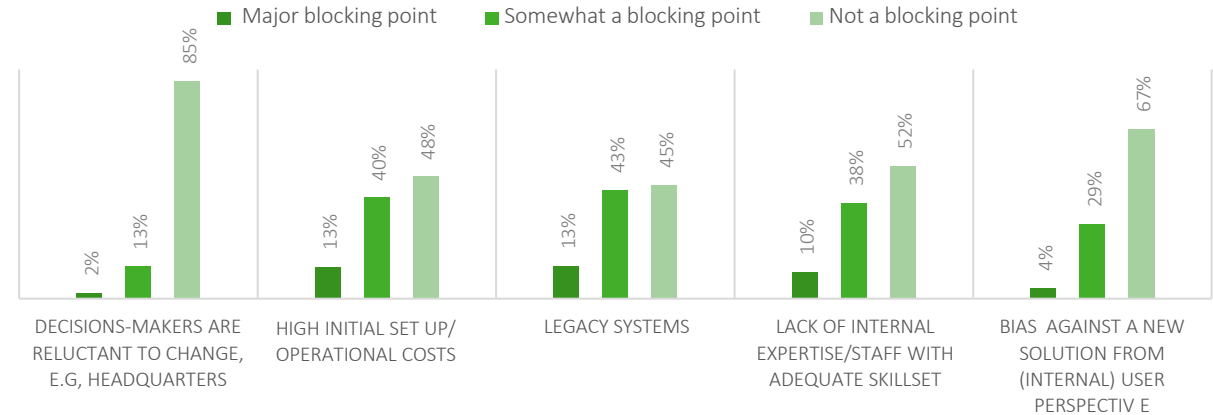
Intra-organizational environment

While no major internal blocking points were highlighted, legacy systems, high costs and lack of expertise were identified as possible obstacles

Business environment

Client resistance to change and slow market adoption

Regulatory environment

Constraints in applicable legislation, ambiguities in legislative framework and a lack of clear e-signature definition outside the EU

Legend: Major blocking point · Somewhat a blocking point · Not a blocking point

Chart 1:
- DECISIONS-MAKERS ARE RELUCTANT TO CHANGE, E.G, HEADQUARTERS: 2%, 13%, 85%
- HIGH INITIAL SET UP/ OPERATIONAL COSTS: 13%, 40%, 48%
- LEGACY SYSTEMS: 13%, 43%, 45%
- LACK OF INTERNAL EXPERTISE/STAFF WITH ADEQUATE SKILLSET: 10%, 38%, 52%
- BIAS AGAINST A NEW SOLUTION FROM (INTERNAL) USER PERSPECTIV E: 4%, 29%, 67%

Chart 2:
- CLIENT RESISTANCE TO CHANGE: 4%, 50%, 46%
- SLOW MARKET ADOPTION: 6%, 50%, 44%
- ABSENCE OF AN APPROPRIATE SOLUTION ON THE MARKET: 16%, 29%, 51%
- BIAS AGAINST A NEW SOLUTION FROM (EXTERNAL) USER PERSPECTIVE: 4%, 33%, 61%

Chart 3 (Legend: Major blocking point · Not a blocking point · Somewhat a blocking point):
- CONSTRAINTS IN APPLICABLE LEGISLATIO N (E U): 21%, 38%, 42%
- CONSTRAINTS IN APPLICABLE LEGISLATION (OUTSIDE EU): 20%, 29%, 51%
- LACK OF LEGAL DEFINITION OF ELECTRONIC SIGNATURE OUTSIDE EU: 26%, 26%, 49%
- AMBIGUITIES/UNCLEAR POINTS IN LEGISLATIVE FRAMEWORK, E. G . EIDAS: 29%, 19%, 52%
- UNCLEAR E-ARCHIVING REQUIREMENTS: 15%, 21%, 65%

01 02 03 04 05 06

Electronic signatures—accelerators

Most helpful identified **accelerators** in the adoption of electronic signatures are:

Guidelines and/or best practices on the subject

Overview of **legal applicability** of eIDAS electronic signatures outside of EU

Exemplary **blueprints of signing processes** allowing the use of electronic signatures and industry-wide use cases are also awaited by the sector to facilitate implementation

Other identified **accelerators are exemplary blueprints for the archiving** and storing processes of electronically signed digital documents, while webinars focused on increasing general awareness are considered less helpful

01

02

03

04

05

06

Conclusions and recommendations

Digital onboarding and electronic signatures

Obstacles in the digitalization of Luxembourg financial sector

Adopting e-signature and digital onboarding solutions is not a straightforward task. Risks from the inadequate adoption of digitalized processes, a lack of awareness of inter-related national and international regulations and other obstacles are hindering the implementation of digital onboarding and e-signatures across the Luxembourg financial sector

