



**LEI**

GLOBAL  
LEGAL  
ENTITY  
IDENTIFIER  
FOUNDATION

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# Transforming client lifecycle management with the LEI

**GLEIF Webinar**

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# Agenda



1. GLEIF and the LEI
2. Current and future use cases of the LEI
3. Legal entity identification today and promise of the LEI
4. GLEIF's call for action for further engagement

## 1. GLEIF and the LEI

# Who is Global Legal Entity Identifier Foundation (GLEIF)



- **GLEIF is a not-for-profit Swiss foundation, founded by the Financial Stability Board (FSB).**
- **GLEIF is overseen by 71 regulators and 19 observers in the Regulatory Oversight Committee (LEI ROC) from 50 countries.**
- **GLEIF Board has 18 independent directors.**



**Visibility. Stability. Integrity.**



# Who is GLEIF



GLEIF in Numbers

**Budget 2019**

**11,2 M US\$**

GLEIF in Numbers

**Partners for LEI issuing (LOUs)**

**34, and growing**

GLEIF in Numbers

**Number of employees**

**44 from 24 countries**

GLEIF in Numbers

**Issued LEIs at end 2019**

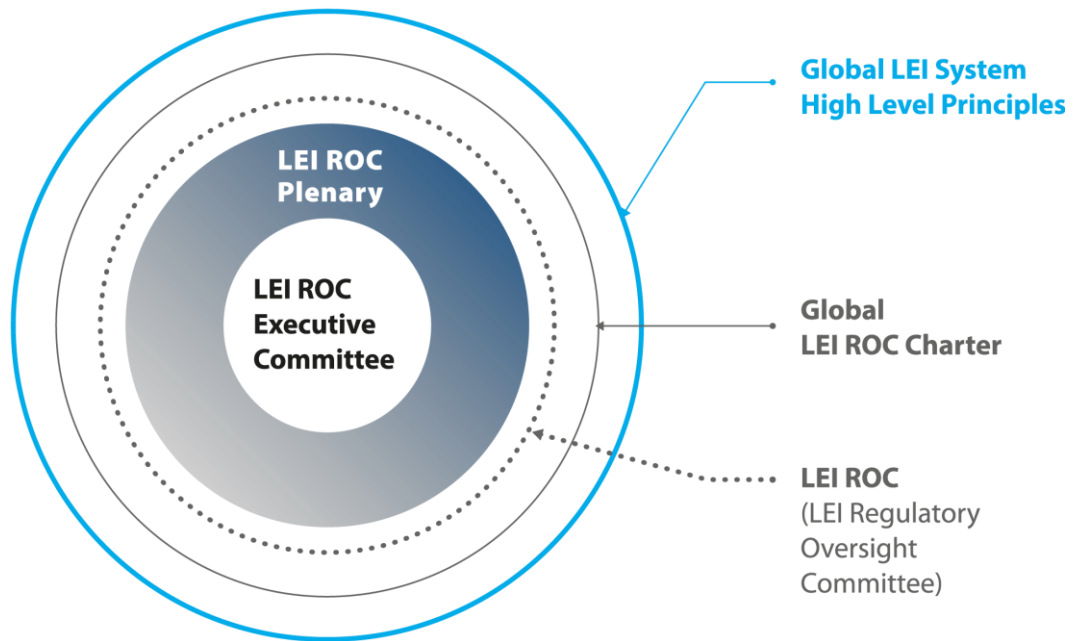
**Over 1,570,000**



## GLEIF is subject to oversight of the LEI ROC [www.leiroc.org](http://www.leiroc.org)



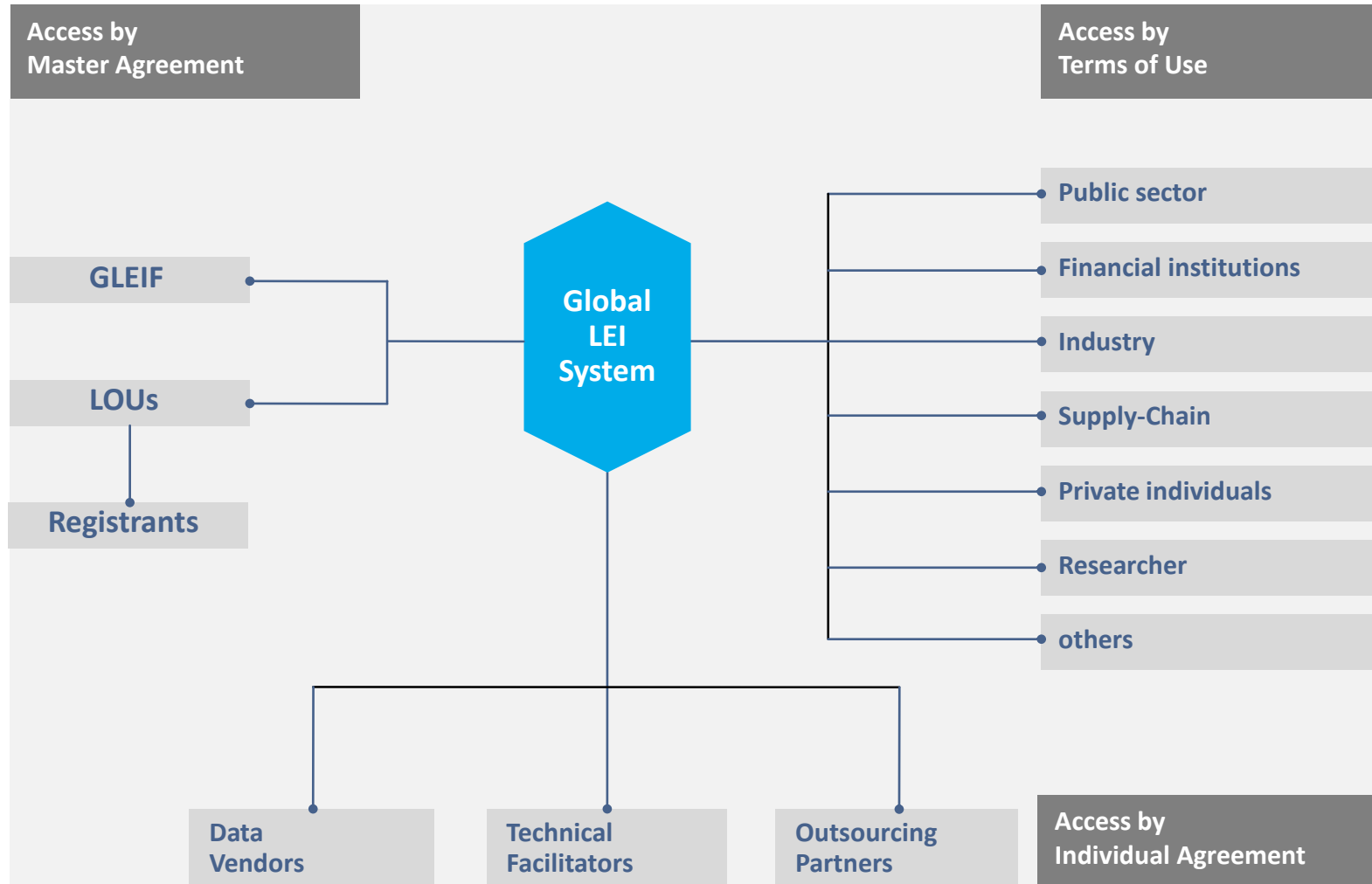
In 2011, the G-20 leaders supported "the creation of a global legal entity identifier (LEI) which uniquely identifies parties to financial transactions."



