

Moody's on the Power of the LEI in Sanctions Screening

Introducing [Moody's](#)

Moody's is a global integrated risk assessment firm that empowers organizations to make better decisions. Moody's data, analytical solutions and insights help decision-makers identify opportunities and manage the risks of doing business with others. Moody's believe that greater transparency, more informed decisions, and fair access to information open the door to shared progress. With over 13,000 employees in more than 40 countries, Moody's combines global presence with local expertise and over a century of experience in financial markets.

The Challenge

Identifying individuals and companies accurately is of critical importance when it comes to sanction screening services. As a data vendor, we strive to offer the most accurate data and particularly to avoid incorrectly marking a company as sanctioned. 'Sanctions by extension' also pose a significant challenge, as this requires an accurate analysis of the corporate structure of a sanctioned entity to ensure all elements of a company are sanctioned correctly.

In recent years, the unique and unambiguous identification of sanctioned parties has remained a major challenge. Publicly available sanctions and watch lists are maintained by a variety of supervisory authorities around the world. These lists typically comprise the names of persons and legal entities whose transactions are deemed to warrant further investigation, however, sanctions authorities do not always provide details on the business registration ID, tax ID or other identifying information in their lists.

Market volatility and an increase in sanctions activity resulting from geopolitical tensions are additional challenges that we data vendors currently face, and the onus is on us to adapt very quickly, in line with changing circumstances. Today, political conflicts are creating black holes within sanctions screening regimes. As a result of this international inconsistency, data vendors now need to look for alternative data sources. The frequency of the updates to these data sources also plays an essential role; updates to sanction lists on an annual or monthly basis are no longer sufficient and more frequent 'delta' updates are becoming ever more important.

The net result of these challenges is that a significant part of our sanctions screening process must be performed manually, consuming both time and resource capacity.

The Power of the LEI

An opportunity exists to replace today's name-based list system with one based on identity - the LEI. If all sanctions authorities were to add the LEI into their sanctions lists, it would immediately increase the utility of these lists and greatly facilitate the screening process, removing ambiguity in entity identification and providing easy, machine-readable access to verified data held in the entity's LEI record. Moody's can match the LEI information based on its aggregated entity identity data, and use it in a variety of screening requirements, automatically disqualifying false-positive matches and enabling faster verification of true matches, together with the easy determination of the entity's ownership hierarchy as well as providing additional sector and geographic insights.

Adding the LEI in sanctions publications and integrating it into broader sanctions ecosystems could help improve back-end operations and drive new efficiencies in transaction-based screening systems. The LEI can also help us to reduce false positive alerts and identify sanctioned entities more accurately and unambiguously.

Future value at Moody's

Future ISO 20022 implementation is a crucially important step for the industry and will greatly impact the task of screening structured data. Adding the LEI in ISO 20022 payment messages would be hugely beneficial in this regard. Moody's believes with the transition to the ISO20022 payment messaging format, payment screening will become more important as there will be more fields to scan and match. The market will attempt to move to more perpetual monitoring and further standardization of data fields within ISO20022 messaging format can help to achieve this objective.

"Moody's support the inclusion of the LEI in ISO20022 payment messaging as a mandatory data element." – Ted Datta, Senior Director - Head of Financial Crime Compliance Practice, Europe, Africa & Americas, Moody's Analytics

Beyond ISO 20022, by embracing an LEI-based sanctions screening system where legal entity identification can be unequivocally assured, Moody's can mitigate the risk for our clients with better data accuracy and greater efficiency. For example, if Moody's clients tag suspicious activity with the LEI in their Suspicious Activity Reports (SARs), it would be very beneficial both for our clients and for public authorities, enabling them to showcase their effectiveness in screening outcomes.