Do you need a financial passport too?
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Forget passports and driving licences. The gold standard requirement to open a UK bank account is seemingly a British Gas bill. That was the provocative opening statement from Dave Birch, Director of Innovation at Consult Hyperion and chairperson of the first EEMA Fireside Briefing in 2017.

ID costs are rising
Costs associated with identity are rising. “UK banks are spending around £2 billion every year on KYC and £5 billion on AML. The bottom line costs of identity are spiralling out of control,” said Birch. Meanwhile, customers are also thinking that there must be an easier way to bank, hire an accountant or buy a house. A way that does not involve toting around paper *bona fides* — not to mention a British Gas bill. A way that embraces new digital technology.

Banks sharing KYC data is considered normal in the Nordics. Governments as well as global consumer-facing technology companies are investigating the identity opportunity. There are huge opportunities to de-risk transactions, streamline on-boarding for customers and for all parties to save time, money and effort in comparison with current identity systems. In short, the identity challenge is ripe for disruption.

Managing financial identity in the future
Birch together with two speakers: Mark Pearce, strategic business development director at Experian and Simon Wilkinson, Operations Director at Tradle, a Blockchain start-up, debated the concept of a financial passport. They also considered the possible roles of banks, credit reference agencies and others in managing financial identity in the future.

Experian is working to enhance consumer credit data to make subsequent journeys easier for the end-user, e.g. with pre-populated forms. Credit scores may change to become a lens on affordability in the future, rather than a retrospective review based on what people have done in the past, argued Pearce.
Tradle, a 3-year-old FinTech and alumni of Startup Bootcamp, is building out a global trust provisioning network, starting by putting KYC data on the Blockchain. Tradle was recently accepted into the Financial Conduct Authority’s regulatory sandbox, and counts Aviva, Lloyds Bank and Rabobank among its partners.

The panel considered the three main architectures for identity management: a centralised solution, a federated solution between the banks or identity service providers, and finally a distributed or Blockchain solution. The success or failure of any identity architecture depends on the underlying liability model. The panel and attendees discussed issues around liability and liability flows within and between countries.

**In summary**

The need for a financial services passport is increasing as a result of regulatory pressure (PSD2 and EU general data protection regulation) and interest from BigTech companies, who could potentially disintermediate financial institutions as identity service providers. However, the bottom line impact of improving digital identity management could be vastly greater than other disruptors in the FinTech space (e.g. peer-to-peer lending), according to Birch. Identity risks and rewards exist in the same future.

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