

C2FO on the Power of the LEI in KYC & Customer Onboarding

Introducing [C2FO](#)

[C2FO](#) is a leading on-demand working capital platform, providing fast, flexible, and equitable access to low-cost capital to nearly two million businesses worldwide. Founded in 2008 and headquartered in Kansas City, USA, with offices around the globe, C2FO is dedicated to helping suppliers succeed with faster access to low-cost capital, unlocking the trillions of dollars in cash tied up in lengthy payment cycles. C2FO has delivered more than US\$320bn in funding around the world.

The Challenge

C2FO's key focus is on facilitating business invoice payments with suppliers, which puts entity identification at the core of our business. C2FO's Enterprise Buyer customers will often send their open unpaid invoices which include name and location of the business and sometimes the tax ID. However, as Enterprise Buyers do not send C2FO the identifiers of their suppliers, C2FO must identify the suppliers themselves.

Our Know Your Customer (KYC) process requires strict due diligence. Our supplier onboarding process is mostly automated; however, onboarding can take longer depending on the complexity of business information which needs to be processed.

For client identification and onboarding, we must currently use a combination of identifiers including tax ID, DUNS ID, S&P Company ID, and Legal Entity Identifier (LEI). However, not all identifiers are free to use or universally accepted. For example, DUNS is accepted in US, but not in other parts of the world. The LEI, in contrast, is open data, global and mapped with other identifiers (ISIN, MIC, BIC, OpenCorporate ID, S&P Corporate ID) which makes it a all-round and valuable identifier for our KYC process.

Having to use such a wide range of identifiers makes finding an up-to-date and verified source of company and/or individual data time-consuming. Over the years, we have built several automated processes for onboarding, but we need to do manual checks in many cases. As a result, we are keen to move from proprietary datasets to save even more time and cost. This is especially important due to our current need to use tax IDs and, in some jurisdictions, social security numbers, both of which require us to adhere to more stringent data security and storage measures.

The Power of the LEI

[Research conducted by McKinsey](#) on behalf of GLEIF has concluded that broader adoption of LEIs could save the global banking sector U.S.\$2-4 billion annually in client onboarding costs alone. This represents a saving of between 5 percent and 10 percent of the industry's U.S.\$40bn annual overall spend on the practice.

When a business applies for a transaction with C2FO, there is currently no requirement to use the LEI. However, the pilot run with LEI has demonstrated strong complementarity between the two processes. This is very important as it shows that even platforms that have very robust and efficient KYC and client management processes, can benefit from using the LEI, e.g. in accelerating some of the vetting process or offering additional controls in order to further minimize fraud related risks. C2FO recognizes that industry-wide use of the LEI can bring maximal benefits in KYC and client onboarding processes, particularly if regulators were going to mandate its use.

Future value at C2FO

We strongly advocate use of the LEI, as it helps to optimize KYC processing by providing greater transparency and access to detailed identifying data. This additional detail provides greater clarity, especially regarding ownership hierarchies (so-called 'parent' and 'children' information).

We support any initiative in any region that standardizes legal entity identification via the LEI and believe that it should become a mandate at the country level. If the LEI becomes a mandatory identifier worldwide, the time and cost savings will be meaningful. Suppliers will get paid even faster and C2FO will save resources. We estimate that C2FO could easily save more than US \$1m annually if the LEI were utilized by our customers. As the LEI use becomes more widespread, the time and cost saving capabilities offered by the LEI are only set to increase.

The pilot underlying this document further demonstrates that the vision drawn by the joint paper from B20, Business at OECD (BIAC) and the International Organisation of Employers (IOE) released this year at the B20 Summit in Delhi, can work in practice¹. The paper was indeed calling out that supporting trustworthy interoperable early payment platforms, such as C2FO, which are structured on safe principles, and requirements such as the Legal Entity Identifier (LEI), can remove barriers to the availability of critical working capital and facilitate cross-border payments.

Ultimately, we believe the LEI should be mandated for all businesses. Widespread and consistent use of the LEI, supported by a regulatory mandate, will help C2FO onboard clients in a more efficient manner, improve overall KYC and client onboarding processes, and unlock capital for companies, especially Small and medium-sized enterprises (SMEs).

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¹ "[Addressing efficiency in payments and working capital to deliver Sustainability and Growth](#)", Joint B20-India, "Business at OECD", IOE contribution to the G20 agenda in 2023 - Delhi, August 2023