

# ID verification: What does it mean for business in British Columbia?

April 9, 2024



# CLIENT IDENTIFICATION

# CLIENT VERIFICATION

Flows from obvious best practices regarding “Know Your Client” and federal initiatives regarding money laundering.

# PRE: JANUARY 1, 2020

- “Reasonable Efforts”

# POST: JANUARY 1, 2020

- Standards become more stringent
- “Reasonable Efforts”  “Must”

# KNOW YOUR CLIENT



# MANAGE AND MITIGATE RISKS



# UNDERSTAND THE CLIENT'S FINANCIAL DEALINGS



# PRACTICE WITHIN YOUR COMFORT ZONE AND COMPETENCIES



# IDENTIFICATION AND VERIFICATION

Separate but related

## IDENTIFICATION

Mandatory Basic Information that must be obtained and recorded when providing legal services.

Identification does not require physical meeting the client.

## VERIFICATION

Is more than simple identification and is required where there is a “financial transaction”.

# VERIFICATION INVOLVES:

- Obtaining valid, authentic and current documents and valid and current information from independent and reliable sources.

[revised]

# **BOTH FOR IDENTIFICATION AND VERIFICATION:**

- Records and documents must be retained.

# CONSIDER RISKS

- Err on the side of caution
- Don't look for a “way around” verification

# VERIFICATION

- Means verifying the client with certain documents that are valid, authentic and current and certain information that is valid and current.

# DOCUMENT EXAMPLES

- Government Photo I.D.
- Credit file
- Information from a reliable source
  
- For Companies
  - Corporate Search with all directors
  - Reasonable efforts to obtain shareholder holding 25% or more

# NEW RULES EFFECTIVE MARCH 8, 2024



# RULES NOW

- Allow a virtual meeting while also using reliable authentication technology.
- A video conference with scanned I.D. is not sufficient.

# THE LAW SOCIETY OF BRITISH COLUMBIA SETS OUT THE STEPS:

1. Identify and assess risks
2. Arrange the virtual meeting
3. Authenticate the photo I.D.
4. Confirm the authenticated photo I.D. is valid and current and compare it to the person and their I.D. on your screen.
5. Retain the information

# IN A NUTSHELL

- LSBC Bencher's Bulletin 2019 had 3 methods to verifying an individual's identity:
  - Physical meeting with client and they provide I.D.
  - Credit file method
  - Dual process method
- Now we can verify identity with a virtual meeting and also use reliable authentication technology.

**THANK YOU**

# Agenda

- Industry challenges
- Key considerations when evaluating IDV solutions
- Fraud mitigation: FCT's Client ID Verification technology is the best defense
- Q&A

Questions?

