Press Release

SAVINGS, EFFICIENCIES AND GREATER RELIABILITY IN ENTITY VERIFICATION PROCESSES OF A COMBINED ANNUAL VALUE OF $650M TO THE FINANCIAL SERVICES INDUSTRY IDENTIFIED IN NEW RESEARCH INTO LEGAL ENTITY IDENTIFIERS

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• New research undertaken by McKinsey & Company and the Global Legal Entity Identifier Foundation (GLEIF) estimates that broader, global adoption of Legal Entity Identifiers (LEIs) could yield annual savings of over $150m within the investment banking industry and up to $500m for banks in the issuance of letters of credit.
• Annual savings in investment banking would include at least 10 percent of total operational costs for onboarding clients and trading processing through the use of the LEI.
• These findings form part of a white paper published today which examines the potential use cases of the LEI in streamlining legal entity identification.

LEIs create value in two ways:

1) Reducing transactional and operational friction in the identification of transaction counterparties.
2) Making important information about the background of a legal entity in a particular transaction more accessible and traceable.

Collectively, these benefits reduce the time spent on identifying counterparties and improve the reliability of information.

The new research identifies three new use cases for LEIs: capital markets, commercial transactions and the extension of commercial credit. These are especially relevant to large corporations, small businesses and their banking institutions, and investment banks.

In capital markets, the LEI’s primary value is derived from reducing the cost of onboarding clients and of middle- and back-office activities related to the processing of stocks, bonds and other securities trades. All such activities could be simplified and streamlined if LEI use were more broadly adopted throughout the lifecycle of the client relationship. The use of the LEI would also reduce the time spent on data correction and reconciliation.

In commercial transactions, LEIs would enable faster processing of letters of credit and better identification of sellers on e-invoicing networks.

In the extension of commercial credit, LEIs would allow for more robust and efficient KYC on borrowers, as well as better traceability of information on borrowers from multiple sources.

GLEIF CEO, Stephan Wolf, comments:
“We hope this paper will broaden the understanding of LEIs and spark further debate about their cost saving and efficiency benefits. The new research clearly illustrates the value of the LEI, but its broad application and adoption depends on the creation of a strong network of advocates. We are therefore actively encouraging organizations, especially large corporations, small businesses and their banking institutions to work together to discuss and consider the adoption of LEIs in day to day processes.”

Analysis taken as part of this project also indicates that there are multiple additional use cases beyond the three identified. Operational efficiencies, cost savings, reduction of time to transact with clients and more reliable information can be gained by introducing the LEI into almost any process that requires identification and verification of a counterparty and that has a manual component.

This resulting easier counterparty identification will open the door to further automation and digitalization of financial and commercial transactions across the globe.

- ENDS -

Full resolution images and logos can be downloaded via this link

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Relevant link
https://www.gleif.org/en

Notes to Editors:

Glossary of terms

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.

About McKinsey & Company
McKinsey & Company is a global management consulting firm, deeply committed to helping institutions in the private, public, and social sectors achieve lasting success. For 90 years, our primary objective has been to serve as our clients’ most trusted external advisor. With consultants in over 100 locations in over 60 countries, across industries and functions, we bring unparalleled expertise to clients anywhere in the world. We work closely with teams at all levels of an organization to shape winning strategies, mobilize for change, build capabilities and drive successful execution.

About the Legal Entity Identifier (LEI)
The LEI is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization. It connects to key reference information that enables clear and unique identification of legal entities participating in global financial markets and/or in financial transactions.

The LEI is currently required in, among others, the United States and the European Union for the execution of transactions with, and reporting of, counterparties to over-the-counter derivative trades. Many other regulators around the world are implementing the LEI for financial market transactions and regulatory reporting or are considering doing so. Details of regulatory initiatives mandating LEI use are available on the Global Legal Entity Identifier Foundation (GLEIF) website: https://www.gleif.org/en/about-lei/introducing-the-legal-entity-identifier-lei.

This paper is a collaborative effort by the Global LEI Foundation and McKinsey & Company to increase awareness of the LEI, including the potential capabilities and business benefits afforded by LEI adoption. McKinsey served as a knowledge partner to GLEIF in researching and writing the paper.

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”.

LEI Regulatory Oversight Committee (LEI ROC)
The LEI Regulatory Oversight Committee (LEI ROC) is a group of public authorities from across the globe established in January 2013 to coordinate and oversee a worldwide framework of legal entity identification, the Global LEI System. In its role as overseer of the Global Legal Entity Identifier Foundation (GLEIF), the LEI ROC ensures that GLEIF upholds the principles of the Global LEI System. For more information, visit the LEI ROC website: http://www.leiroc.org/.

LEI issuing organizations – also referenced as Local Operating Units (LOUs)

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