



Global LEI System and LEI's benefits in AML/KYC processes

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Who is Global Legal Entity Identifier Foundation?



- 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.



GLEIF in Numbers
Issued LEIs at end August 2020
Almost 1,700,000

GLEIF in Numbers
Partners for LEI issuing (LOUs)
36, and growing



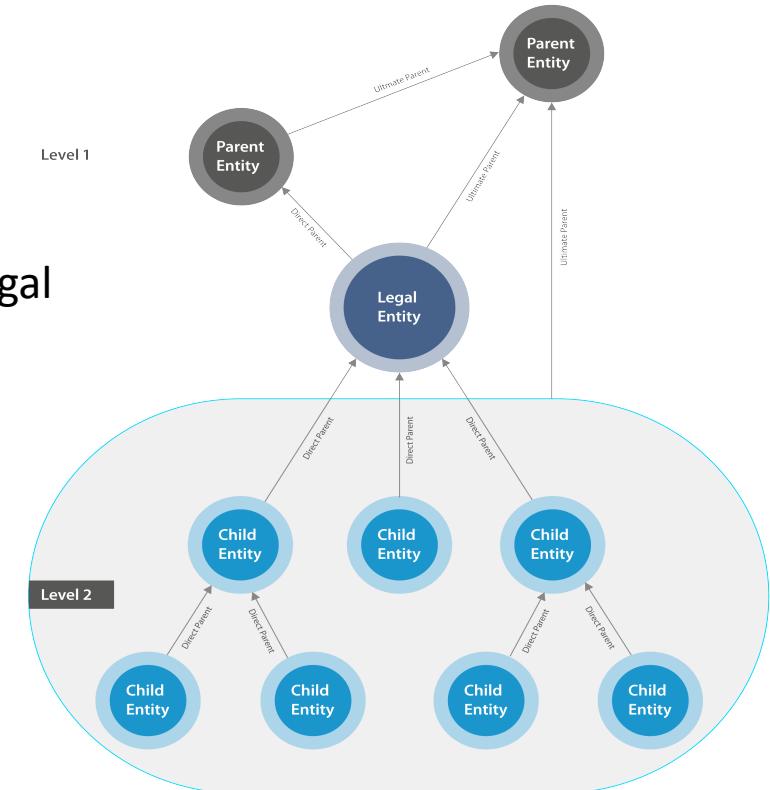
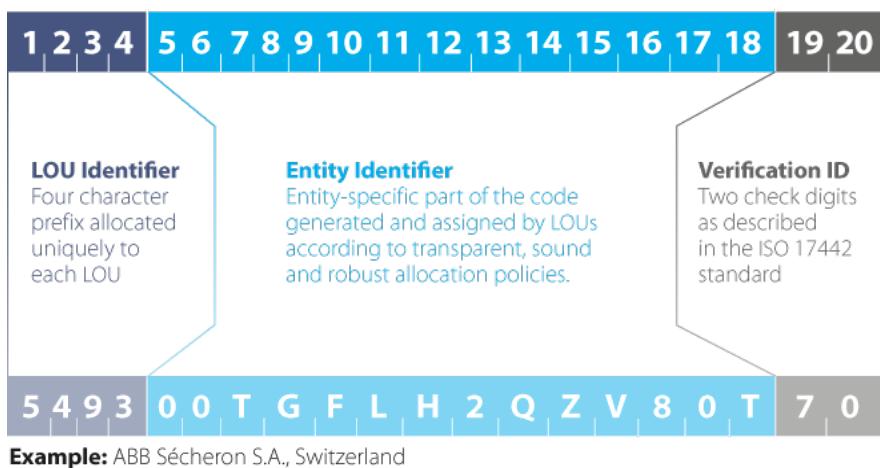
What is an LEI?

