



The value of the LEI for trade finance and SMEs

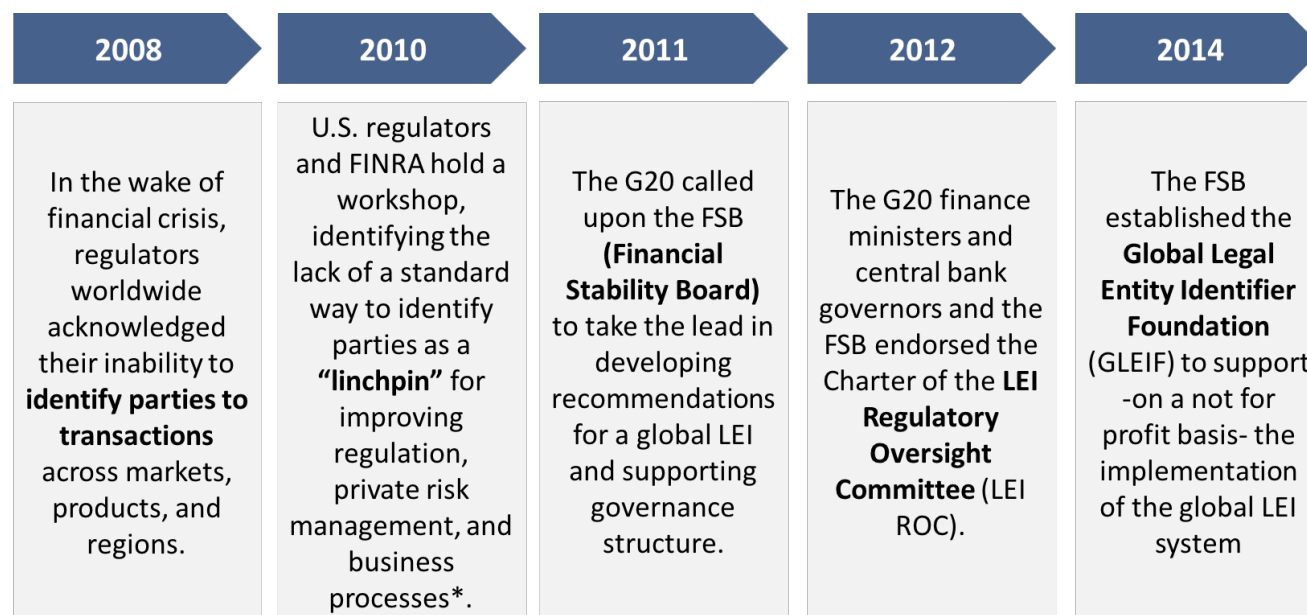
**WTO Informal Working Group MSME's
8 June 2018**

Gerard Hartsink – Chairmain GLEIF Board

GLEIF unrestricted

Global LEI Program roadmap

History of the Global LEI System



*See: [Creating a Linchpin for Financial Data: The Need for a Legal Entity Identifier](#)

Who is GLEIF



- The GLEIF is a Swiss foundation inaugurated in June 2014 and founded by the Financial Stability Board (FSB).
- GLEIF is overseen by 71 regulators and 19 observers in the Regulatory Oversight Committee (ROC) from 50 countries.
- GLEIF Board has 18 independent directors.



Who is GLEIF



GLEIF in Numbers

**Budget 2018: 9,5 M USD
Funded by LEI Issuers**

GLEIF in Numbers

**Partners for LEI issuing (LOUs)
33, and growing**

GLEIF in Numbers

**Number of employees
30 from 18 countries**

GLEIF in Numbers

**Issued LEIs as of 6 June 2018
Over 1.200.000**



GLEIF's Vision and Mission



GLEIF Vision

Ultimately, there should be one identity behind every business

Having an LEI will help to achieve this objective

GLEIF Mission

GLEIF manages a network of partners, the LEI issuing organizations, to provide trusted services and open, reliable data for unique legal entity identification worldwide

GLEIF Scope

Supra-national, non-for-profit organization

GLEIF is, by its statutes, agnostic to any particular commercial or political interests

The Legal Entity Identifier (LEI)



The LEI is planned by the G20/FSB as a broad public good for the benefit of and free of charge for the users of the public and private sector.