Unclear e-archiving obligations for dematerialized processes

Data protection and cybersecurity concerns

Legal validity of e-signatures in non-EU countries

Lack of legal definition of electronic signatures outside EU

Legal power of simple e-signatures versus AdES versus QES

Ambiguities/unclear points in legislative framework, e.g., AMLD5 and eIDAS

Risks deriving from the inadequate adoption of digital onboarding and e-signatures

Weak evidence in legal proceedings

A lack of understanding that e-signature adoption is part of a more complex digital environment may result in poor management of support processes like long-term archiving or e-signature verification, **invalidating the e-signature's legal validity**

Increased cybersecurity and data protection risks

Adopting e-signatures could require modifications to the entire IT environment. Not realizing the impact of these changes could result in **unmanaged new threats and vulnerabilities** generated by the new IT operating model

IT disruptions due to non-compatibility with current IT architecture

When adopting an e-signature platform, an **inadequate business analysis** could result in a solution poorly integrated into the IT environment, increasing operational risks and impacting business continuity in case of disasters (floods, fires, pandemics, etc.)

Reduction of cost-efficiency benefits

A simple or advanced e-signature solution for documents requiring strong legal validity could have **weak evidentiary value**. However, implementing a QES for all document types **may not be cost-effective**

01

02

03

04

05

06

Accelerators

Based on the survey responses, the most helpful accelerators include:

Electronic Signatures

Guidelines/use cases that define which electronic signature types to adopt based on the document type

Overview of legal applicability inside and outside the EU and the eIDAS electronic signature scope

Templates for a structured approach to managing an electronic signature implementation project and blueprints for signing, archiving and storing processes

Digital onboarding

Guidelines/best practices that define existing digital onboarding methods

Overview of legal applicability and regulatory requirements for digital onboarding adoption

Industry-wide use cases for digital onboarding solutions

01
02
03
04
05
06

Recommendations and next steps

Electronic Signatures

Organize a dedicated e-signature project with all the required stakeholders of the bank (business, compliance, IT, risk, etc.)

Assess which e-signature type should be used for each document type, using a risk-based approach

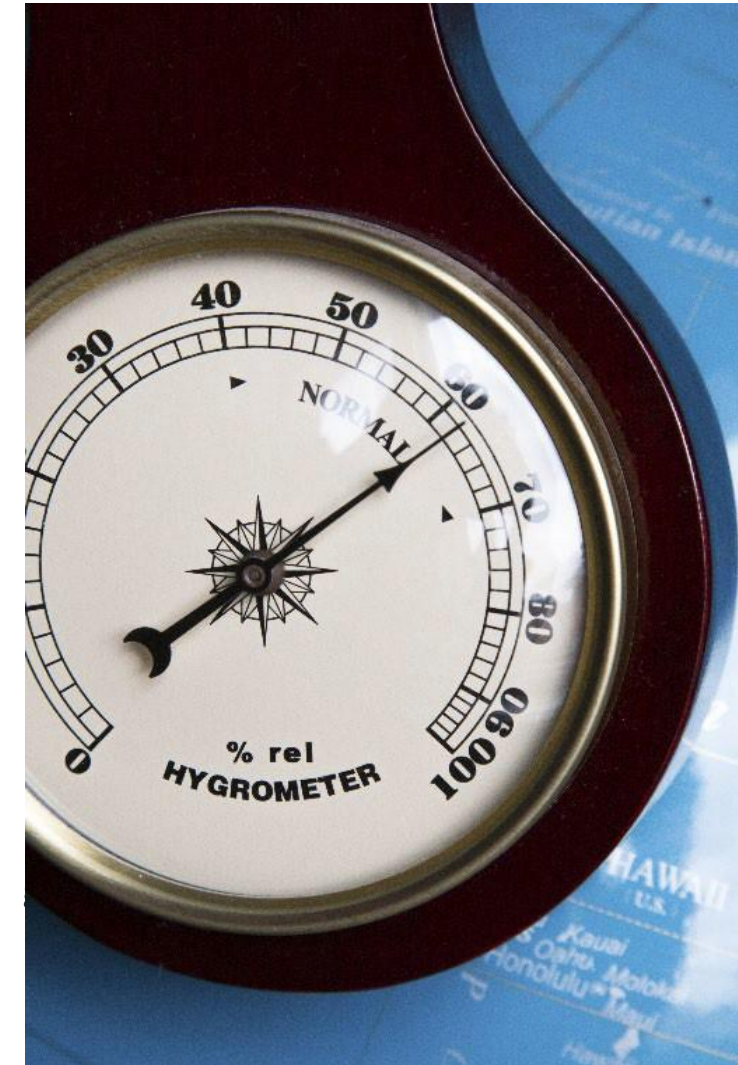**Select** the solution that best meets the assessment results

Launch the implementation project covering not only business and functional requirements, but also IT risks and data protection

Digital onboarding

Assess the ideal digital onboarding solution for the bank in light of business, IT and compliance requirements

Define the use cases for adopting the digital onboarding solution

Launch an implementation project covering all requirements, including technical, security and regulatory

01 02 03 04 05 06