The LEI Regulatory Oversight Committee (ROC) is a group of 71 member and 19 observer public authorities from 50 countries established in January 2013 to oversee a worldwide framework of legal entity identification, the **Global LEI System**.

<https://www.leiroc.org>

# Global LEI System (GLEIS): Partners and Beneficiaries

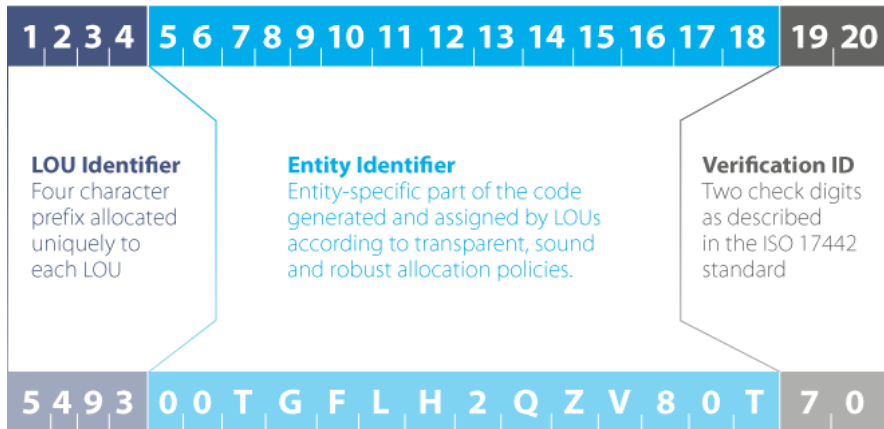


# The Legal Entity Identifier (LEI)



LEI is the linchpin that connects the dots across the universe of entity identification in the digital age