- 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the ISO



Example: ABB Sécheron S.A., Switzerland

- Connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions (including for the digital economy) .

Information Available with the LEI: Data on 'Who is Who'



Global Legal Entity Identifier Foundation

 Basel, Switzerland



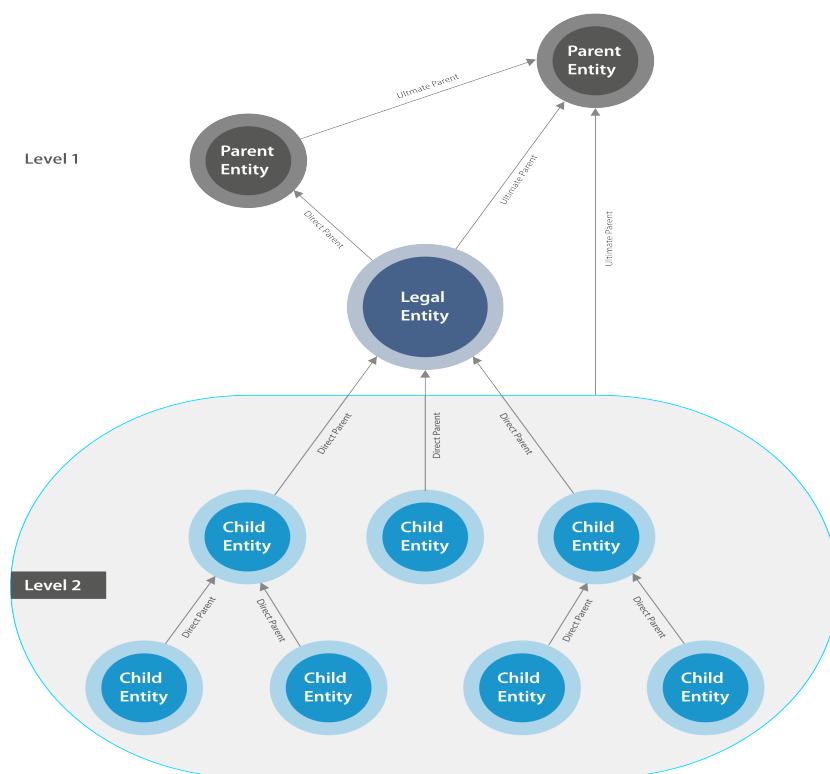
Entity details	
LEI	506700GE1G29325QX363
LEGAL NAME	Global Legal Entity Identifier Foundation
OTHER ENTITY NAMES	not available
TRANSLITERATED OTHER ENTITY NAMES	not available
REGISTRATION AUTHORITY ID	RA000548
OTHER REGISTRATION AUTHORITY ID	not available
REGISTRATION AUTHORITY ENTITY ID	CHE200595965
LEGAL JURISDICTION	CH-BS
ENTITY CATEGORY	not available
ENTITY LEGAL FORM CODE	2JZ4
ASSOCIATED ENTITY	not available
ENTITY STATUS	ACTIVE
EXPIRATION DATE	not available
EXPIRATION REASON	not available
SUCCESSOR ENTITY	not available

Validation against 660 selected global registration authorities and standardized legal forms

Addresses	
LEGAL	HEADQUARTERS
St. Alban-Vorstadt 5 4052 Basel CH	St. Alban-Vorstadt 5 4052 Basel CH

Registration details	
INITIAL REGISTRATION DATE	2018-03-16 06:13:33+01:00
LAST UPDATE DATE	2018-03-16 06:13:33+01:00
REGISTRATION STATUS	ISSUED
NEXT RENEWAL DATE	2019-03-16 00:00:00+01:00
MANAGING LOU	506700LOLO7M6V0E4247 Office fédéral de la statistique (Federal Statistical Office)
VALIDATION SOURCES	FULLY_CORROBORATED
VALIDATION AUTHORITY ID	RA000548
OTHER VALIDATION AUTHORITY ID	not available
VALIDATION AUTHORITY ENTITY ID	CHE200595965

Information Available with the LEI: Data on 'Who owns Whom'



- Starting 1 May 2017, the LEI data pool is enhanced to include information on **'who owns whom'**.
- This allows the identification of direct and ultimate parents of a legal entity and, vice versa, so that the entities owned by individual companies can be researched.
- For over 75 percent of the LEI population it is clear if there is a direct and/or ultimate parent (or not)
- End 2018 the addition of the "who owns whom" information is planned to be completed.

