

The Global Legal Entity Identifier Foundation's (GLEIF) Change Request in a SEPA Payment Scheme to the European Payments Council

June 2021

1. General Description of the Change Request

Suggested launch date (if any):

The launch date will be consistent with the timeline of the publishing of the updated rulebooks of SEPA Instant Credit Transfer (SCT Instant) Scheme and SEPA Direct Debit (SDD) B2B Scheme considering the change requests received from stakeholder groups, which are envisaged to be released in May 2022.

Description of the change request:

The Global Legal Entity Identifier Foundation (GLEIF) would like to make a change request to the SDD B2B Scheme and SCT Instant Credit Transfer Scheme. In line with the objectives of the European Payments Council (EPC) to automate SCT Inst based on open standards, GLEIF suggests that the EPC considers mandating the LEI in both SDD B2B Scheme and SCT Instant Credit Transfer Scheme for scheme participants to harmonize the identification standards and practices within these schemas and thereby reduce frictions, manual intervention and reconciliation costs.

Wherever possible, please indicate:

- 1. Impact on the Scheme in general:** Including the LEI as a mandatory field for scheme participants in SDD B2B and SCT Instant schemes would be a minor change to the schemes from a technical implementation perspective for scheme participants; however, including the LEI will bring significantly enhanced efficiency to the payment message exchange and reconciliation. Thanks to the LEI, the Originator PSP and Beneficiary PSP identities under the SCT Inst; and Debtor PSP and Creditor PSP under the SDD B2B Scheme, respectively, will be precise in the payment transactions. The LEI will enable an automated way of entity identification of scheme participants, substantially reduce human intervention and improve cost efficiency for all participants in the payment process. GLEIF will elaborate on the reasoning in the following sections.
- 2. Impact on the inter-PSP space:** GLEIF would like to point out that both the International Bank Account Number (IBAN) of the originator/beneficiary/creditor/debtor and Business Identifier Code (BIC) of the PSP in SCT Instant are not sufficient to provide accurate and unambiguous information for verifying the payment participants in a payment chain. GLEIF would like to remind EPC that BICs are not a source of unique legal entity identification like the LEI. BICs also are assigned to sub-divisions within a legal entity, such as departments, branches, and trading desks. For example, a financial institution might have hundreds of subsidiaries worldwide, and the subsidiaries might also have many sub-divisions. However, the BIC assigned to the sub-divisions does not enable the identification of the affiliated legal entities.

On the contrary, a specific legal entity can only have one LEI. Therefore, the current situation does not facilitate straight-through processing of payment messages exchange, often leads to recalls, canceling and human intervention, especially for cross-border transactions. Therefore, it is crucial to add the LEI of the Originator/Beneficiary/Debtor/Creditor PSP in payment messages in addition to the BIC code.

Furthermore, over time, as the population of LEIs of non-financial companies increases as recommended by the European Systemic Risk Board, the LEI could be mandated for the originator/beneficiary/creditor/debtor to track precisely the identity of the exact entities who participate in the payment transactions.

GLEIF would like to comment on the PT-02.02 – Mandate Amendment Procedures under the SDD B2B schema. According to the "Mandate Amendment Procedures", the Creditor has an obligation to inform the amendments of the Mandate that are of concern for the Creditor PSP or the Debtor PSP, including the changes in the Creditor Identifier or the Creditor name. GLEIF suggests that this notification process could be straightforward and seamless if the LEI is required from the Creditor. With the Creditor's LEI, the Creditor PSP/Debtor PSP can easily verify and validate the changes on the Creditor with a single call to the GLEIF API, which is open and free to use. Since the LEI reference data includes a "Change History", Creditor PSP/Debtor PSP can track the reference data changes regarding this Creditor in an automated and quick way.

The addition of the LEI primarily for Creditor/Debtor PSPs and then for Creditor/Debtor in the SDD B2B schema can enhance the efficiency of message exchange and reduce manual intervention and costs for inter-PSP message exchange and reconciliation.

- 3. Impact on other payment stakeholders:** GLEIF would like to highlight that the Global LEI System is free to use, open, and easily accessible database that users would be able to connect with 24/7 operating hours. The LEI connects to key reference data that provides the information on a legal entity identifiable with an LEI: the official name of the legal entity as recorded in the official registers, the registered address of that legal entity, the country of formation. The Global LEI System links with the local business registries that might be proprietary and in different character sets. Instead of navigating through various access points and languages, the Global LEI System allows consumers to conduct quick due diligence in a trusted way. With the Global LEI System, consumers could also easily know and verify with whom they are transacting.