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

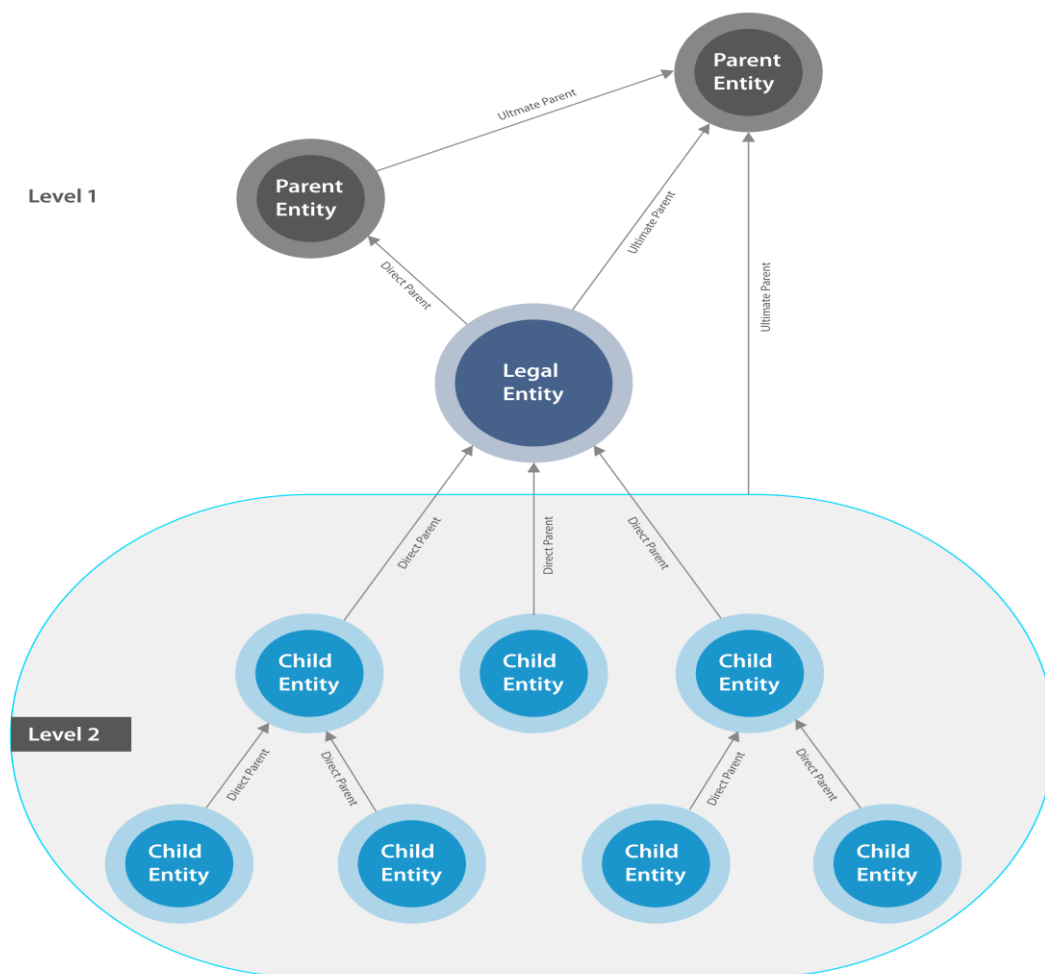


Example: ABB Sécheron S.A., Switzerland

- Connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions

LEI Data Record [1..*]		
LEI	LEI	[0,1]
<b>Entity</b> Entity [1]		
LegalName	Name	[1]
OtherEntityNames	OtherEntityName	[0..n]
LegalAddress	Address	[1]
HeadquartersAddress	Address	[1]
OtherAddresses	OtherAddress	[0..n]
BusinessRegisterEntityID	BusinessRegisterEntityID	[0,1]
LegalJurisdiction	JurisdictionCode	[0,1]
LegalForm	Name	[0,1]
AssociatedEntity	Associated	[*]
EntityStatus	EntityStatusEnum	[1]
EntityExpirationDate	DateTime	[0,1]
EntityExpirationReason	EntityExpirationReasonEnum	[0,1]
SuccessorEntity	Successor	[0,1]
<b>Registration</b> Registration [1]		
InitialRegistrationDate	DateTime	[1]
LastUpdateDate	DateTime	[1]
RegistrationStatus	RegistrationStatusEnum	[1]
NextRenewalDate	DateTime	[1]
ManagingLOU	LEI	[1]
ValidationSources	ValidationSourcesEnum	[0,1]
<b>Extension</b> Extension [0,1]		

## Information Available with the LEI: Data on ‘Who owns Whom’



- Following information on **‘who is who’**, 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.

# Demo: LEI Search 2.0

## Example



**Level 2 Data: Who Owns Whom**

**Parents**

NATURAL\_PERSONS (Direct Parent Exception reported) NATUR

**Direct children (69)**

**Nestlé S.A.**

- Maggi-Unternehmungen AG (Direct)
- Nestle Marcas S.A.C (Direct)
- 네슬레코리아 유한책임회사 (Direct)
- Nestle Waters Brasil - Bebidas E Alimentos Ltda. (Direct)
- Nestle Brasil Ltda. (Direct)
- Nestle de Colombia S.A. (Direct)
- Nestle Türkiye Gıda Sanayi Anonim Şirketi (Direct)
- Nestle Middle East FZE (Direct)
- Nestle Dubai Manufacturing L.L.C. (Direct)
- Nestle Middle East Manufacturing LLC (Direct)
- Nestle Lanka PLC (Direct)

**Nestlé S.A.**

LEI Code KY37LUS27QQX7BB93L28 Hide

(Primary) Legal Name	Nestlé S.A.
Transliterated Names	Nestle S.A.
Registered At	Commercial Register (Ministry of Justice) Handelsregister (Eidg. Amt für das Handels Switzerland, Switzerland RA000549
Registered As	CHE-105.909.036
Jurisdiction Of Formation	CH
Entity Legal Form	Aktiengesellschaft MVI
Entity Status	● ACTIVE
BIC Code	NESNCH22XXX

**Sections**

- Empty fields
- Entity details
- Addresses
- LEI Registration details
- LOU details

