

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Bank of England's discussion paper on innovation in money and payments

October 2024

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide feedback on the Bank of England's discussion paper, *The Bank of England's Approach to Innovation in Money and Payments*.

GLEIF's response focuses on the crucial role the Legal Entity Identifier (LEI) and its enhanced digital twin, the verifiable LEI (vLEI), can play in identifying payment counterparties within the innovations discussed, thereby improving security, efficiency, and regulatory compliance in the evolving payments landscape.

The Role of the LEI and vLEI in Payment Innovations

The payments landscape is experiencing a profound transformation, driven by new technologies that are reshaping payment transactions globally. These innovations are enhancing the speed and user experience of payments. However, as payment systems evolve, so too do opportunities for fraudsters to exploit vulnerabilities, making the identification of counterparties more essential than ever.

GLEIF believes that the systematic use of identification standards, such as the ISO 17442 LEI, and its enhanced version, the vLEI, is critical to ensuring the security, integrity, and efficiency of these new systems. The LEI and vLEI provide transparency and trust, enabling better risk management and regulatory compliance in digital transactions.

LEI and vLEI Use in Key Innovation Areas

- **Programmable Ledgers in Financial Markets**

Programmable ledgers, such as those based on Distributed Ledger Technology (DLT), could greatly benefit from the use of both the LEI and vLEI. The LEI's machine-readable nature makes it easy to integrate into digital systems, streamlining and automating transaction processing to reduce errors and improve overall efficiency.

The vLEI offers additional capabilities, providing real-time verification of a legal entity's credentials. By embedding vLEIs into programmable ledgers, financial institutions can ensure that the counterparties involved in transactions are verified, trustworthy, and compliant with regulations, while enabling secure automation of complex processes.

- **Regulation of Stablecoins and Tokenized Deposits**

The LEI provides a unique, standardized identifier for legal entities involved in the issuance and transaction of stablecoins and tokenized deposits. This is vital for both regulators and market participants, as it ensures clarity in identifying entities, thereby enhancing market transparency.

The vLEI further strengthens this by enabling continuous, verifiable credentialing of entities and their customers in real time. This ensures stablecoin issuers and entities involved in tokenized deposits adhere to relevant regulatory requirements, improving the integrity of these digital financial assets and their ecosystem.

- **Identification Needs in Retail CBDC**

The LEI, and more specifically the vLEI, could be instrumental in identifying participants in Central Bank Digital Currency (CBDC) transactions. The vLEI's ability to provide real-time, verifiable credentials for legal entities and their customers, including retail, allows central banks and financial institutions to implement a standardized, interoperable approach to counterparty and client verification—especially important in cross-border CBDC transactions involving multiple jurisdictions.

By using the vLEI in addition to the LEI, institutions can enhance security and trust in CBDC systems, ensuring that the entities transacting are reliably identified and verified across borders.

Supporting Commercial and Central Bank Digital Money Solutions

GLEIF sees no obstacles to using both the LEI and vLEI in all payment solutions based on commercial or central bank digital money. Whether for commercial digital currencies or CBDCs, the LEI and vLEI can provide a standardized, secure, and scalable method for identifying and verifying entities, including their retail customers via bank-issued verifiable credentials, ensuring smoother integration with regulatory frameworks.

Conclusion

We hope this feedback proves useful as you continue reflecting on innovations in payments and the evolving identification needs in payment transactions. The LEI and vLEI offer critical tools to enhance security, transparency, and regulatory compliance in this rapidly changing landscape. Should you have any further questions or require clarification, GLEIF remains fully available to assist.

About the LEI

The ISO 17442 LEI was developed under the auspices of the G20 leaders and the Financial Stability Board during the 2008 financial crisis to create transparency amongst counterparties to financial transactions. GLEIF's day-to-day work is overseen by more than 65 public authorities. The LEI is an interoperable, open, and machine-readable identifier. It is available to all legal entities worldwide and is already in use in dozens of legislation pieces across the globe.

The political drivers behind the LEI initiative, including the G20, the FSB, and the European Systemic Risk Board (ESRB) have emphasised the need to make the LEI a broad public good. The Global LEI Index provides complete LEI data at the disposal of any interested party, conveniently and free of charge. This includes real-time snapshots of key company data and provides a history of any changes to it.

In addition, data access is conveniently provided via website search functions, full file downloads and an Application Programming Interface (API). It also enables automated security checks where the LEI of the filing entity is also embedded in the signing tools or digital certificate

About GLEIF

The Global Legal Entity Identifier Foundation ([GLEIF](#)) is the not-for-profit foundation that manages the ISO 17442 Legal Entity Identifier (LEI).