Global LEI Index: Creating transparency in financial markets and for financial transactions



Only global free of charge online source that provides open, standardized and high quality legal entity reference data.

- Consists of a file of all past and current LEI records including related reference data in one repository.
- All LEI records can be easily found and accessed using the LEI search tool developed by GLEIF.
- Publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

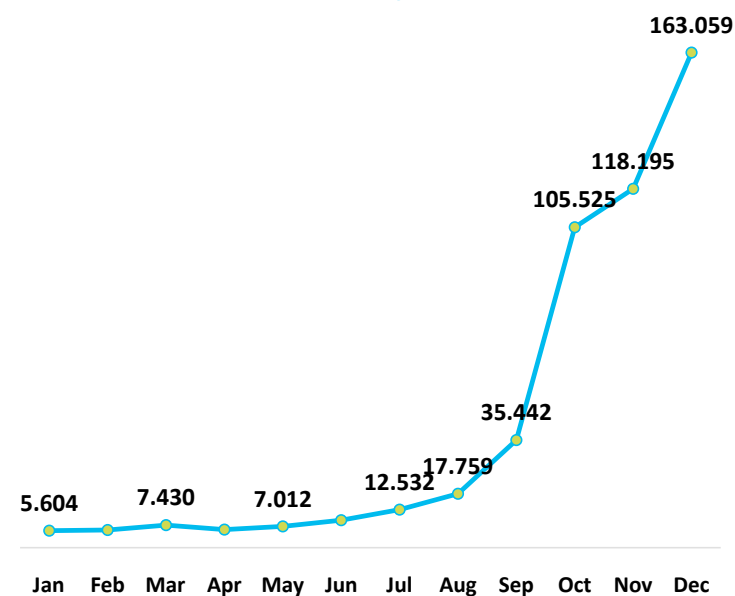
Global LEI Index available on the GLEIF website <https://www.gleif.org>

The Global LEI System as of 31 May 2018*



- The number of LEIs grew rapidly in the second half of 2017, carried by new regulatory requirements, and now exceeds **1,2 million**.
- There are currently **91** regulatory actions using the LEIs globally.
- There are at least **45** jurisdictions that have rules referring to the LEI.

Total LEI Issuance by month in 2017



*https://www.leiroc.org/publications/gls/roc_20180502-1.pdf

Creating Business Value with the LEI

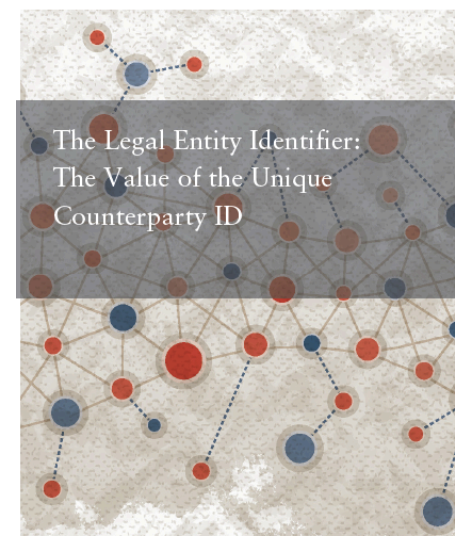
McKinsey & GLEIF White Paper



White Paper suggests combined potential savings of at least U.S. \$650m annually just in core banking

Two broad areas in which the LEI has business value :

- Reduces transactional and operational friction, both within and among organizations.
- The LEI makes important information about the background of a legal entity in a transaction more accessible and traceable.



