

Basel Committee on Banking Supervision  
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### **Guidelines Revised annex on correspondent banking**

Dear Secretariat of the Basel Committee on Banking Supervision,

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the consultative document, entitled 'Guidelines Revised annex on correspondent banking' published by the Basel Committee on Banking Supervision in November 2017.

Our letter will limit its comments specifically to GLEIF's views on the use of Legal Entity Identifier's (LEI)'s in regard to the topic of correspondent banking as the subject of the document. The GLEIF has been established to act in the public and private interest as the operational arm of the Global LEI System. Consequently, we appreciate the opportunity to provide comments on the possible use of LEIs in regard to correspondent banking.

GLEIF has a very strong interest in ensuring there is a good understanding by rule makers of the significant benefits to the public and private sectors that derive from the widespread use of LEIs for entity identification in regulatory reporting and supervision. Following the 2008 financial crisis, the importance and benefit of a universal LEI became clear. Regulators worldwide acknowledged their inability to identify parties to transactions across markets, products, and regions. This hindered the ability to evaluate systemic and emerging risk, to identify trends, and to take corrective steps. Recognizing this gap, authorities, working with the private sector, have developed the framework of a Global LEI System that will, through the issuance of unique LEIs, unambiguously identify entities engaged in financial transactions

Regulators globally, therefore, play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices.

Consequently, we welcome the consideration of the BCBS for the revision of annex on correspondent banking concerning the use of LEIs in its work.

Included here please find the comments provided on behalf of GLEIF with regard to a specific proposal relevant to the use of LEIs in regard to correspondent banking.

GLEIF first would like to thank the BCBS for regarding the LEI as a factor that could lessen the risk of correspondent banking transactions being linked to money laundering and financing of terrorism by incorporating the LEI into the guidelines to be used by correspondent banks in the identification of legal entities and legal arrangements in correspondent banking transactions, in the onboarding of respondent banks in correspondent banking arrangements and in the identification of key parties in correspondent banking transactions and financial messaging.

The LEI data record includes the elements that are specified in the required list of minimum information to be obtained in verifying the identity of a legal person. GLEIF also has engaged with CPMI and the Payments Market Practice Group (PMPG) to support the inclusion of the LEI as additional information in the relevant payment messages to unambiguously identify the originator and the beneficiary for the correspondent bank.

Further to this, GLEIF sees the importance of mapping of other reference data identifiers to ensure the successful integration of the LEI into the entity identification space. GLEIF has begun initiatives particularly a formal initiative with SWIFT to develop and maintain official mapping of BICs and LEIs. The traditional identifier, BIC, used in the operational, transactional and financial messaging aspects of correspondent banking, will soon be officially and consistently mapped to the official identifier of legal entities and published free of charge to users. This effort could result in further efficiencies in entity identification management and KYC to support correspondent banking and other transaction services, specifically by harmonizing the reference data records and information validation procedures of the BIC and the LEI.

GLEIF also would like to emphasise that GLEIF fulfills the specific requirements for a 'utility' to be relied upon to support due diligence in KYC, specifically:

- a) Clearly specifying the source of the information
- b) Publishing the dates of last update and confirmation of the information with the source
- c) Implementing transparent and independent data quality programme

Given the LEI is a global identifier used for the reporting of many financial transactions, the burden of ongoing due diligence is lessened once the LEI becomes a part of the client record. As the rate of LEI adoption increases, monitoring efficiencies will multiply.

Finally, the scope of application of the LEI to other categories entities such as of Individuals acting in a business capacity, is described in the statement published by the LEI Regulatory Oversight Committee, LEI ROC, on 30<sup>th</sup> September 2016. This would be useful in addressing the requirements outlined in the consultation paper for professional intermediaries of investment vehicles. The LEI currently can be assigned to investment companies, unit trusts or limited partnerships, and to identify a fund itself. Future developments in the area of Individuals acting in a business capacity could identify directors or any controlling board where the fund is a company, its trustee where the fund is a unit trust, its managing (general) partner where the fund is a limited partnership, account signatories, and any other person who has control over the relationship e.g., fund administrator or manager.

In conclusion, we would like to reiterate that the Global LEI System in place today supports also the objectives of the BCBS in the area of correspondent banking . We therefore, encourage the BCBS

to progress the considerations regarding the use of LEI in the context of this consultative document.

Sincerely,

Stephan Wolf  
CEO