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



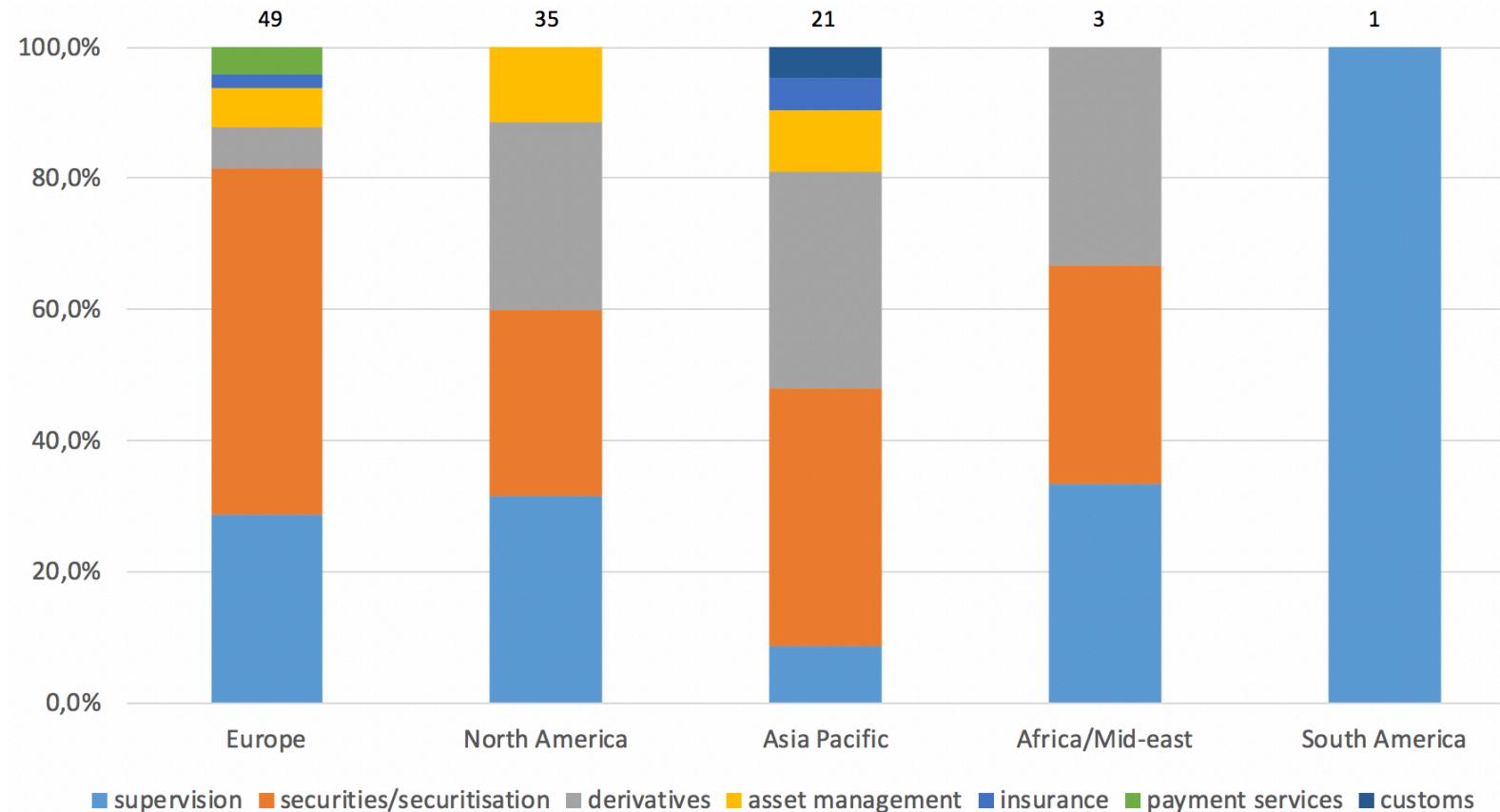
LEI is the linchpin that connects the dots across the universe of entity identification in the digital age

- **Level 1:** Connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions
- **Level 2:** Allows the identification of direct and ultimate parents of a legal entity.