Please use the  
interactive Zoom

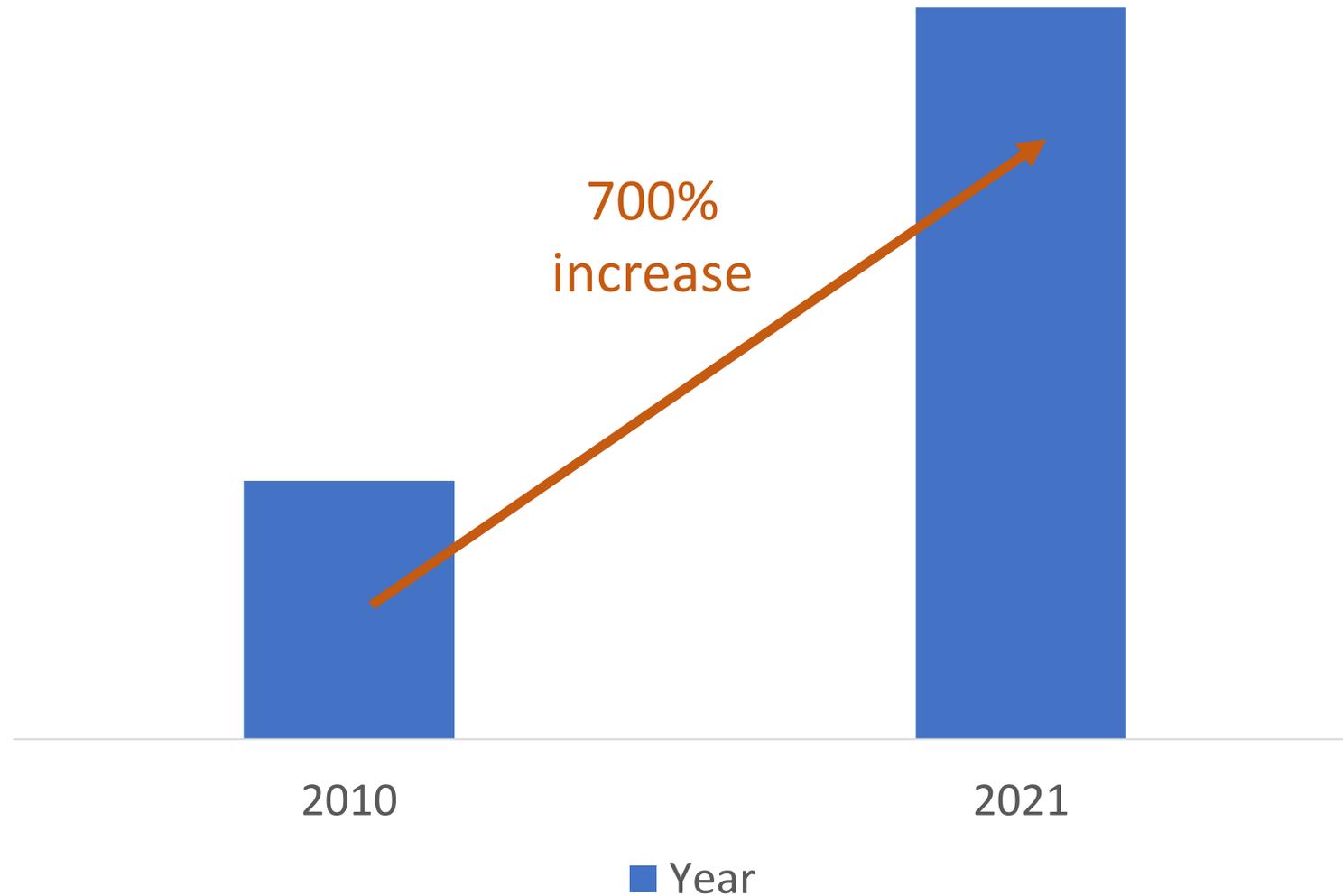
Q&A



# \$539,000,000

Suspicious transactions identified

# The growing risk of technological sophistication: fake ID



# New types of fraud:

- Synthetic Identity
  - Create fake identities by combining fake information with actual ID data
  - Takes years but highly lucrative
- Deepfake ID
  - Highly realistic digital manipulations of audio, images, or video
  - Fraudsters are combining 3D printing with deepfake capability to produce high-quality physical IDs
  - Highly accessible



# Traditional identity verification methods are on their way out

- Government-issued ID cards: passports (without an encrypted chip), driver's licenses
- Utility bills or bank statements
- Knowledge based questions: a series of personal questions
- Credit checks: credit history



## Key considerations:

- Data Retention
- Data Residency
- Data Overreach / Breach of Privacy
- Data Verification at multiple stages



# FCT's Client ID Verification Solution

# 3 Key benefits of FCT's Client ID Verification solution

1. Verify your clients earlier within minutes
  - Streamline your processes and save time by getting your client's ID verified during the **intake process**
  - Can be used on **all files regardless of areas of law** (not just on real estate files!)
2. Multi-use vs single use | reduces friction
  - Verified ID retained on their mobile device for future verification for up to 5 years
3. Data Retention | Data Residency | Data Overreach
  - Encrypted data is stored offline on client's mobile device
  - No data overreach issue