McKinsey&Company



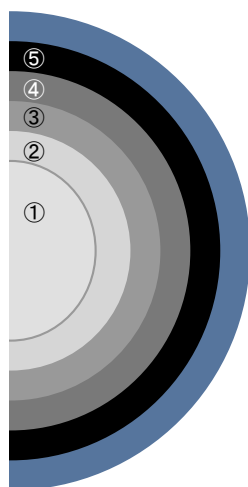
Available on
<https://www.gleif.org>

LEI Use Cases and Benefits



Capital markets	The LEI's primary value is derived from reducing the cost of onboarding clients and of middle- and back-office activities related to the processing of stocks, bonds and other securities trades. All such activities could be simplified and streamlined if LEI use were more broadly adopted throughout the lifecycle of the client relationship. The use of LEIs in the onboarding of customers and for client relationship would also reduce the time spent on data correction and reconciliation necessitated by inconsistent identification of legal entities.
Commercial transactions	LEIs enable faster processing of letters of credit and better identification for trade finance and for e-invoicing.
The extension of commercial credit	LEIs allow for more robust and efficient Know Your Customer (KYC) diligence on borrowers, as well as better traceability of information on borrowers from multiple sources.

GLEIF Strategy Update



Market Segments	Key Markets
① Derivatives	USA & Europe, Singapore 450.000 LEIs
② Capital and Money Markets	Prospectus Directive Europe MiFID/MiFIR: Jan 2018 Solvency II 1,500,000 LEIs
③ Banking Services	LEI in payments (correspondent banking) LEI in credits (AnaCredit, USA mortgage act) LEI in trade finance Potential of 30 – 40 million LEIs
④ Supply-Chain-Management	Global reach on manufacturer, supplier, logistics and merchants supporting their Know Your Customer (KYC) and Know Your Supplier (KYS) All industries 40 – 50 million LEIs
⑤ Digital Economy	Global reach for all entities requiring a digital identity of legal entities for their transactions Includes Industry 4.0 and Internet of Things 50 – 100 million LEIs, up to 1 billion

Done

In progress

Next

Drawing board

Drawing board

Partner Projects with Standards Organizations



Complete

Taxonomy



Complete

Mapping
Program



ISO BIC 9362

2018

Issuer



ISO ISIN 6166

Ongoing

Global Partner



KYC Challenge and the LEI

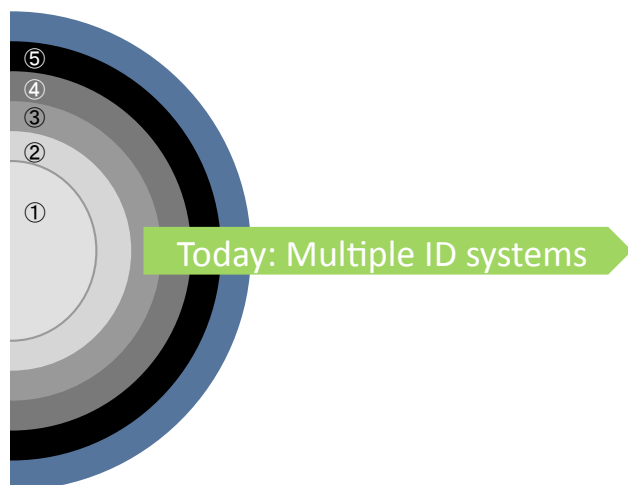
Public policies for account opening relevant for trade finance



- The BIS BCBS published in June 2017 their Guidelines “Sound Management of risks related to money laundering and financing of terrorism”. Annex 4 of this guideline includes “The General Guide to Account Opening of Legal Persons”. These guidelines are expected to be implemented in all jurisdictions
- Exporters and importers that require trade finance (and payments services) are mainly legal entities.
- The LEI ROC Progress Report of 5 November 2015 includes the following points (page 22)
 - “There are 200-400 million entities eligible for an LEI”
 - “There are 125 million formal MSMEs in 132 countries reviewed by the Worldbank/IFC in 2010”
- GLEIF has the mandate for the Register of Entity Legal Forms based on the ISO 20275 ELF standard for all jurisdictions. Only a limited number of legal forms are used by exporters or importers and/or for trade finance.
- The FSB published on 13 March 2018 a Progress Report for the G20 Finance Ministers and Central Bank Governors with an “Action Plan to access the decline in correspondent banking”. This action plan recommends the use of the LEI in correspondent banking (see page 16) and the use of the LEI on an optional basis as additional information in payment messages (see page 18).

