



Clearing the Confusion

The Need for Clarity in Usage of BIC vs LEI
in Cross-Border Transactions

Introduction

The Financial Stability Board (FSB), the BIS Committee on Payments and Market Infrastructures (CPMI), the G20, and the Financial Action Task Force (FATF) have recently recommended the adoption of standardized global identifiers for entities in cross-border payments. But which identity standard best aligns with their objectives?

The Business Identifier Code (BIC) and the Legal Entity Identifier (LEI) exist concurrently and have complementary purposes in identifying parties in transactions.

This paper outlines the key differences between these two standards and calls on industry groups to collaborate with Swift and the Global LEI Foundation (GLEIF) to establish clear guidelines and market practices for their use.

In the increasingly complex landscape of cross-border transactions, global identity standards are critical to achieving efficiency, compliance, and interoperability.

Global Recommendations and Regulatory Guidance



G20's Roadmap for enhancing cross-border payments¹

The G20 and the Financial Stability Board (FSB) have emphasized that the Legal Entity Identifier (LEI) is a key enabler in reducing friction in cross-border transactions. By facilitating counterparty identification and enhancing transparency, the LEI is especially valuable for corporate entities.

The FSB actively advocates for LEI adoption and includes it as part of its official KPI reporting to the G20.

BIS CPMI

In Harmonised ISO 20022 data requirements for enhancing cross-border payments³, as well as Promoting the harmonisation of application programming interfaces to enhance cross-border payments: recommendations and toolkit⁴, CPMI emphasized the need for global standards such as BIC and LEI to improve transparency and efficiency in cross-border payments.

FATF Recommendations

In its most recent Public consultation on recommendation 16 on Payment Transparency⁵, FATF is considering the use of LEI and BIC to strengthen anti-money laundering (AML) and counter-terrorist financing (CTF) measures.

1 www.fsb.org/2024/10/g20-roadmap-for-enhancing-cross-border-payments-consolidated-progress-report-for-2024/

2 <https://www.fsb.org/uploads/P211024-2.pdf>

3 www.bis.org/cpmi/publ/d218.htm

4 www.bis.org/cpmi/publ/d224.htm

5 www.fatf-gafi.org/en/publications/Fatfrecommendations/R16-public-consultation-Feb24.html

The Roles of the BIC and the LEI

The BIC and the LEI are complementary standards, with the LEI providing the unique identifier for the legal entity and the BIC providing durable organizational details at entity and branch level that can be used to identify parties and route transactions.

Although neither identifier provides absolute assurance on the underlying credentials of the entities that they represent, they do provide additional information, and so interested parties will have greater clarity on the entities and sub-entities involved in a financial transaction.

The BIC and LEI are both ISO standards, whose structure and scope is as follows:

BIC (ISO 9362):

Is either an 8- or 11-character business identifier code for financial and non-financial institutions, which is used to facilitate automated processing of information for financial services. The BIC is used for addressing messages, routing business transactions and identifying business parties. It is also a means for market actors, for example non-bank payment service providers, to access payment systems and financial networks such as the central bank operated Eurosystem⁶.

LEI (ISO 17442)

Is a 20-character alphanumeric code that enables consistent and accurate identification of all legal entities that are parties to financial transactions, including non-financial institutions such as corporates, government agencies, supranational organizations and individuals when acting in a business capacity.