The importance of easy and quick due diligence across borders is crucial for the debtors/creditors/originators/beneficiaries who utilise the SDD B2B scheme to transfer funds. For example, Dr. Franz Kaiser, Head of Treasury Reporting & Middle Office, Finance FTR at Airbus [commented](#) that *"Corporates need to be able to transparently identify counterparties when making and processing payments. This is challenging when dealing with legal entities in different jurisdictions. Airbus payment and KYC processes could be eased if transaction counterparties could easily be uniquely identified, alongside their ultimate beneficiary owners. LEI usage in cross-border payments would bring significant benefits to corporates globally."*

The inclusion of the LEI in SDD B2B and SCT Instant schemes would positively impact all payment stakeholders and the payments ecosystem.

4. Impact on the message standards (SEPA Scheme Implementation Guidelines and other standards):

GLEIF welcomes the inclusion of the LEI as an optional data field in the 'Financial Institution Identification' within the Customer Credit Transfer Initiation dataset in the SCT Instant scheme. From the perspective of technical implementation, including the LEI as a mandatory data element in the SDD B2B scheme and SCT Instant scheme would be a minor technical update to the message standards being used by participants. The GLEIF API enables users to automate access to the LEI and its reference data and is a globally accepted protocol for accessing identity information for legal entities, including the basic business card (level 1) data and corporate hierarchy (level 2) data. Moreover, the LEI is already mapped with identifiers such as BIC and International Securities Identification Number (ISIN) codes. It gives developers access to the full LEI Data search engine functionality, including filters, full-text and single-field searches of legal entities and ownership data.

In addition, the interoperability of the Global LEI System would add extra value to the implementation of SEPA schemes in line with the migration to ISO 20022. The LEI has already been included in the ISO 20022 messaging standard and made mandatory by several ISO 20022 market infrastructures in the process of migration. For example, the Bank of England will require all financial institutions to report their LEI for transactions in the Enhancement Phase of incorporating ISO 20022 to the Clearing House Automated Payment System (CHAPS) by 2024. By mandating the use of the LEI, the market participants will see a smoother transition and efficient implementation of ISO 20022 incorporation to the domestic payment systems in all SEPA countries. Therefore, GLEIF invites the EPC to contribute to this revolutionary change in the payments landscape and support the creation of a more effective payments ecosystem by requiring the LEI for the SDD B2B scheme and SCT Instant scheme participants.

For ensuring a smooth transition, the EPC could consider a phased approach, where (Stage 1) the LEI is added into the schema and coexist with other identifiers that are being used today, (Stage 2) phase-out process for other identifiers gets launched, and (Stage 3) the LEI becomes mandatory and is assigned as the identifier for unique identification of payment participants. The last Stage (Stage 4) could be that the participants without the LEI are rejected from participating in the schema. Assigning reasonable timeframes for each Stage could facilitate the adoption of the LEI.

Lastly, GLEIF would like to remind that the LEI is no stranger to the SEPA scheme participants. GLEIF found out that 90% of SEPA Credit Transfer, 95% of SEPA Credit Transfer Instant, and 93% of SEPA Direct Debit Core scheme participants already have an LEI.

5. Impact on the legal rules as defined in chapter 5 of the EPC SEPA Payment Scheme Rulebooks:

Including the LEI as mandatory in the SDD B2B scheme and SCT Instant scheme would not have an impact on the legal rules as defined in chapter 5 of the EPC SDD B2B Scheme and SCT Instant Rulebooks.

6. The nature of the change request:

- a. A change (an existing Rulebook element is deleted, amended or replaced by a new one, or a complete new Rulebook element is added alongside the existing Rulebook elements)**

The change request of including the LEI as mandatory in the SDD B2B scheme and SCT Instant scheme would be adding the LEI, the only global standard for legal entity identification based on an open data regime, to be applied for identifying firstly Creditor/Debtor/Originator/Beneficiary PSPs and then creditor/debtor/originator/beneficiary through a reasonable phased approach.

B. Elements of evaluation

The submitting party is requested to give an appropriate answer to each of these questions with sufficient detail to allow the EPC to make an evaluation of the change request submitted.

Is the change request a case for SEPA wide adoption?	Yes.
Is the change request underpinned by a cost-benefit analysis?	Yes. The above change request would require minimum technical updates from SDD B2B and SCT Instant scheme participants. Under the GLEIF's Validation Agent model, debtors/creditors/originators/beneficiaries have the opportunity to get an LEI free of charge from the Validation Agent financial institutions that they have a banking relationship. As the number of Validation Agents increases, all these parties will have the opportunity to get an LEI free of charge and through a seamless experience.
Does the change fit into the strategic objectives for SEPA?	Yes. The above change request would help to achieve the strategic objectives of SEPA in having a harmonised, easily accessible, cost-efficient and secure electronic euro payments across Europe.
Do you consider that the implementation of the change resulting from the acceptance of the change request is feasible?	Yes.
Do you consider that the change request does not impede SEPA-wide interoperability?	The inclusion of the LEI would not impede SEPA-wide interoperability, but rather enhance the interoperability by leveraging the linkage of the Global LEI System with national business registers and mapped identification systems such as the BIC code.
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