Strategic GLEIF Initiatives will target KYC/KYCC/KYS/CRM*

Beyond Regulatory Mandate (Policy)



KYC using the LEI

- One identity behind every business (customer)
- Combination of Digital IDs based on cryptographic algorithms and LEI
- Requires regulatory support (legal)
- Core unique selling points of the LEI:
 - Entity validation
 - Data verification
 - Trusted, open data
 - LEI data free of charge for users

- KYC – Know Your Customer
- KYCC- Know Your Customer's Customer
- KYS – Know Your Supplier
- CRM – Client Relationship Management

LEI Solutions: A new future for Legal Entity Identification in KYC



- GLEIF has undertaken research with a specialist research agency, Loudhouse, to identify the key challenges of legal entity identification in financial services.
- The findings form the basis for a research report from GLEIF titled 'A New Future for Legal Entity Identification', in which GLEIF outlines its view that replacing disjointed information with a globally accepted approach based on broad adoption of the LEI would remove complexity from business transactions and deliver quantifiable value to financial services firms.

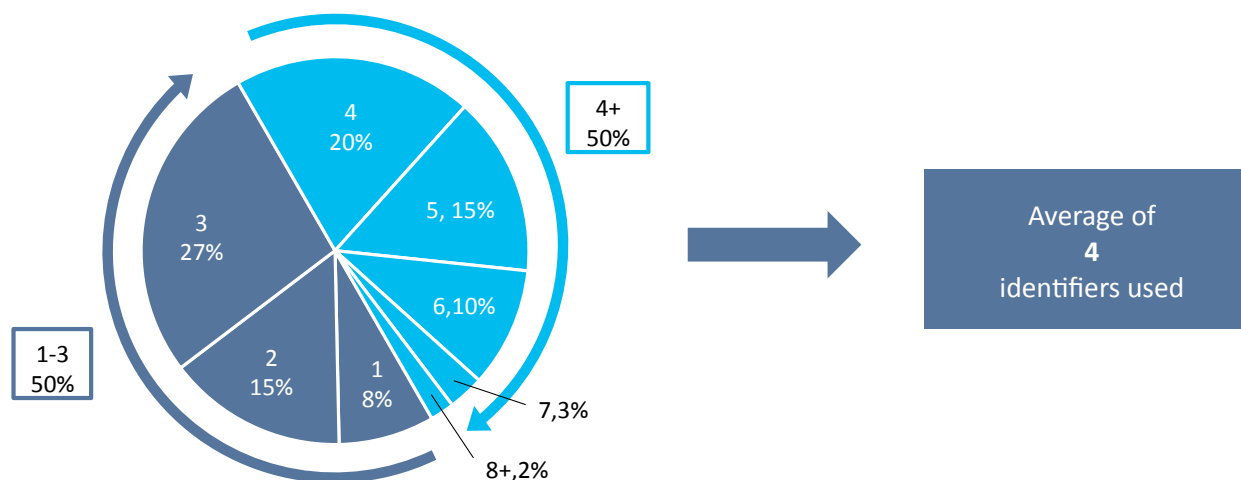


Survey Results

Financial institutions use, on average, four identifiers to help identify client organizations



