



Become a Validation Agent:

A Closer Look at The Trial Process



Introduction

In its drive to encourage voluntary adoption and use of LEIs across a broader portfolio of non-regulatory use-cases, the Global LEI Foundation (GLEIF) introduced in 2020 a new role in the Global LEI System. It is called the Validation Agent.

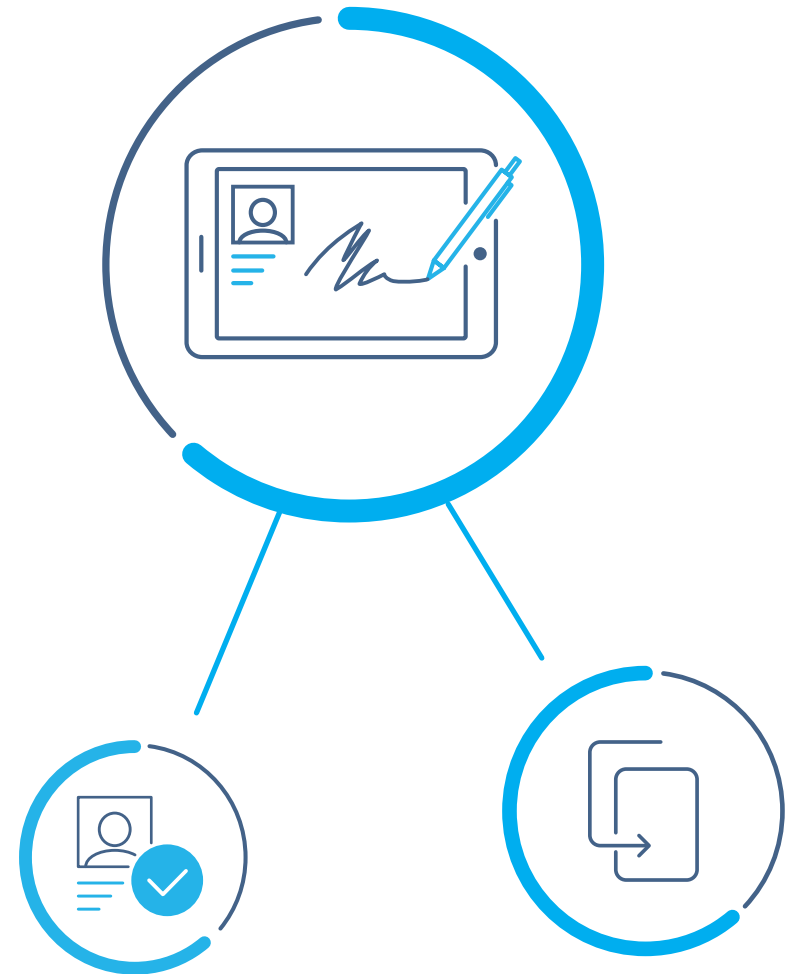
The goal of the Validation Agent role is to streamline the LEI issuance process and deliver a multitude of benefits for legal entities, LEI issuers and the financial institutions (FIs) that serve legal entities as clients.

Any FI or other organization that performs relevant validation and verification practices that are overseen or audited by an independent authority may apply for Validation Agent status.

GLEIF is inviting FIs to participate in the Validation Agent trial phase and establish first-mover status in the market. This eBook shines a light on the seven-step trial process for FIs seeking to develop a clearer picture of the operational requirements and the support available from GLEIF.

Unfamiliar with the Validation Agent role and its benefits?

Click here to learn more.



Validation Agent: Benefits for Financial Institutions

Today

- ✓ Faster, more efficient client onboarding experience and subsequent client refresh cycles
- ✓ Increase opportunities to add value and create differentiation
- ✓ Enhance internal data management processes, increase consistency, reduce cost
- ✓ Accelerate digital transformation



“
40% of existing costs that our customers experience in their KYC processes is around public data collection. The ability to standardize this via the LEI is significant. The second wave of savings is in the technology costs reduction given the use of a standardized identifier for corporates.
”

*Preeti Malk,
Head of Global -
Risk and Financial Crime
Compliance, Capgemini.*



“
The adoption of LEIs allows us to associate an alphanumeric identifier to a client so we know precisely who we are dealing with. It sounds basic but it enables all these other benefits around new digital services and improved data management.
”

*Paul Maley,
Managing Director
Deutsche Bank.*

Deutsche Bank



Validation Agent: Benefits for Financial Institutions

Tomorrow

- ✓ Platform for innovation and new service development, including:
 - Corporate Identity
 - Digital x-border supply chain relationships
 - Legal assurance level e-signature services via digital certificates

- ✓ Readiness for uplift in LEIs as use-cases evolve beyond capital markets

- ✓ Autonomous control over digitization of business processes. The LEI is a non-proprietary global standard that enables commercial and operational independence from vendors.