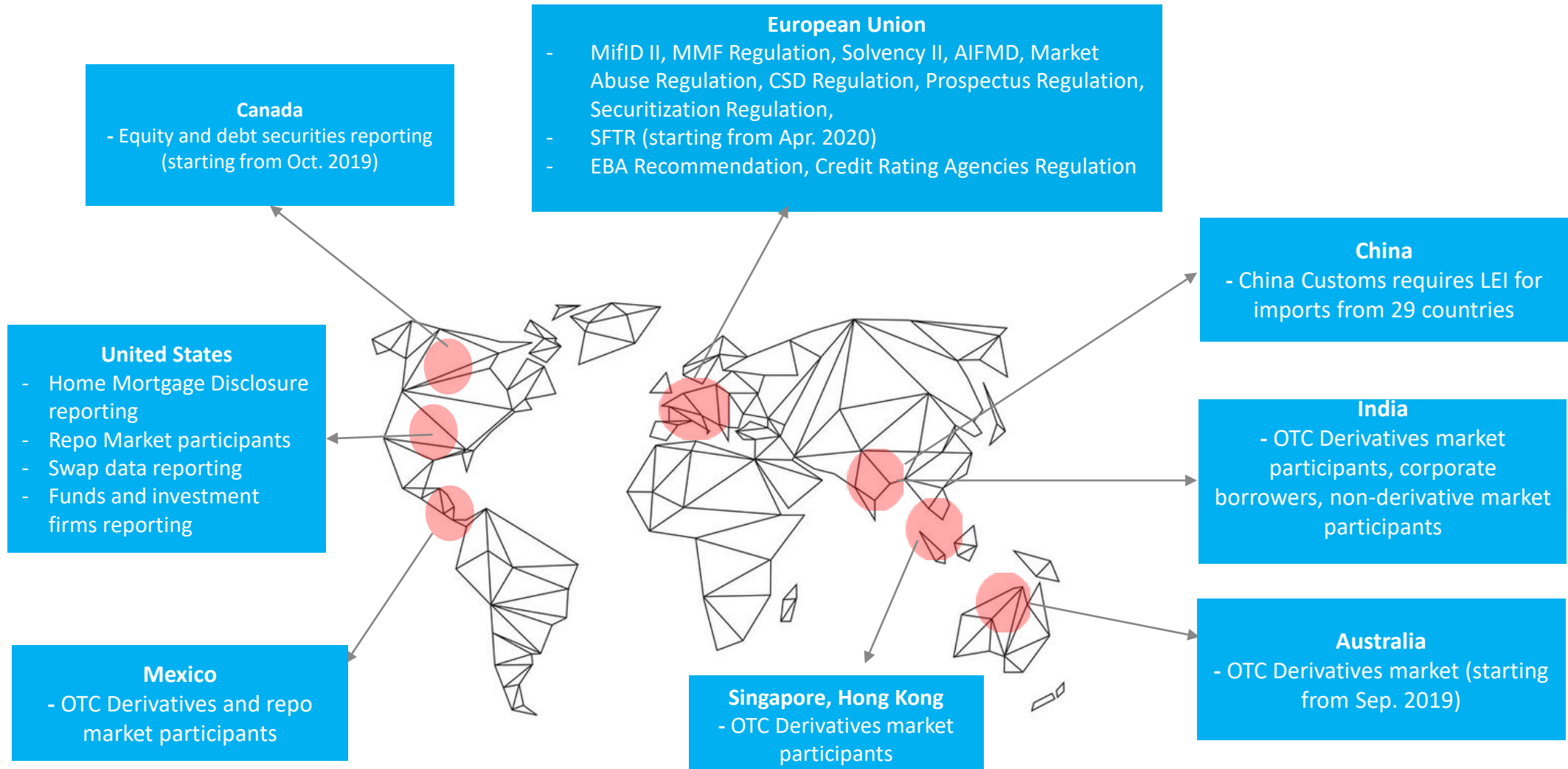
**Ultimate children (110)**

- Maggi-Unternehmungen AG (Ultimate)
- Nestle Marcas S.A.C (Ultimate)
- Galderma Nordic AB (Ultimate)
- 네슬레코리아 유한책임회사 (Ultimate)
- CPW Brasil Ltda. (Ultimate)
- Chocolates Garoto SA (Ultimate)
- Nestle Waters Brasil - Bebidas E Alimentos Ltda. (Ultimate)
- Nestle Nordeste Alimentos E Bebidas Ltda. (Ultimate)
- Nestle Brasil Ltda. (Ultimate)
- Nestle de Colombia S.A. (Ultimate)
- Nestle Middle East FZE (Ultimate)
- Nestle Dubai Manufacturing L.L.C. (Ultimate)
- Nestle Middle East Manufacturing LLC (Ultimate)
- Nestle Lanka PLC (Ultimate)
- Fondation Nestlé pour l'étude des problèmes de l'alimentation dans le monde (Ultimate)
- Nestle (Thai) Limited (Ultimate)

## 2. Current and future use cases of the LEI

# Global Regulatory Framework for the LEI

Primary use case: Trade reporting



## LEI's current and future use cases



Market Segments	Key Markets	Status LEI Adoption	Market size (cummulative)
① Derivatives	USA & Europe, Singapore	<b>Financial markets</b> Regulations and ROC policies widely adopted by national competent authorities	500,000 LEIs
② Capital and Money Markets	Prospectus Directive Europe MiFID/MiFIR and Solvency II Cooperation with the 30 G-SIBs		1,5 – 2,5 million LEIs
③ Banking Services	LEI in payments (correspondent banking) LEI in credits (AnaCredit, USA mortgage act) LEI in trade finance	<b>Financial transactions</b> Active engagement with financial organizations that are responsible for KYC and KYS compliance and supply chain organizations like GS1 and ICC Support from Development Banks	40 – 50 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 and cooperation with partners like GS1 and ICC		
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	<b>Digital transactions</b> Adoption by certificate authorities and Blockchain vendors is accelerating	50 – 60 million LEIs



# LEI in the Digital World

## Effort 1: Incorporation of the LEI in Digital Certificates



- Combine the strengths of the LEI and digital certificates.
- In GLEIF 2018 Annual Report, eIDAS compliant certificates, for the first time, connect the role of the signatory to an organization through the LEI. Watch how it works:

<https://youtu.be/w4muYdNIQ-Q>

The screenshot displays a digital document viewer interface. The main content is a financial statement titled "Statement of Comprehensive Income for the Period from January 1 to December 31, 2018" from the GLEIF Annual Report 2018. The table shows various income and expense items with their respective values for the period. To the right of the table, there are three digital signature blocks, each with a green checkmark icon. Each block contains the following information: "Document signature", "Signed by:" (with name and organization), "Certificate issued by:" (with organization name and country), "Serial number:", and "LEI:" (with the LEI number and a link).

	Notes	Jan. to Dec. 2018
		US\$
Fee revenue	3.1	17,555,899
Wages and salaries		-4,288,884
Social contributions and expenses for pensions and care		-618,341
Personnel expenses	3.2	-4,907,225
Other operating expenses	3.3	-4,779,514
Other operating income	3.4	772,018
Amortization and depreciation expense	4.5/4.6	-344,735
<b>Operating surplus</b>		<b>8,296,443</b>
		<b>191,713</b>

*Incorporating the LEI into digital certificates supports the digitization of business transactions and increases certainty and trust.*

# LEI in the Digital World

## Effort 2: Use of the LEI in Verifiable Credentials (VCs)



- POCs leverage the use of the LEI in digital Verifiable Credentials (VCs).
- This technique works for automated issuance and verification of organizations having LEIs and using LEIs.
- GLEIF has conducted POCs that produce VCs, prove identity (based on the LEI) cryptographically, and are recorded on a distributed ledger (blockchain).
- The POCs allow verification of identity of both legal entities having LEIs and for persons in their official roles within these legal entities.
- GLEIF has completed two POCs, one in Europe and one in the United States with participation of a regulator and a financial institution.