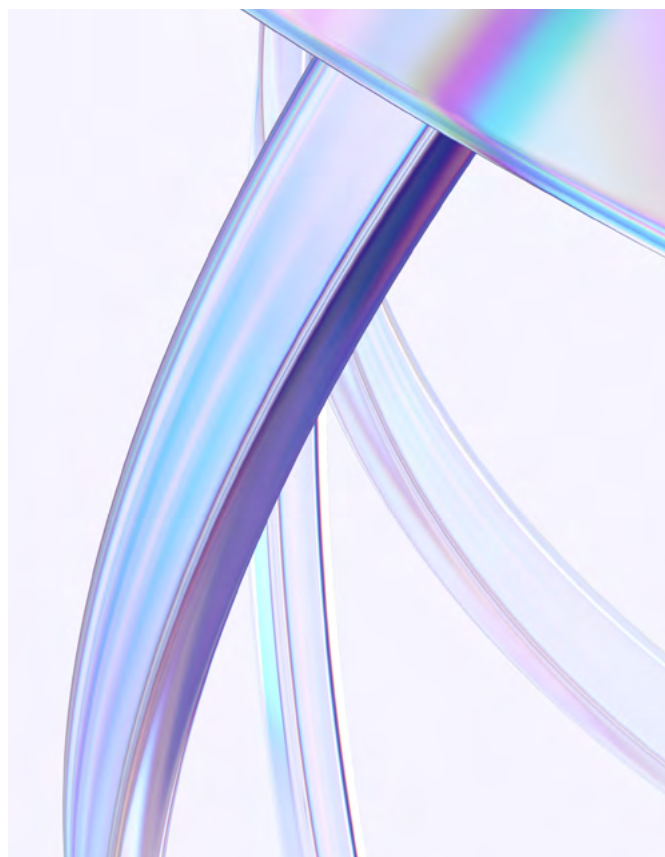
⁶ Decision (EU) [2024/[xx]] of the European Central Bank of 27 January 2025 on access by non-bank payment service providers to Eurosystem central bank operated payment systems and central bank accounts (ECB/2025/2 https://www.ecb.europa.eu/pub/pdf/legal/ecb_leg_dec_2025_2.en.pdf)

Examples of BIC and LEI complementarity

As seen above, BIC and LEI serve distinct but complementary purposes. Rather than being interchangeable, they work together and should continue to coexist in the market.

The LEI uniquely and unambiguously identifies the legal entity you are conducting business with. It also provides insights into relationships between entities. When organizations cease to exist due to mergers or similar actions, their LEIs are retired to preserve clarity. This enhances reporting accuracy and helps in assessing market exposure and related risks.

The BIC allows you to direct a message or sum of money to a particular branch of a legal entity. BICs can survive corporate actions, such as acquisitions or mergers under certain conditions. This minimizes disruption for business partners, who can continue to route payments, or securities settlement information, to a BIC representing a going concern, even if its ownership has changed. There is no need for business partners (of which there may be thousands) to update their operational systems or directories. This leads to reduced risk of misdirected or failed transactions.



One example of how BICs and LEIs work effectively together, is when the LEI is used as way to link together several BICs that are all associated to the same legal entity. This is very helpful, particularly when there has been a change in ownership of an entity represented by a BIC (e.g. through a merger or an acquisition) and this is not reflected in the BIC name.

The relationship between LEI and BIC can be found in the [BIC-to-LEI Relationship Files](#), which are mappings between identifiers enabled by Swift and GLEIF. Using this information, a business partner can analyze or report on its dealings with a legal entity, even though transactions are exchanged with a range of individual branches or sub-entities. Other improvements to the [BIC-to-LEI Relationship Files](#) are under discussion.

Link to ISO 20022

ISO 20022 is a global standard for financial messaging that provides a common framework for structuring, transmitting, and interpreting financial data. It enables secure, efficient, and interoperable communication and is widely adopted across the global financial ecosystem by:

Banks and Financial Institutions

For cross-border payments, domestic payments, FX and securities transactions.

Payment System Operators

Real-Time Gross Settlement (RTGS) systems, Instant Payment systems (RTPS) and Automated Clearing Houses (ACHs) around the world.

Corporations

For treasury operations, particularly payments.

Central Banks

For interbank settlement systems and monetary policy operations.

Technology Providers

Software vendors, fintech companies, and API providers develop solutions compatible with ISO 20022 to serve financial institutions.

Market Infrastructures

e.g. Central Depositories, derivatives clearinghouses and exchanges.

ISO 20022 also provides a framework for incorporating both BIC and LEI in dedicated fields, but when there is a choice, market practice guidelines are necessary to know which identifier should be used where, depending on the context of the transaction.

To ensure cost efficient and effective implementation of ISO 20022, it's important that the messages are used consistently, and that the fields contain the right data. That is why Industry groups such as the Payments Market Practice Group (PMPG) and the Securities Market Practice Group (SMPG), have documented and published market practice guidelines, so that the industry has a common set of agreed upon rules to follow.

But there are still areas where greater clarity is required, for example in cross-border payments transactions where there is a need to clarify when to use a BIC, when to use an LEI, and when you need to use both to identify parties versus a routing location.

So, it is important that the payments industry (through the PMPG), Swift (as the ISO 9362 BIC Registration Authority), and GLEIF (who is tasked to support the implementation and use of the LEI) collaborate to define clear guidelines on how the BIC and LEI standards should be used to identify all the parties in cross-border payments. This includes the banks, their corporate clients, market infrastructures and regulators.