- ✓ Future proof your organization for upcoming regulations and policy implementations requiring the LEI¹

¹In 2021 the Financial Stability Board is exploring scope to include the LEI in forthcoming payments regulations, in accordance with the roadmap presented in its Stage 3 Report into Enhancing Cross-Border Payments (p29).

“

Although the Validation Agent Framework will initially appeal to FIs seeking to streamline regulatory compliance processes for their clients, the role is designed to foster broader appeal among banks and to encourage voluntary LEI adoption outside of capital markets. Validation Agents can leverage the LEI and eliminate manual linking of entity data from disparate internal and external sources. McKinsey estimates that this alone would save the global banking industry \$2-4 billion per annum by improving full time employee productivity in client onboarding.

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The Validation Agent role is also likely to be assumed by banks seeking to become recognized leaders in identity management, positioning themselves as facilitators of global trade. By expanding LEI issuance beyond legal entity clients that require an LEI for financial compliance, a Validation Agent can equip its whole business client base with globally recognized identities, which can be used across borders with any legally registered counterparty or supplier around the world. In this way, FIs can use the LEI to solve the problem of cross border trust for their clients worldwide.

”



Stephan Wolf,
CEO, Global LEI Foundation

Assessing Participation: Common Questions Answered



What are the goals of the trial?

By working with Validation Agent triallists, GLEIF aims to:

- Enable smooth and efficient early adoption of the Validation Agent role among first mover FIs.
- Support the creation of a business case by identifying, specific to each FI's organization, the efficiency gains that can be realised through the Validation Agent role.
- Explore and provide support for the technical, legal and operational adjustments within the triallist's organization required by the role.

What value does GLEIF bring to the trial?

Triallists will benefit from deep engagement with GLEIF's experts, who will help to define how the Validation Agent process can be tailored to triallist's organization. GLEIF assigns an account manager to each participating organization to support them throughout the whole trial. This includes support with performing a gap analysis and engagement with the LEI Issuer network. Here, several key points of negotiation exist regarding, for example, who manages LEI challenges and renewals. GLEIF's experience in facilitating this dialogue has proven invaluable to FIs whose trials are already underway.

GLEIF provides templates, training and education on the LEI System and its processes. GLEIF also acts as a channel through which to outreach to LEI issuers for bids.

What does it cost and how long will it take?

There is no monetary cost required. Only the time of the FI's personnel is needed to understand and engage in the trial's processes. The trial is expected to successfully complete in four to six months. No technology investment is anticipated for the trial. If the FI chooses to establish permanent Validation Agent status after the trial, some technical investment is likely to be required.



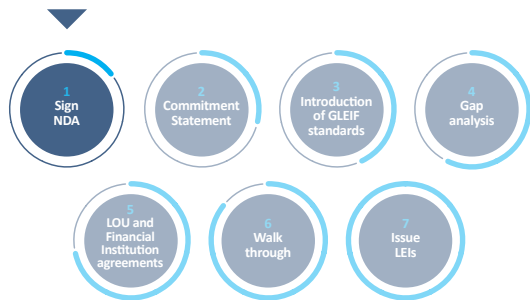
About the Trial: A Seven Step Process

A customized, partnership approach

While every effort has been made to standardize the trial engagement process, GLEIF acknowledges that the each FI employs unique processes and organizes its departmental functions differently. GLEIF is committed to working closely with each triallist to explore and define the procedural adjustments needed to enable the Validation Agent role and to help identify the opportunities to drive process efficiencies in client onboarding and lifecycle management.