### 3. Legal entity identification today

# Entity identification – How it is done today\*



Businesses use on average

**4** identifiers

**6-7** Weeks needed to onboard a new client on average

**57%** of businesses worried about the “reliability of reference data” of their counterparty

## Negative impact of different identifiers



Inconsistent information



Lack of transparency/certainty



Drain on resources



Data is proprietary, siloed, non-standardized

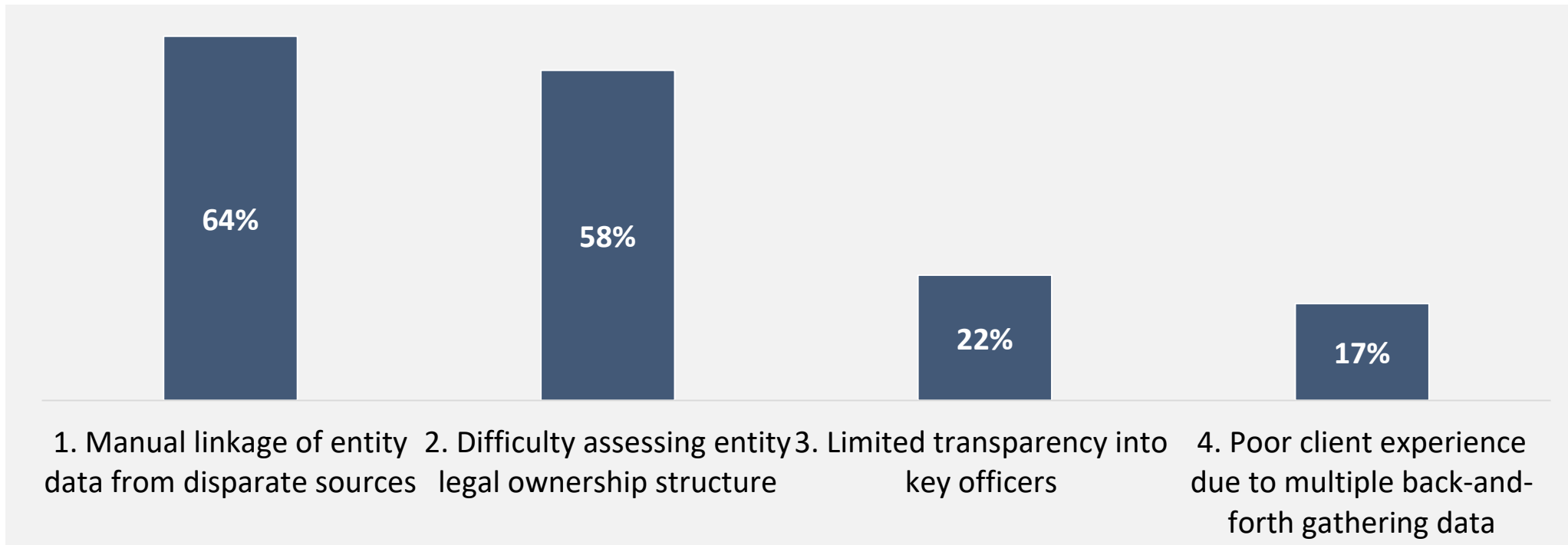
*\* All data is sourced from GLEIF research paper entitled: “A New Future for Legal Entity Identification”, May 2018. The research surveyed 102 senior salespeople in the banking sector in the UK, US and Germany.*

## Four pain points in legal entity client identification



- The major counterparty identification and verification pain points discovered through McKinsey interviews are:

Percent of interviewees that mentioned, % (N=36)



## Ways to improve entity identification – The potential role of the Legal Entity Identifier (LEI)

The LEI creates a bridge linking the multiple ID systems on a global scale

Can be an “Esperanto” complementing & linking existing identification systems



Unique source of transparency and trust – with new use cases in digital age (ex. digital certificates)

