

## Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Pay.UK Standards Authority Next Generation Standard for UK Retail Payments Consultation

March 2020

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Pay.UK Standards Authority Next Generation Standard for UK Retail Payments Consultation. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation and would like to provide a response to the Question 2: *“The Standards Source is how we intend to present our technical documentation to you going forward. Are there any improvements that you would like us to consider?”*.

First of all, GLEIF applauds Pay.UK Standards Authority for making the LEI one of the pillars of the data enhancement building blocks. Use of a global standard for entity identification and open quality-controlled data means that transacting parties can be unambiguously identified. Additionally, GLEIF agrees that mandatory use of LEIs will help overcome ongoing challenges such as fraud, efficiency, transparency and regulatory alignment.

Additionally, in the NPA Core camt.029.001.09 document, GLEIF noticed that for the Financial Institution identification <FinInstnid> field, the Business Identifier Code (BIC) is planned to be used, and the LEI also can be included.

The only way to enable fully automated, straight-through processing is to consistently use the LEI throughout the NPA standard. This also has several downstream benefits:

- identity-based compliance made possible by LEI adoption increases the effectiveness of financial institutions screening thereby facilitating better, more robust compliance checks.
- smoother information exchange between authorities and financial institutions enabling closer coordination on the monitoring of the financial ecosystem.
- inclusion of the LEI in payment messages of a payment scheme facilitates the automatic AML, CTF and sanction checking process that Payment Service Providers need to comply with (inclusive the reports of suspicious transactions to the Financial Intelligence Unit).

Additionally, the LEI is a unique identifier linked to a legal identity and issued by an accredited organization. This means that when it is used in financial flows, compliance verification can be based on actual identity. A legal entity may have several associated BICs. The [open source BIC-to-LEI relationship file](#) published monthly by SWIFT and GLEIF demonstrates this.

GLEIF agrees that since BIC does not provide the authoritative source of entity identification like the LEI, it is critical that the LEI also should be specified as an identifier of parties within payment transactions. BICs plays a key role in addressing messages to operational desks and routing financial transactions on the SWIFT network. Domestic and international payment systems within financial and non-financial institutions or regional and global payments market infrastructures such as Automated Clearing House, Real-Time Gross Settlement Systems and Payment Clearing Systems are based on legacy identifiers or

the BIC. So since BICs do not provide the authoritative source of entity identification like the LEI, it is critical to have both identifiers in the payment message, to identify parties both as the operating parties within payment transactions, which may or may not be legal entities, while including LEIs to identify the legal entities responsible within payment transactions.

It is stated in the Consultation Paper that the Pay.UK does not propose to use the LEI code as a means of routing payments across the NPA due to existence of other well standards such as the UK sort code or Business Identifier Code (BIC). Given the NPA is designed to be future-proofed and the LEI presents unique advantages for entity identification for today and tomorrow, Pay.UK could consider including the both the BIC and the LEI as mandatory data elements for data fields requiring both identification of operating parties and legal entities.

The Bank of England also recognizes the LEI as an important building block for enabling digital transformation:

- *The ability to identify a business quickly, easily and digitally enables a more seamless user experience as they move around the financial system. The Legal Entity Identifier (LEI) is likely to play an important role: as a 20- digit alphanumeric code, it can offer a unique identifier to every one of the 6 million SMEs in the UK, and as a globally recognized standard, it is built to support cross-border identification for trade finance. Once the entity is identified, it can be digitally authenticated in order to validate instructions, like a digital signature. That authentication could be delegated to a person's mobile device, for example, to enable one touch permissioning.<sup>1</sup>*

Additionally, making the LEI, the only global standard for unique and unambiguous identification of legal entities, as a mandatory data element for all data fields referencing a legal entity in the New Payments Architecture infrastructure will ensure smooth and transparent flow of international payments in the post-EU framework.

Inclusion of the LEI in payment messages of a payment scheme makes it possible for the scheme participants to deliver enriched data services to their business customers for reconciliation purposes of their business customers (corporates and government agencies).

Lastly, GLEIF would like to reiterate its willingness to work with the Pay.UK for further adoption of the LEI in NPA and educating the industry together.

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<sup>1</sup> Open data for SME finance, Bank of England, March 2020. <https://www.bankofengland.co.uk/paper/2020/open-data-for-sme-finance>