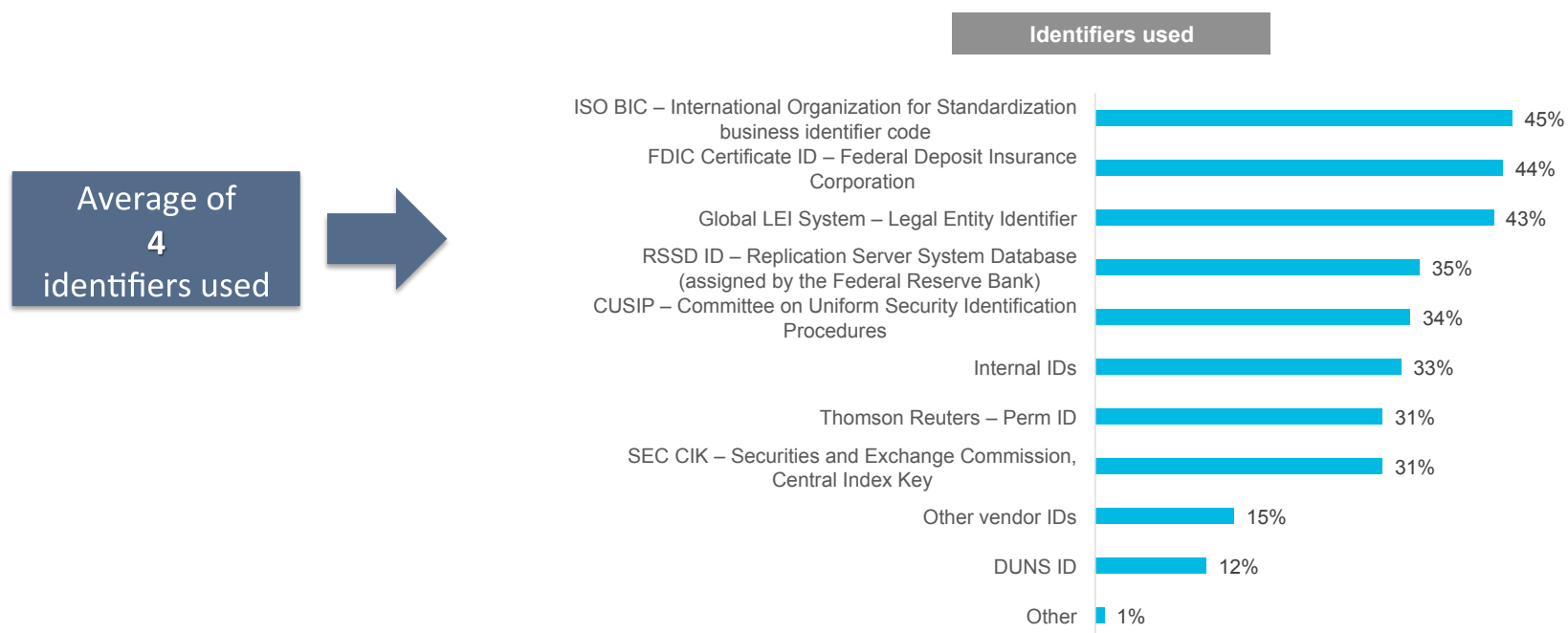
In order to accurately identify client organizations with the most up-to-date data, financial institutions tend to use a variety of different identifiers for cross-checks. On average they use 4 different identifiers internally, but about a third say they use 5 or more identifiers.



No single identifier has gained global acceptance



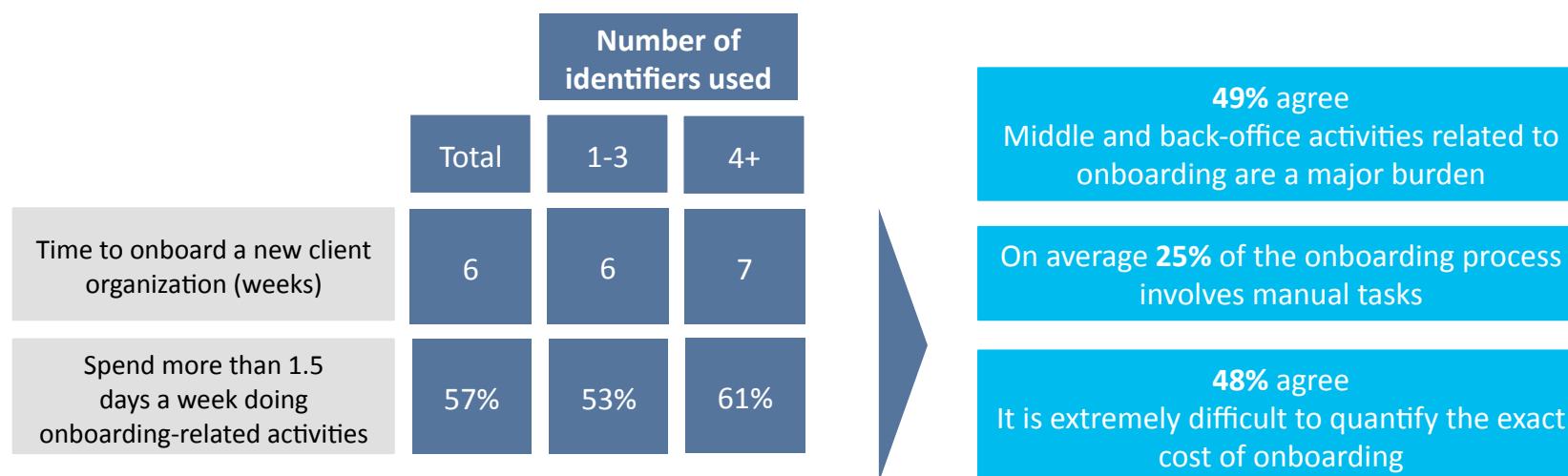
There is no single identifier which acts as a standard for the industry.
However several are used by a substantial proportion of organisations.