[Click to launch demo](#)



### Client ID Verification Report

File No.: [Redacted]

First Name: [Redacted]

Last Name: [Redacted]

Overall Status: **Completed (Nov 2, 2023 8:29AM)**

**Client passed the ID verification check**

Measure	Result	Reason	Source
Attempt	1		
Given Name	[Redacted]		
Family Name	[Redacted]		
Document date validity	PASS		Ontario Driving Licence, Canadian Passport
Identity Assurance Level	2	The Identity Assurance Level (IAL) was achieved during identity verification. The Identity Assurance Level (IAL) is a measure of confidence or assurance that a person's claimed identity is their real identity. Level IAL 1 provides some confidence, and IAL 2 provides high confidence.	Internal Calculation
Required Number of Identity Documents Uploaded	PASS		Ontario Driving Licence, Canadian Passport
Closeness to home	N/A	The client is 8.20 km away from the address on their identity document. If the distance is unexpected then you may want to confirm your client's location.	Phone Location, Google Geocoder
Biometric Selfie Match	PASS		Ontario Driving Licence, Selfie Image, Canadian Passport

Date of Birth Matches	PASS		TransUnion EBVS, Canadian Passport
Name Matches	PASS	Low Risk! The information (name/address/phone number) on the identity document(s) did not match what is on record with the individual's cell phone account. This can happen if it is a corporate phone or family shared plan but can also be an indicator of fraud.	EnStream A1, TransUnion EBVS, Canadian Passport
Mobile Number Matches	N/A	Low Risk! The information (name/address/phone number) on the identity document(s) did not match what is on record with the individual's cell phone account. This can happen if it is a corporate phone or family shared plan but can also be an indicator of fraud.	EnStream A1
Address Matches	PASS	Low Risk! The information (name/address/phone number) on the identity document(s) matches the individual's credit file. However, the information does not match the information on the individual's cell phone account. This can happen if it is a corporate phone or family shared plan but can also be an indicator of fraud.	EnStream A1, TransUnion EBVS
Passport verification	PASS		Canadian Passport
Identity Details Match Documents	PASS		Ontario Driving Licence, Canadian Passport



ID Document #2  
Passport



# Fraudster vendor #1

- The purchaser had a well-established relationship with the lawyer, alleviating any initial concerns regarding their identity.
- Additionally, as it was a private lender mortgage, FCT authenticated the purchaser (who passed our IDV checks) and underwrote the file accordingly.
- During the underwriting process, the underwriter noticed something irregular while requesting additional documents from the vendor's lawyer.
- The underwriter put the vendor through ID verification using Bluink at no cost.
- The report returned with a "Failed" status, indicating various mismatches, including discrepancies in passport details and geo-location data.
- We informed all parties, declined the deal and the notaries eventually cancelled the transaction.



## Fraudster vendor #2

- FCT was asked to insure a private first mortgage exceeding \$2MM, which was intended to pay off three mortgages.
- Two individuals (vendors) on title were transferring it to another relative.
- Since it's a private lender transaction, our Underwriting team requested ID verification for the two vendors being removed from title using FCT's Client ID Verification technology.
- One vendor failed the IDV checks.
- It was discovered that this vendor, born in 2000, had taken title to the property with the other vendor in 2008, indicating he was 8 when he supposedly bought the property.
- Following this, one of our underwriters checked the 2008 transfer from the Land Registry and found discrepancies between the birthdates on the Land Registry and the ID provided by the vendor.
- As a result, FCT declined the deal and contacted the vendor's lawyer, who subsequently cancelled the transactions.



# Frequently Asked Questions

- What government issued photo identification can be used?
- Does a government issued photo identification have to be Canadian?
- What's the cost?
- How will I be billed?
- How do I sign up?
- Where can I or my clients find technical help?



Thank you!