Stepping Through the Trial Process



Sign NDA

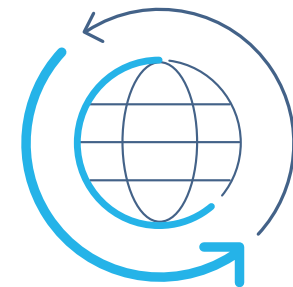
To enable preparatory discussions between GLEIF and the triallist to evolve beyond a theoretical framework, both parties sign NDAs. This action permits open collaboration while protecting each party's intellectual property and commercially sensitive data.



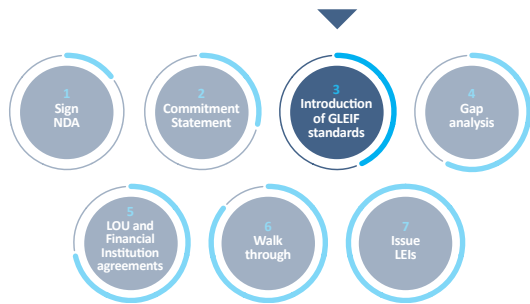
Commitment statement

This non-binding document confirms that both GLEIF and the FI will commit their personnel time to the trial. Both parties cover their costs of participation. It does not, however, require the FI to complete the trial should its priorities or circumstances change. In respect of the time and efforts of all parties, GLEIF requests that participating FIs needing to withdraw from the trial do so prior to concluding agreements with LEI Issuers.

To assist interested parties in securing internal approvals to participate in the trial, GLEIF has published *Introducing the LEI Validation Agent Framework* which provides an executive level overview of the new role together with its benefits to FIs and the broader LEI ecosystem.



Stepping Through the Trial Process



Introduction of GLEIF standards

Through a series of regular calls, GLEIF and the FI review the LEI Issuer services in the Global LEI System and explore the processes that the FI can assume from the issuer during client onboarding and standard refresh updates. This includes how the FI can leverage GLEIF’s public API to discover whether their legal entity customer already has an LEI.

It also offers a chance to explore whether GLEIF’s Validation Agent to LEI Issuer protocol can be leveraged to facilitate interoperability during the shared identity data verification processes.

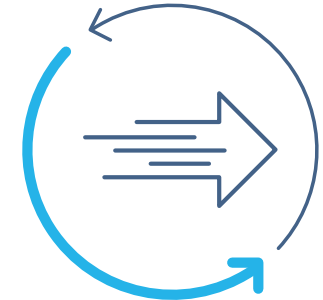


Perform gap analysis

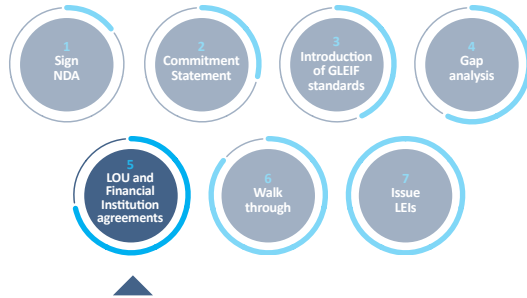
GLEIF assists the FI in performing a gap analysis based on its understanding of the FIs procedures and processes in identity verification. This step involves comparing the *reference data sources* that are used in the Global LEI System with those the FI uses in its standard client onboarding and refresh updates. Once commonalities and differences have been

identified, the FI and GLEIF then create a change management plan to adjust processes or documentation to achieve parity.

At this point, the FI assumes control of the trial and proceeds to engage with its LEI Issuer(s) to agree and design the interaction and negotiate pricing.

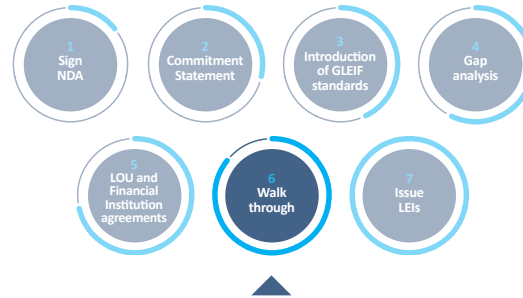
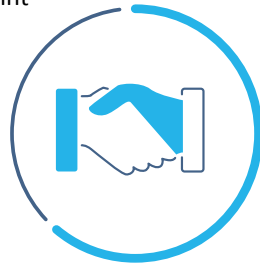


