

## The Global Legal Entity Identifier Foundation's (GLEIF) Response to the European Payments Council Single Euro Payment Zone (SEPA) Instant Credit Transfer Scheme Rulebook Public Consultation on 2022 Change Requests

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The Global Legal Entity Identifier Foundation (GLEIF) would like to reiterate its change request to the 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 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.

This change request is also in line with the developments in the upcoming ISO 20022 messaging standard. SWIFT recently published its [Guiding principles for screening ISO 20022 payments](#). In the Guidelines, SWIFT highlighted that unstructured data is a barrier to building effective transaction screening and monitoring tools that mitigate sanction and AML risks. As the payments industry prepares to adopt ISO 20022, banks are revisiting their screening environments to identify the impact of this move and opportunities for change. **BIC and LEI codes of Entities published on sanctions lists are listed as the relevant information should be screened against.** The targeted screening approach allows financial institutions to avoid false positives linked to mismatches between information types (e.g. debtor name hitting against vessel names, street name information hitting against embargo data). Unlike other identifiers, **BICs and LEIs are global in nature which make them particularly effective to identify sanctioned entities or discard potential hits.**

SWIFT suggested that the **LEI should be screened against lists of sanctioned LEIs** (if any). If geographical information can be inferred from the LEI, it should be screened against Embargo data. These guidelines have been already [endorsed by the Wolfsberg Group](#), an association of thirteen global banks that aims to develop frameworks and guidance for the management of financial crime risks, particularly with respect to Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies.

With this particular publication and endorsement by the Wolfsberg Group, GLEIF would like to emphasize 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 and 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. With this clarification in mind and value proposition of the LEI as a complementary identifier to the BIC, GLEIF invites SEMWG to revisit their reasoning that the BIC is well established and causes no problem in payment processing, and hence there should be no need for improvement by introducing the LEI as a mandatory data field.