Regulatory overview of the LEI across jurisdictions

116 LEI mandate, 16 recommendations by international organizations



LEI's fundamental role in AML/CFT

Create a collaborative ecosystem based on transactional trust



- Client identification increases the AML/CTF costs:
On average a financial institution uses **4** different identifiers to onboard a legal entity.
- The LEI can help to overcome the information asymmetry* and streamline client onboarding.
- The LEI can support respondent banks' CDD processes and overall capacity for AML/CFT.
- The LEI can facilitate information sharing between respondent, correspondent banks and FIUs.
- Use the LEI Repository as the first foundational step for AML checks.
- The more the LEI, the more the benefits for the whole financial ecosystem.

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ADB BRIEFS

Legal Entity Identifier Accessibility: A Survey by the Trade Finance Program

KEY POINTS

This survey was conducted to determine if the Legal Entity Identifier (LEI) system is accessible in developing countries. The LEI has been implemented increasingly, including among small and medium-sized enterprises in developing countries.

Of the respondents, 87% said an LEI is required to acquire and 65% said it is reasonably priced at \$75 or less.

Global adoption of the LEI system will address two challenges according to finance and transparency in the economy.

INTRODUCTION

The Global Legal Entity Identifier Foundation (GLEIF) has created an identification system that distinguishes the way people do business, evaluate risk, and lend money. Global and harmonized, the Legal Entity Identifier (LEI) system was established in 2014 by the Group of Twenty (G20) in the wake of the financial crisis, with oversight provided by the Financial Stability Board (FSB).

The LEI is a unique, electronic, 20-digit standard identifier for legal entities, including financial institutions, major corporations, governments, small and medium-sized enterprises, and other organizations. It is designed to be a unique, stable, and common and recognizable code. Relevant reference data are easy to access, making it easier to verify legal entities and identify them quickly.

The introduction of the LEI could be transformational. The LEI verifies who is who and who owns whom. In the future, it will also verify who owns what. The LEI can likewise serve as an anchor to ensure that other identifiers containing additional information can be linked to the right entity. This will allow for better risk management, as entities are already mapped onto each other and proxied by the GLEIF in its website.

The LEI will also facilitate cross-border trade, as small, medium, and large, and medium enterprises could have more access to finance, creating growth and jobs.

Full adoption of the LEI system would increase the transparency of the global economy, thwarting money laundering and terrorist financing. Global adoption would help banks mitigate the risk of counterparty risk exposures being cut off (de-risking).

(i) mitigate the risk of counterparty bank rejections being cut off (de-risking);
(ii) increase access to finance for SMEs in emerging markets by easing the flow of risk information about small companies; and
(iii) promote the use of new technologies, such as technology, blockchain, and related technologies, thereby reducing costs.

Without a unique and globally harmonized identifier, finding and linking relevant legal entities in different countries and markets would be difficult, if not impossible. The LEI makes this possible and thus enables the potential of financial technology to make finance more efficient.

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ADB

More Transparency for Better Business – the Potential of Legal Entity Identifiers for African Economies

Key Insights

- Legal Entity Identifiers (LEIs) are used to uniquely identify legal parties that participate in financial transactions, thereby helping to create greater transparency in the marketplace.
- A survey was conducted in African countries between April and June 2020 to gain insights into the accessibility and potential benefits of LEIs for African markets.
- The survey shows LEIs are attractive for companies of all sizes and types in the region.
- So far, LEIs are more subscribed by financial institutions than non-financial companies in Africa.
- 75% of the respondents find the LEI cost reasonable.
- 80% of applications for obtaining LEIs are processed within one week or less.
- LEIs carry potential to improve the local investment climate.

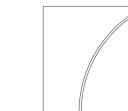
ADB BRIEFS

Legal Entity Identifiers – a Unique Digital Identity

Trade accounts for about 60% of GDP in sub-Saharan Africa alone and is thus a major contributor to economic development. The LEI is a 20-digit alphanumeric ISO code that allows users to uniquely identify businesses, especially in terms of "who is who" and "who owns whom". While useful for identifying legal entities, the LEI is also useful to identify entities across all sectors – be it financial, manufacturing, healthcare or other. In particular, it identifies key reference information like the business identification number or details on the respective parent company subsidiary. The LEI database is publicly accessible without limitations via the global LEI repository and is kept up-to-date through annual renewals.