Stepping Through the Trial Process



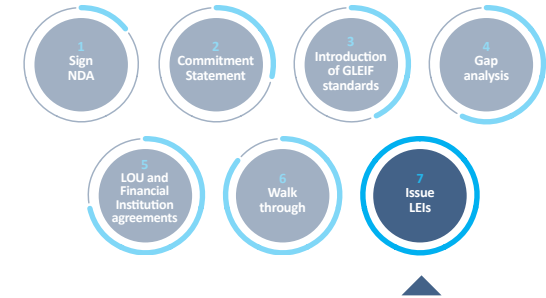
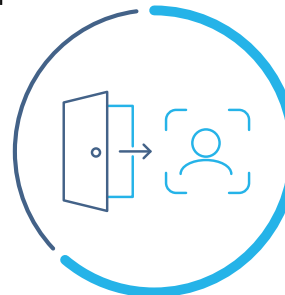
LEI Issuer & FI agreements

With the processes explored and designed, the FI now moves to establish agreements. The FI can engage with the LEI Issuer(s) that it would like to work with by leveraging the GLEIF's Request for Proposal template. The key areas that require negotiation are commonly identified in the gap analysis, so the development of the agreement between the FI and its LEI Issuer(s) - which forms the blueprint for their data exchange processes, services and pricing - occurs privately, without GLEIF's involvement.



Walk through

Once legal agreements have been established, the FI demonstrates to GLEIF the process of issuing an LEI. Here, the FI and the LEI Issuer demonstrate that the cooperative information flows and processes established adhere to the *framework of the Global LEI System*. This step allows for refinement of the established system, ahead of GLEIF's final approval of FI as a Validation Agent.



Issuing LEIs

Once final approval has been granted by GLEIF, the FI holds official Validation Agent status and may begin obtaining LEIs on behalf of its corporate clients.



During the Trial: Operational Questions Answered

If an FI becomes a Validation Agent, will GLEIF or the public be able to discover who its clients are?

No, neither GLEIF nor the public can know who the FI's clients are. All LEI records contain a "Managing LOU" field, which will be populated with the LEI Issuer(s) that the FI chooses to work with. Participation by the FI in a Validation Agent trial is anonymous unless the FI chooses to disclose its participation. The confidentiality of the client data is ensured in the legal agreement with the LEI Issuer.

Does a Validation Agent have to work with the same LEI issuer for all jurisdictions that it has KYC procedures in?

No, Validation Agents do not have to work with a single LEI Issuer. They can choose to cooperate with various issuers operating in different jurisdictions. For the purposes of the trial, FIs may choose to engage with a single issuer.

How many entities should an FI target in the trial?

This depends on the organization's client base and preference. However, for testing the usefulness of the LEI, GLEIF recommends FIs target at least 50 clients during the trial phase.

Should an FI target entities that will need an LEI in the trial phase?

Again, this depends on the FI. By issuing the LEI to regulated entities (who are mandated to obtain one) the FI will create more satisfied clients, as they will benefit from the newly streamlined process. By issuing the LEI to the non-financial corporations, however, the FI will demonstrate excellence in its client servicing, as corporates will then be equipped with an LEI for use in future *cross-border trade* and *digital transactions* use cases.

Get involved →

GLEIF is actively engaging with the global banking community and is inviting FIs to participate in the trial phase. Interested to learn more? Contact us on info@gleif.org.



About the Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure, answering the questions of 'who is who' and 'who owns whom'. It provides a universally recognized identifier paired with essential entity data, rigorous verification processes and high data quality.



Source:

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About the Global Legal Entity Identifier Foundation (GLEIF)

Established by the Financial Stability Board in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is a not-for-profit organization created to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF is headquartered in Basel, Switzerland.

GLEIF services ensure the operational integrity of the Global LEI System. GLEIF also makes available the technical infrastructure to provide, via an open data license, access to the full global LEI repository free of charge to users. GLEIF is overseen by the LEI Regulatory Oversight Committee, which is made up of representatives of public authorities from across the globe.

For more information, visit the GLEIF website at <https://www.gleif.org/en>.

History of the Global LEI System

In 2011, the Group of Twenty (G20) called on the Financial Stability Board (FSB) to provide recommendations for a global Legal Entity Identifier (LEI) and a supporting governance structure. This led to the development of the Global LEI System which, through the issuance of LEIs, now provides unique identification of legal entities participating in financial transactions across the globe. The FSB emphasized that global adoption of the LEI underpins multiple "financial stability objectives" and also offers "many benefits to the private sector".