Onboarding is a burdensome and time-consuming process

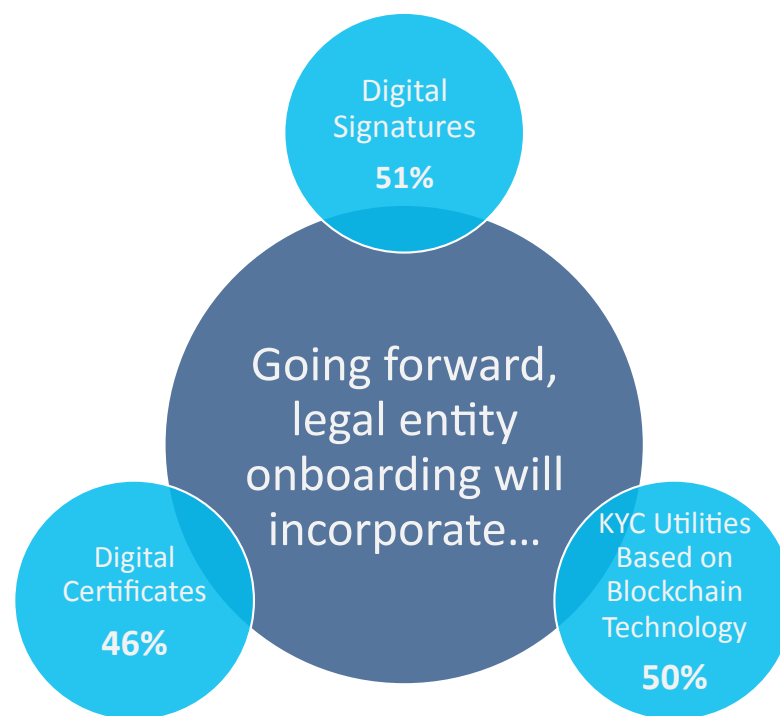


New clients typically take **6** weeks to onboard – more if 4+ identifiers are used.
A quarter of the process involves manual tasks and 6 in 10 senior salespeople spend more than 1.5 days of their week onboarding.



Improving Identification

The rise of digital technology



Summary



- 1** Institutions are facing an increasing burden as a result of the need to comply with KYC
- 2** Lack of reliable and consistent identifiers is creating more work and less certainty
- 3** There is clearly an opportunity to align on one identifier to generate efficiencies

GLEIF Services

GLEIF Identity Management Services



- **“Who is Who”**: Global LEI Index
- **“Who owns whom”**: Direct Parent and Ultimate Parent of legal entities
- All LEI data **free of charge** for any user
- Export LEI data in several formats possible: Excel, CSV, XML, JSON
- Freedom of choice by a legal entity for the services of the
 - preferred LEI issuer or
 - preferred Registration Agent
 - top down registration (corporate secretary) possible
- LEI statistics
- Quality management program to ensure high quality
 - Monthly quality report of each LEI issuer
 - Challenge facility (with mandatory response of GLEIF)
 - Other measures

GLEIF Value Added Services



- Website available in the 14 languages of the G20
- LEI data available on smart-phone
- API for access to the LEI data
- Overview Entity Legal Forms (ISO 20275) of all jurisdiction: to be completed in 2019
- Registration Authority List: overview of 660 business registers, etc
- Jurisdiction Portfolio List: coverage of jurisdictions by LEI issuer
- Overview Regulatory Use of the LEI

GLEIF Accreditation Services



- Accreditation Services
 - Two step decision process: applicant and candidate LEI issuers
 - Same process for any applicant
- Annual Accreditation Verification of LEI issuers
 - **Mandatory annual** verification
- An LEI issuer could have one or more **Registration Agents**
 - option for smaller jurisdictions
 - option for large banks
 - option for corporates
 - option for regional development bank

Limitations



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