### Benefits of the LEI



Very high data quality – annually renewed



Global ISO standard



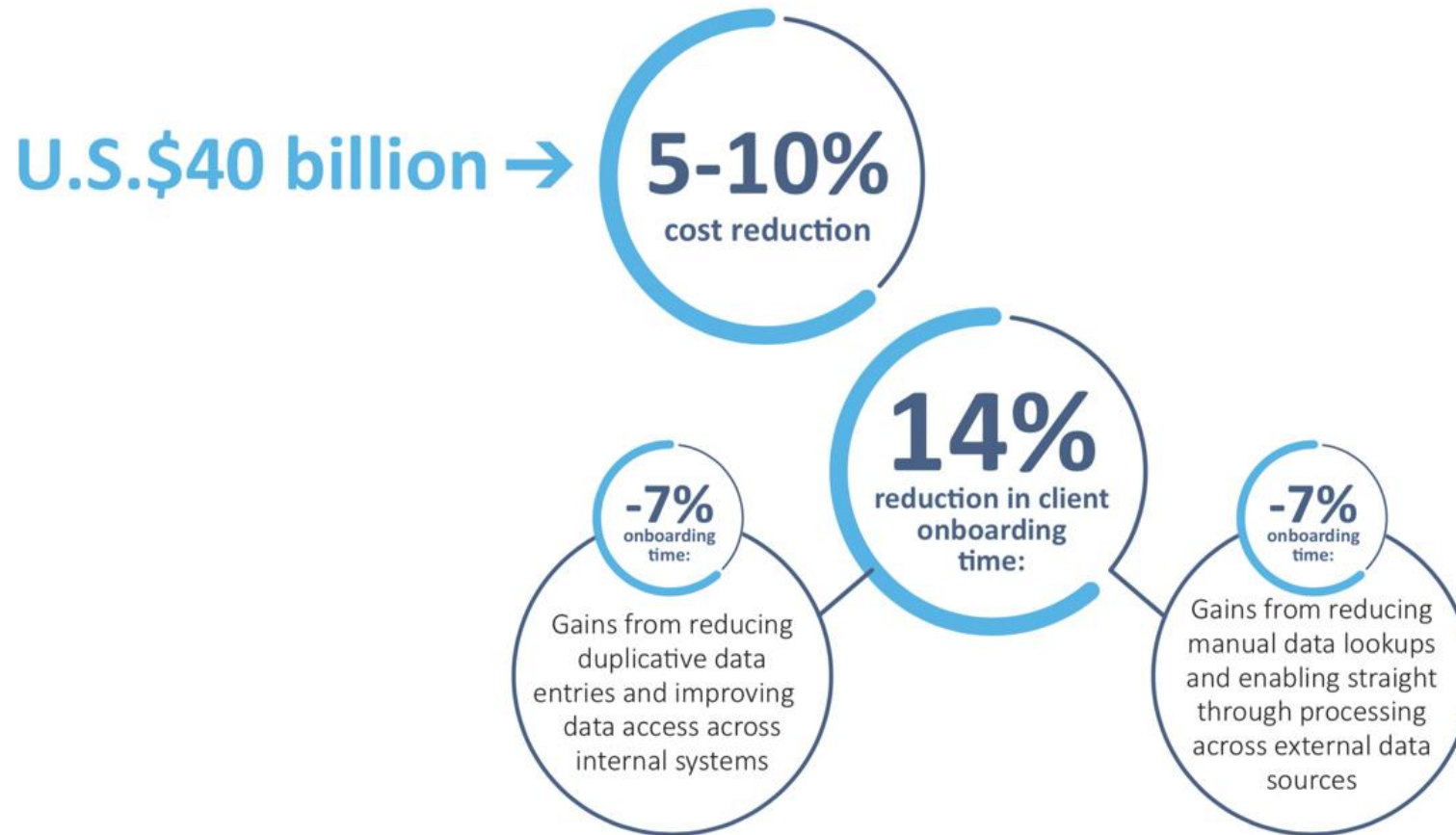
Connected to other identifiers (BIC, ISIN)



Provides the only global free source of data on entities identity

# GLEIS 2.0: Improved Productivity / Onboarding Efficiency Gains

Banking sector alone



\* Source: McKinsey Cost per Trade Survey, Thomson Reuters “KYC Compliance: The Rising Challenge for Financial Institutions” report, GLEIS 2.0 voice of customer and expert interviews.

# What does the LEI offer?



The LEI supports business activities at all stages of the client lifecycle management use case, including:



**Onboarding**



**Know Your  
Customer  
refresh**



**Transacting  
& billing**



**Compliance  
reporting**



**Risk  
monitoring**

# How does the LEI facilitate client lifecycle management?

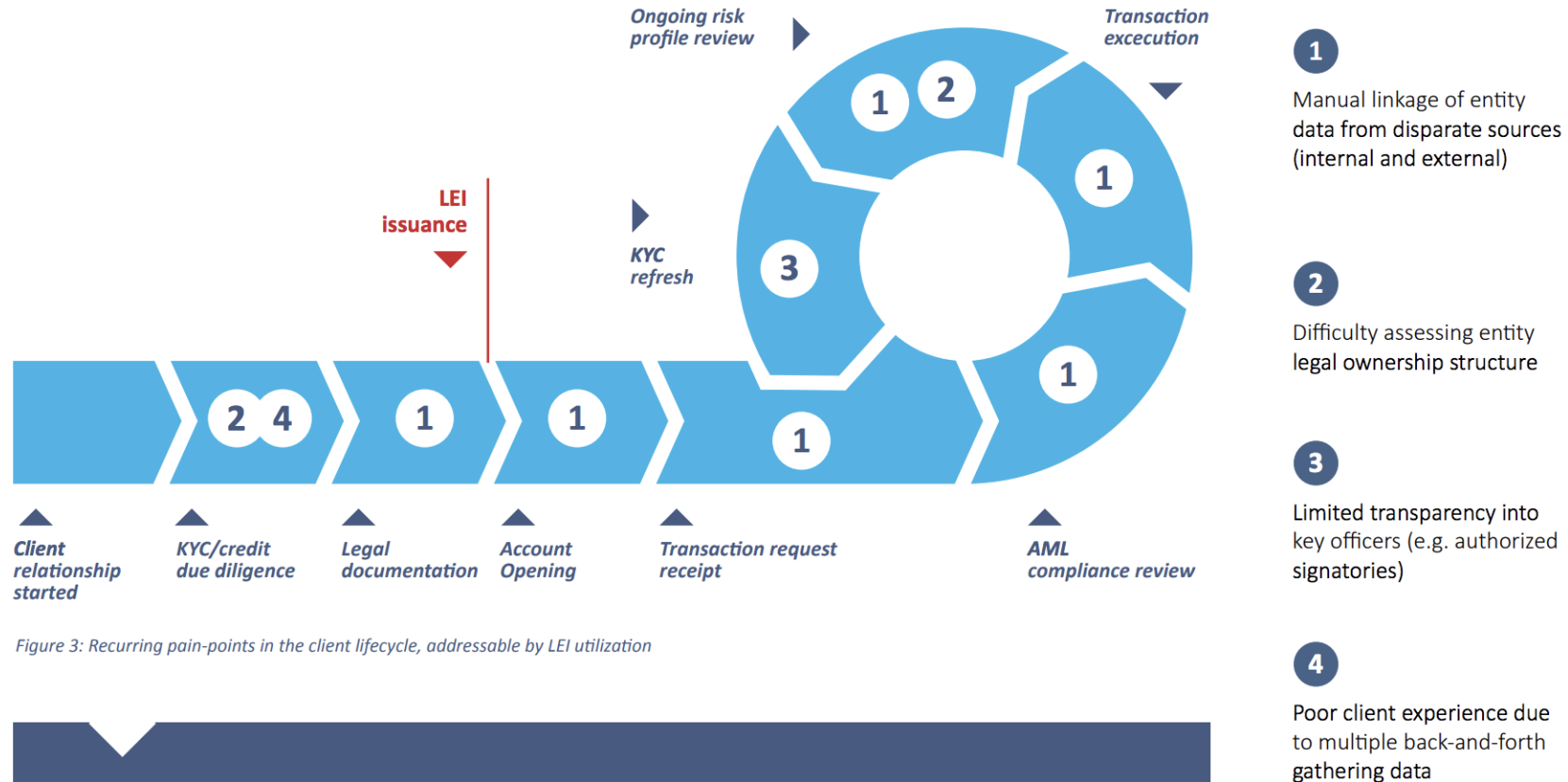


Figure 3: Recurring pain-points in the client lifecycle, addressable by LEI utilization

The study found that many banks try to resolve these problems by implementing various technical solutions, increasing headcount, or just accepting longer cycle times. Since none of these methods fully resolves any of these pain points, many banking interviewees responded enthusiastically to the idea of using LEIs to identify and verify counterparties.

## 4. GLEIF's call for action for further engagement

# GLEIF proposal to incorporate banks into the GLEIS 2.0

Bank as Validation Agent partner of LEI issuers



## Bank as “Validation Agent” - Responsibilities

- Check if the client has an LEI

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- If not, verify and validate the following in the account opening process:
  - Legal name
  - Authorized signatory
  - Business registry information
  - Headquarter address
  - Legal address
  - Branch
  - Direct and ultimate parents

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- Partner and interface with one or more LOUs to issue the LEI for the legal entity based on ISO 17742 standard

**Research result:**  
To a large extent, these validation tasks overlap with the ones banks perform today

# Call to Action: Opportunities for pilot program engagement

Avoid duplicate efforts in entity identification in today's setting



## GLEIS 2.0

### LEI Issuing Organization only

- Perform Check for Duplicates
- Issue LEI compliant with ISO standard 17742
- Manage challenges
- Publish LEI records daily to GLEIF

### LOU & Bank intersection for entity identification

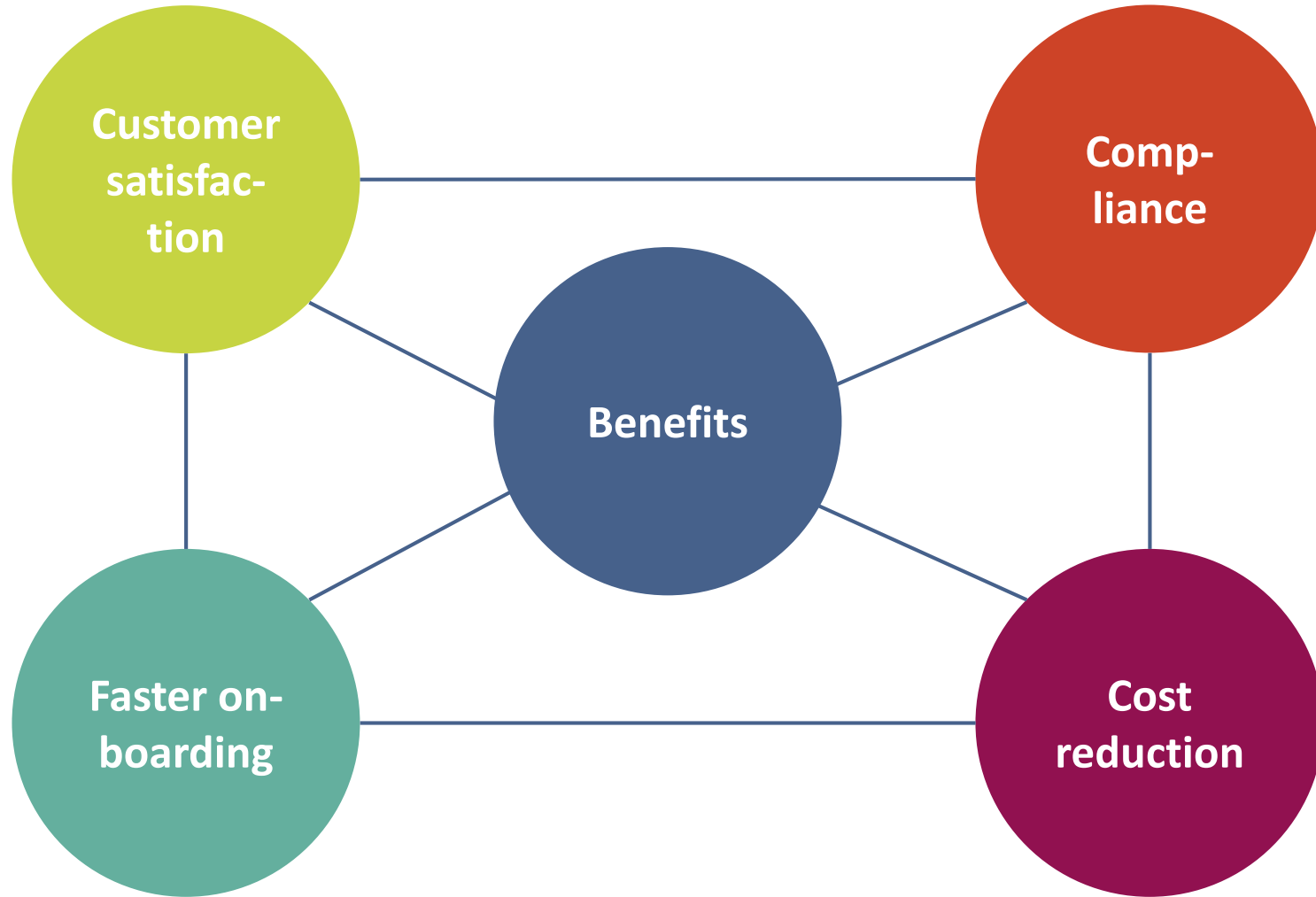
- Verify & validate the legal name, legal & headquarter address, etc. through an authoritative source
- Check consolidated financial statements and verify if it has parent entities/subsidiaries
- Verify the authorized signatory applying on behalf of the legal entity