Benefits of Clear Guidelines for BIC and LEI Usage

There are three reasons why clear guidelines on BIC and LEI usage will enable the market to operate with greater efficiency and transparency:

Regulatory Compliance

Correct use of BIC and LEI should improve the effectiveness and efficiency of compliance processing by helping identify bad actors correctly and reducing false positives. As noted above FSB, BIS CPML and FATF recommend the use of global standardized identifiers in their guidelines⁷. More detailed rules will be formulated by regulators for implementation at national level. Clear guidance on best practice for implementation of BIC and LEI will help financial institutions ensure their readiness to comply as regulation evolves.

Operational Efficiency

To fully leverage industry standards like ISO 20022, clear guidance is needed on how fields should be populated. Adhering to established market practice guidelines ensures consistency, reduces transaction processing errors, and enhances automation in adjacent processes as well.

Enhanced Risk Mitigation

The original use case for the LEI was developed by the G20 in 2011 post financial crisis when institutions were unable to easily calculate their risk exposure with other institutions. Today, although there is some overlap in how each identifier can be used in financial messages, it is generally accepted that:

BIC identifies the financial entity involved in a transaction. BICs can include the location of a specific branch or department, which helps ensure correct routing and security.

LEI uniquely identifies the legal entity involved in a transaction. Each LEI comes with reference data describing the name, address, legal status and structure, which helps with counterparty due diligence checks, fraud reduction and Anti Money Laundering (AML/CFT) measures application.

In Securities markets, LEIs are used in combination with other ISO data elements, including the BIC or a proprietary identifier, to identify place of settlement (PSET) or place of safekeeping (PSAF). In addition, the Unique Transaction Identifier (UTI) - which includes the LEI in its first 20 characters - is a reference used in securities and derivative transactions that enables greater operational efficiency, transparency and risk reduction, so that transactions can be more easily tracked.

Understanding clearly and unambiguously the identity of the parties in a transaction helps mitigate many risks: compliance, reputational and operational.

Recommendations

With the growing adoption of the LEI and the widespread use of the BIC in cross-border transactions, industry consensus is essential to establish a globally accepted guideline for their use.

Additionally, the financial industry must prepare for this shift by ensuring that operational and technical environments are ready to support these standards.

Swift and GLEIF propose the following actions:

Enhance ISO 20022 Guidelines

The industry should document detailed implementation guidelines and support this with clear use cases that specify where a BIC and an LEI should be used in financial messages. Existing expert working groups, for example the Payments Market Practice Group should be leveraged to achieve this goal.

Technical Applications and Infrastructure

Financial institutions and corporates should ensure their systems can incorporate both BIC and LEI seamlessly. Today, BIC to LEI mappings exist and can be leveraged by the financial community. In particular, the GLEIF and Swift open-source relationship file, that matches a BIC against its LEI, is a valuable industry tool to cross-reference between identifiers, including national identifiers, and move seamlessly from the BIC to the associated LEI.

It is in the interest of financial institutions and corporates to closely manage their identifiers to ensure that LEIs and associated BICs are accurate and up to date, because these identifiers are their digital footprint, and the bridge to digital identity.

Vendors

Banking and corporate systems, along with service providers, must ensure their offerings support the BIC and LEI in accordance with industry guidelines. For example, ERP vendors should integrate technical solutions, such as the BIC-to-LEI open-source file and the public GLEIF API, to provide their clients with regularly updated information. This ensures that identifiers are accurate and data is accessible and freely available via API.

Engage Regulators and Standards Bodies:

Collaborate with working groups at the CPMI, G20, FSB, FATF level and other relevant bodies, to ensure alignment with global recommendations.



Conclusion

By aligning practices with global standards and regulatory recommendations, the industry can achieve greater efficiency, transparency, and compliance. The adoption of clear guidelines for incorporating BICs and LEIs within ISO 20022 messages will also ensure that investments in automation are made correctly and are directed toward the right standards, benefiting all stakeholders in the payments, securities, FX and trade ecosystems.

This paper calls for the support of the Payments Market Practice Group (PMPG), the Securities Market Practice Group (SMPG), the International Chamber of Commerce (ICC) Data Standards Initiative and other relevant industry groups, to collaborate with Swift and GLEIF to define a set of guidelines and market practices to support the industry and regulatory agenda.

For additional information, please access our [LEI Search tool](#) here and download the [BIC-LEI](#) files here.

