Agenda item 3.3.
Paragraph 15 of the annotated agenda

KYC Implementation Update

Article 6.4 Supervisory Body – 22nd meeting
Bonn, Germany, 27 to 30 July 2026

UNFCCC Secretariat
Mitigation Division

Procedural background

- The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), through decision 3/CMA.3, adopted the rules, modalities and procedures (RMPs) for the mechanism established by Article 6, paragraph 4, of the Paris Agreement (Article 6.4 mechanism), as contained in the annex to the decision. The decision requested the Supervisory Body of the Article 6.4 mechanism to develop provisions for various processes necessary to operate the mechanism, including the mechanism registry. Requirements of the mechanism registry are provided throughout the RMPs, including in, but not limited to, sections V.H, V.J, V.K, VI, VII and XI.B. These requirements include that the registry shall operate at best-practice standards for registries, and that the Supervisory Body shall develop identification requirements for entities.

- The secretariat interprets this mandate from the CMA for the registry to operate according to best-practice standards as including maintenance and implementation of a policy for managing money-laundering and the financing of terrorism (ML/FT) risks, as these comprise key aspects of best-practice standards for other registry operators. A critical component within policies for managing ML/FT risk is identity verification, or “know your customer” (KYC) processes, for individuals and entities that engage with a registry. The secretariat interprets the mandate for the Supervisory Body to develop identification requirements for entities as a component of the secretariat’s wider ML/FT risk management processes.

Procedural background

- The Supervisory Body, at its eleventh meeting, requested the secretariat to prepare an information note on the possibility for incorporating a KYC process within the A6.4 mechanism regulations for consideration at its fourteenth meeting.

- The Supervisory Body, at its fifteenth meeting (SBM 015) considered the information on “possibility for incorporating a Know-Your-Customer (KYC) process within A6.4 regulations”, which was focused on the activity cycle only, and requested the secretariat to prepare an information note based on the guidance provided by the Supervisory Body for its consideration at a future meeting.

- The information note was presented at SBM017 on how the secretariat is exploring implementation of KYC standards as part of its anti-money-laundering and countering the financing of terrorism (AML/CFT) policy for the registry; how this could be coordinated with the Supervisory Body’s development of identity verification processes;

Procedural background

- The Supervisory Body took note of the information presented and requested that the secretariat proceed with a coordinated approach to developing the AML/CFT policy and the identity verification processes for the mechanism, and report back as needed.

- This information update is being provided as the contractual part of identifying and finalizing a third-party service for KYC/KYB and identity verification services concluded in June 2026, and it is a part of the ongoing Registry contract with Trovio/EY consortium

Purpose

The purpose of KYC or AML/CFT policies is to:

1. Helps prevent abuse of financial systems through ML/FT and fraud, among other illegal activities.
2. Make this a standard for the mechanism registry for entities and users as KYB/KYC management is standard practice for several other international organizations and carbon market operators.
3. Know the customers/clients that the mechanism registry engages with, i.e., those users and entities having accounts on the registry

Note: In considering the implementation of processes for AML/CFT, the secretariat has undertaken research on and/or engaged with various organizations to understand their approach to KYC and AML/CFT, such as Adaptation Fund, GCF and other independent standards.

Key updates

- In line with the above discussions, the secretariat has the following updates regarding the implementation of KYC/KYB:

  a) The contract has been signed with the third-party vendor ‘Trulioo’ (Global Online Identity Verification Service - KYC, KYB, AML | Trulioo) for KYC/KYB services, this will be managed through the existing contract with Trovio, with Trulioo as a sub-contractor

  b) There were several elements that were considered, especially noting that this will involve personal data and data privacy, including on GDPR

  c) Several legal and technical elements were discussed and considered for KYC/KYB services

Scope of KYC/KYB

- The scope of the KYC/KYB services is listed as follows:

a) Any entity that wishes to engage with the mechanism registry should go through a KYB process, this entails:
   - Provision of entity related details – such as official name, registration number etc of the entity involved
   - The service will be able to perform a query against national databases and publicly available sources of information to determine basic details such as, if the entity is active, legally existing etc

b) Any user who requests access to the mechanism registry and requires identity verification should go through a KYC process, this entails:
   - Users receiving a link to the KYC service platform and filling in details such as name, email, address etc
   - The KYC service shall run a query against its databases and provide a repsonse on the request

c) The KYC and KYB services provided by Trulio follows GDPR standards for data protection. Note that the registry itself does not collect or store this personal data

Next steps

As mentioned in the information note presented at SBM017, as part of development of the AML/CFT process, the secretariat will conduct a comprehensive internal risk assessment of the Article 6.4 mechanism to identify ML/FT risks, these include:

a) Identify and assess measures to minimize the identified risks;
b) Develop a policy outlining the chosen measures for minimizing these risks;
c) Prepare an internal implementation plan, including potential engagement of third-party service providers to support the KYC process;
d) Report back to the Supervisory Body with the following items for their consideration:
    - Information on potential cost-recovery models;
    - If applicable, a proposed identity verification procedure;
    - If applicable, recommended revisions to the mechanism’s regulations to reflect the AML/CFT policy.

Next steps

- Given that the KYB and KYC services are now available, the following further steps are envisioned for the secretariat:

a) Updating the T&C to reflect the provision of KYB/KYC services, including listing the vendor name and contact providing the services

b) To develop a Standard Operating Procedure (SOP) for conducting KYC/KYB, this SOP shall detail the steps that the secretariat will undertake to perform the risk assessment following the report from the vendor and its subsequent steps

c) To develop the AML/CFT and risk management process which will apply to registry users and account holders:

- To list what details will be asked and what will the process steps be
- Notification and communication aspects

d) To publish a manual on how it works, what details will be required and what level of checks will be undertaken

Note: Developing a KYC manual and an effective policy for managing risks to the mechanism will be a significant undertaking requiring resources and capacity.

Recommendations to the Supervisory Body

The secretariat recommends the Supervisory Body take note of the information presented and note that the secretariat will, subject to availability of resources, proceed with a coordinated approach to developing the AML/CFT policy and report back as needed.