### Bank only

- Review sanction lists, OFAC lists
- Obtaining and reporting of ultimate beneficial ownership information
- Providing industry classification and sectoral information that the legal entity operates in
- Any other internal collection of data beyond elements defined in the LEI-CDF and LEI-RR schemas

# Adopting the LEI widely

## Benefits for participating banks



## Banks as Validation Agent – Privacy and Banking Secrecy

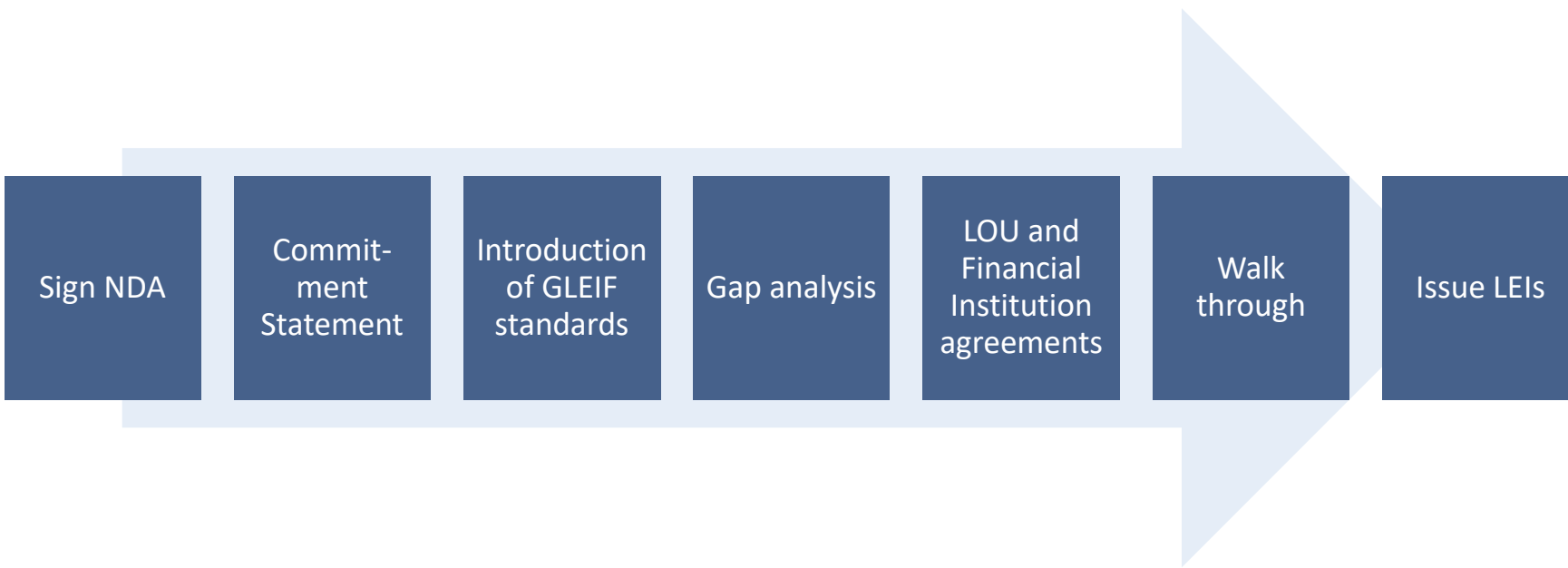
Will the identity of the Validation Agent be exposed?

- No Bank information will appear on the LEI record
- The LEI will appear exactly as it does today
- The managing LOU field will be populated with the Prefix of the LOU with which the Bank partners
- No information appears about the “Validation Agent” Bank in the LEI record or anywhere in the GLEIF records
- The GLEIF will not be able to determine if an LEI is validated by the Bank or by the LOU



## GLEIS 2.0: Call to Action

GLEIF looks for volunteer banks for pilot project engagement



Estimated timeframe for pilot: **4 to 6 months** depending on the number of banking clients targeted.

## Join GLEIF's Globally Important Financial Institutions (GIFI) Relationship Group

- GLEIF's GIFI Relationship Group aims
  - financial institutions to express their views on GLEIF's existing LEI services or the developments of LEI services.
  - to promote the LEI and related use cases.
  - to make it possible for GLEIF to understand the requirements of financial institution users of LEI data.
  
- Joining the GLEIF GIFI Relationship Group is without any costs.
  
- Interested or have questions? Send an email to us:
  - [Clare.Rowley@gleif.org](mailto:Clare.Rowley@gleif.org)
  - [Burcu.Mentesoglu@gleif.org](mailto:Burcu.Mentesoglu@gleif.org)





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