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Committee on Payments and Market Infrastructures



Enhancing cross-border payments: building blocks of a global roadmap

Stage 2 report to the G20 – technical background report

July 2020

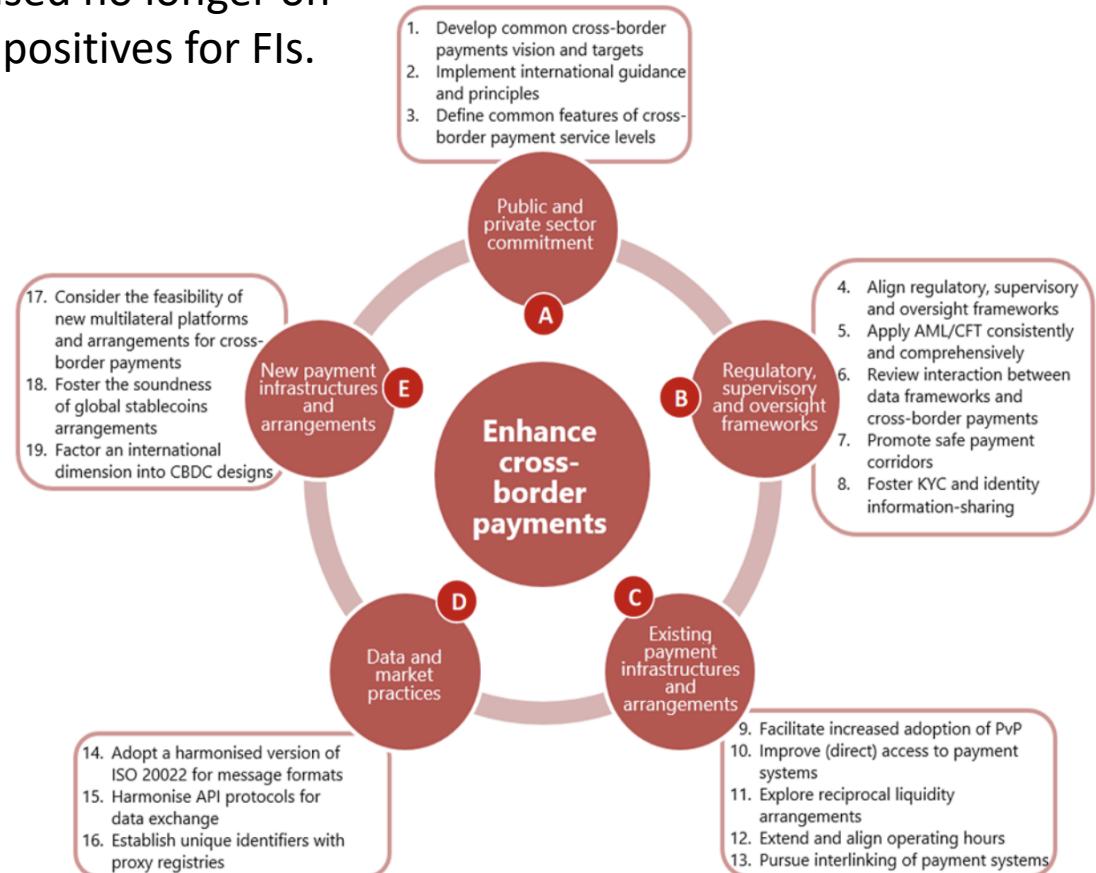


*In some developing countries 50% of the economic activity is done by unregistered businesses who lack transparency and identity and as a result remain cut off from important services such as payments and supply chains.

Recent international support for the LEI to be used in AML/CFT



- LEI ensures precision for “who is who” and “who owns whom”.
- Support names in non-Latin languages.
- Makes automation efficient and effective. Search is based no longer on names, but on the LEI, a unique identifier -> less false positives for FIs.



Limitations



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