

## Respondent

National Group / Institution	Global Legal Entity Identifier Foundation (GLEIF)
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## Response –Comments from National Group / Institution

1. What are the main problems that the LEI could solve in the payments space and what are the significant benefits that can be derived? What is required for these benefits to be delivered?

The payments industry will be in a better position to answer this question but it appears to be clear that regulators are looking for improved data for monitoring AML infringement and machine readable codes are always better than free format fields in order to provide Straight Through Processing (STP) of transactions to reduce processing costs.

2. How should LEI evolve to address the challenges that you are facing?

This question would be answered best by regulators.

3. What is the added value of having a view on aggregated risk per entity in the payments space?

This question would be answered best by regulators.

4. What are the significant cost elements that would result from the introduction of LEI in your respective area (payment operations, financial crime compliance, data management, etc.) to take into consideration?

Currently, fields carrying details about senders and receivers of payments basically are free format. Therefore, replacing this free text with codes (LEI) should not add significant costs, but in fact, realise benefits in the medium to long term.

5. What are the different use cases that could result from introducing LEI in addition to BIC or in addition to Name and account number for originators and beneficiaries in the payments messages? How to resolve conflicting information?

As was stated at the PMPG Forum in Geneva in September, the identities particularly of the Originating Party or the Beneficiary often are not known to all parties in the correspondent banking chain. While the BICs currently used in the payment messages for correspondent banking transactions can address businesses, including branches, locations, back office departments, trading desks etc., BICs are not legal entity identifiers and also are not a unique representation of a legal entity. The inclusion of the LEI in payment messages for these two roles will ensure precise and unambiguous identification of these parties in correspondent banking payment transactions.

Further benefits could be seen in the consideration of mapping particularly of BICs to LEIs, the approach which is outlined in the response to question 6.

6. What are the options that the PMPG should explore in defining a common market practice for including the LEI in payment messages without changing the current message structure?

Currently, both BIC and LEI identifiers exist with the usage of BIC predominant in the payments industry. The coexistence of these identifiers is necessary as any other attempt would be hugely disruptive and very costly for the involved stakeholders.

As a first step, as was announced at the PMPG Forum in September, SWIFT and GLEIF will undertake a joint effort with SWIFT as the ISO Registration Authority for the BIC ISO 9362 standard and GLEIF for the ISO 17442 standard, to create links between corresponding codes. Step one is an exercise to map BIC to LEI codes to create relationships (links) between the codes. For each BIC the corresponding LEI, and for each LEI the corresponding BIC or BICs should become available. The links would capture both "identity", a.k.a. the BICs and the LEI identifying the same real world entity, as well as provide insight into related or associated entities such as branches, locations, back office departments and desks.

Further, once the BIC to LEI mapping has been accomplished, the legal entity identification and related reference data, both for the critical entities of Originating Party and Beneficiary, and for any other parties identified by BICs in correspondent banking message could be accessed to be used in risk management applications, exposure management, data aggregation and other related functions.

As a next step, the focus on supporting reference data for these two standards should be



considered beyond mapping and access. Although these codes come with different code structures and scope of eligibility, the reference data in the data records of these two identifier standards, namely name, address, and some other data, is logically the same but collected, formatted and presented completely differently. Since neither the structure nor the content of this reference data has been aligned across these standards, GLEIF regards this as the root cause of all issues related to the discussion on using the various codes. In essence the different set of reference data items must be collected and maintained multiple times. This is error-prone, costly and avoids the establishment of a true standard.

As a final step, one reference data universe could be considered. Once the link tables have been established between codes for legal entities, the underlying reference data would become redundant once it has served its purpose to help with the mapping. A joint structure and data repository should be agreed for both standards. In essence, this means that BIC and LEI would point to exactly the same reference data. As a result, it would not be relevant anymore if an application uses the BIC or the LEI for routing, identifying or resolving. The underlying identity of the legal entity that is participating in a payment scheme, network or processor would be identically the same. Consequently, market participants would be able to source standardized and high quality legal entity reference data from a single and open source such as the Global LEI Index. The Global LEI Index consists of a golden copy of all past and current LEI records including related reference data in one repository.

GLEIF believes that keeping the two codes linked to the same reference data would be a major advantage. While avoiding redundancy, high costs for the industry and integrity issues in entity wide data management with any downstream application, the market participants of the payment industry and the regulators could benefit. It would remove efforts associated to date with the maintenance of entity reference data and provide new business opportunities. This will empower the payments and the wider business community – as well as their customers – to cut costs, simplify and accelerate operations and gain deeper insight into the global market place. This could protect the payment industry’s investments in the routing codes while benefitting at the same time from the unique identification management of the legal entity. Access to, and distribution of, this reference data already is in place with the Global LEI Index by GLEIF to all users free of charge.

Such convergence is consistent and supportive of the consideration of ISO/TC 68 to achieve more consistency among standards and the start of a process to change the standard setting organization from a vertical and functional approach to a horizontal infrastructure approach. This could result over time in a fruitful convergence especially in the field of reference data.



7. Which other industry group(s) and stakeholders should the PMPG involve in the discussion?

GLEIF would be pleased to contribute further to the dialogue of the PMPG and to the awareness of these alternative solutions that would protect as well as future-proof the payment industry in the area of correspondent banking.

GLEIF also would like to provide the following feedback.

**On page 7 of the discussion paper, the following statements are made regarding GLEIF:**

It has responsibility for ensuring the application of uniform global operational standards and protocols that deliver:

- the global uniqueness of the LEI;
- seamless, open access to the global LEI and to high quality reference data for users;
- protocols and methods to connect to the global system.

GLEIF services ensure the operational integrity of the Global LEI System and facilitate making the LEI a broad public good providing open and reliable data for unique legal entity identification management.

GLEIF would like to take the opportunity to update the bullets and statement regarding GLEIF with information that is reflected currently on [gleif.org](http://gleif.org).

GLEIF provides the following services:

- Accreditation of LEI issuers
- Access to the complete global LEI data pool is free of charge to users
- Data quality management
- Commitment to open data principles

**Also on page 7, the discussion paper states:** The LOUs are now referred to as LEI Operating Units and are the implementers of the global system.

GLEIF would like to take the opportunity to update this statement as follows:



LEI issuing organizations – also referred to as Local Operating Units (LOUs) – supply registration, renewal and other services, and act as the primary interface for legal entities wishing to obtain an LEI. A legal entity is not limited to using an LEI issuer in its own country; instead, it can use the registration services of any Local Operating Unit that is accredited and qualified to validate LEI registrations within its jurisdiction.