Press Release

Over Half of Salespeople in Banking Spend 27% of Their Working Week Onboarding New Client Organizations

GLEIF publishes new research findings on the challenges of entity identification in financial services and proposes a standardized way forward

9 May 2018 – Basel – Six in 10 (57%) senior salespeople in banking spend more than 1.5 days of their week (27% of their working week) onboarding new client organizations, according to research findings published today by the Global Legal Entity Identifier Foundation (GLEIF). The research also found that 50% of financial institutions use, on average, four identifiers to help identify client organizations. The data supports GLEIF’s view that replacing disjointed information with a globally accepted approach based on broad adoption of the Legal Entity Identifier (LEI) would remove complexity from business transactions and deliver quantifiable value to financial services firms.

In a survey of over 100 senior salespeople in the banking sector in the UK, US and Germany, the process of client onboarding, including know your customer (KYC) due diligence, was shown to take six weeks, on average. This length of time spent onboarding creates a significant burden; salespeople have less time to work on their core focuses, such as acquiring new business and servicing existing clients.

Other key findings include:

- 57% of respondents agree that reliability of reference data is a challenge
- 55% of respondents agree that the resourcing of onboarding is a challenge
- 55% of respondents agree that lengthy processes mean risk of business loss
- 61% of respondents agree that digital technology will further complicate the process

Stephan Wolf, GLEIF CEO, comments: “Our research results show that the onboarding process for new business relationships in financial services is too time-consuming and requires too much administration. In a globalized digital economy, verifying the identity of customers, partners and suppliers is becoming an increasingly complex and costly challenge. However, the growth of identifiers is leading to problems that must be resolved to assure their vital place in oiling the wheels of the growing global digital economy.”

The burden continues even once the client is established. Client data must be kept up-to-date throughout the business relationship. This includes regular verification of business card information and changes to the ownership structure.

The research identified that the crux of the problem is the lack of a standardized approach to legal entity verification. As a result, 54% of respondents agree that the use of different legal identifiers for the same legal entity leads to inconsistencies with updates to different reference data sets. The research found that 58% of those surveyed said that the associated reference data...
is not up-to-date, while 46% said reference data from different sources is inconsistent and 49% said the same ID is used for different legal entities.

Wolf adds: “Identifiers of legal entities are easily obtained from a host of different issuers but are not kept up-to-date in a systematic way. Organizations need a more efficient system for legal entity identification. Some think technology will help but there is no general consensus about what the solution should be.”

“At GLEIF, we are convinced that financial services businesses can save time, gain greater transparency, and work in a more streamlined fashion by adopting an LEI for each client organization,” says Wolf. “Banks operate in multiple jurisdictions and therefore need a global standard. The LEI offers businesses a one-stop approach to identifying legal entities, which has the potential to take the complexity out of business transactions. Via the Global LEI Index, we make available the largest online source that provides open, standardized and high quality legal entity reference data. No other global and open entity identification system has committed to a comparable strict regime of regular data verification.”

Wolf concludes: “Integrating the LEI into other entity verification methods, including solutions based on digital certificates and blockchain technology, will allow anyone to easily connect all records associated with an organization and identify who owns whom. By becoming the common link, the LEI will provide certainty of identity in any online interaction, making it easier for everyone to participate in the global digital marketplace.”

The report titled ‘A New Future for Legal Entity Identification’, which details the results of GLEIF’s research into client identification in financial services, is available on the GLEIF website.

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Research background

The research surveyed 102 senior salespeople in the banking sector in the UK, US and Germany, exploring the challenges that the banking sector faces when it comes to onboarding new client organizations, including how time-consuming the onboarding process is and the confusion that comes with financial institutions using more than four identifiers to help identify client organizations.

Full resolution images and logos can be downloaded via this link https://www.gleif.org/en/newsroom/gleif-graphics-images

Contact
Meral Ruesing, GLEIF Head of Communications
Email: meral.ruesing@gleif.org
Phone: +49 69 9074999-0
Bleichstrasse 59, 60313, Frankfurt am Main, Germany

Ioiana Luncheon, Octopus Group (PR UK)
Email: gleif@octopusgrp.com
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 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.

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)
The organizations authorized to issue LEIs to legal entities engaging in financial transactions. For more information, visit the GLEIF website: https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

Source:
Global Legal Entity Identifier Foundation, St. Alban-Vorstadt 5, 4052 Basel, Switzerland
Chairman of the Board: Gerard Hartsink, CEO: Stephan Wolf
Commercial-Register-No.: CHE-200.595.965, VAT-No.: CHE-200.595.965MWST
LEI: 506700GE1G29325QX363