

London Stock Exchange Group (LSEG) on the Power of the LEI in Sanctions Screening

Introducing [London Stock Exchange Group \(LSEG\)](#)

London Stock Exchange Group (LSEG) is a leading global financial markets infrastructure and data provider that operates connected businesses to serve customers across the entire financial markets value chain. It owns the London Stock Exchange (on which it is also listed), Refinitiv, LSEG Technology, FTSE Russell, and has majority stakes in LCH and Tradeweb.

The LSE is also a GLEIF-accredited Local Operating Unit (LEI Issuer).

The Challenge

To combat fraud and other illicit transactions, 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.

Financial institutions responsible for enabling financial flows must ensure compliance with these lists by checking, sometimes manually, that the names published do not correspond with the names displayed on the transactions they perform with clients.

Our KYC team goes through the sanction screening process every time a new client makes an International Securities Identification Number (ISIN) application (an ISIN can only be allocated after the KYC of the applicant is completed). The KYC process needs to be efficient and swift in order to minimize delays, however, as a National Numbering Agency, LSEG must also be particularly vigilant that no fraud is being undertaken. As a result, the current KYC process can last anywhere between two days and two weeks. Currently, the LEI is mapped to the entity after the KYC process is complete, meaning changes in the LEI reference data do not feed into the ISIN updates as there are no centralized feeds. The KYC team also does not utilize the ISIN to LEI mapping facility in its sanctions screening process.

There is room to streamline our processes and cross-check reference data with the ISIN, SEDOL and LEI should we get the support from the regulators. This will also, ultimately, benefit the client's experience too. Given that the current processes are expensive and inefficient, a significant opportunity exists to replace the current process with one based on the LEI as a key identifier, thereby making it faster, more effective, and less expensive to administer for all stakeholders.

The Power of the LEI

The LEI is an international standard; 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 identities instead of just names. In reference to sanctions and watch lists, this means that transacting parties can be

unambiguously identified, greatly reducing the number of false positives that the matching process generates today.

By embracing a system where legal entity identification can be unequivocally assured, in an open, interoperable, and instant digital format, all stakeholders will be able to transact with far greater confidence and faith. Most importantly, however, the opportunities for financial criminals to cheat the system will be dramatically reduced on a global scale.

Future value at London Stock Exchange Group (LSEG)

As the LSE is an LEI issuer, in the event a sanctioned entity is encountered, we can issue that organization with an LEI, adding transparency to the market (under these conditions an ISIN cannot be applied). As LSEG's KYC team does not currently use ISIN to LEI mapping during the sanction screening process, there is an opportunity to streamline KYC processes and offer greater transparency through the LEI. This would mean using the LEI earlier in the process to support ISIN applications, rather than assigning them after the application has been processed.

Moreover, current sources of sanctions are difficult to understand. Using one single source, the LEI, in sanctions publications would greatly simplify client identification and make sure that an ISIN applicant is not under sanctions.

Moving forward, a regulatory need for all issuers (ISIN requestor) to have an LEI, would make it simpler, more efficient, and cost effective to combine both the LEI and ISIN allocation processes. Some examples are the EU Prospectus Regulation LEI requirement for issuers or the Securities and Exchange Board of India introduction of the LEI for issuers. If both the ISIN and LEI are mandated in sanctions listing and utilized in parallel, both KYC and sanction screening would be more efficient and accurate, as there would be one unique, reputable identifier for all parties involved.