

Moody's Analytics on the power of the LEI in KYC and corporate onboarding

The challenge

The majority of Moody's Analytics KYC customers choose our global business verification and know your business (KYB) solutions to manage ongoing risk and anti-money-laundering (AML) compliance. Our leading data, advanced APIs, and collaborative web-based tools provide the insight, efficiency, and automation needed for audit-proof compliance. Using our solutions, customers can connect to the latest, most accurate official data sources to understand risks and can make decisions with confidence about whom they work with.

A core challenge for customers is to efficiently access the data they need for robust due diligence and ongoing risk monitoring – therefore we bring this together for them from disparate sources. Connectivity to business registries, for example, varies greatly from jurisdiction to jurisdiction. In some countries automated access is supported by the register. In others, data can only be retrieved via a user interface. The data availability itself also varies significantly. Some commercial registers offer access to fully structured and rich datasets, whereas others only make limited sets of data points available in an unstructured way within documents.

These variations shine a light on the inherent complexity of providing the data needed for entity verification and onboarding, together with the importance of accessing accurate, up-to-date, risk-relevant information.

In a typical onboarding process, customers search Moody's Analytics databases and real-time access network for relevant information and data on an entity, analyze it and then make a decision about onboarding. To assist this process, customers can set rules based on the information they retrieve, which provides further refinement on risk indicators to complete a profile.

Our customers report that onboarding times for corporate customers significantly differs based on the information that needs to be collected. If it is a basic merchant, onboarding could take just a few minutes. For larger customers or suppliers who, for example, may have complex ownership hierarchies, onboarding can be more protracted.

Today, Moody's Analytics KYC uses the LEI in its real-time entity verification service for certain use cases. Where the LEI is assessed, customers are also typically keen to see if an onboarding entity's LEI renewal date is updated, so it can be factored into their risk assessments. We offer customers the ability to search the Global LEI Index and if the

entity has an LEI we ensure it is added to our reference table. Since not all entities have an LEI its use as a global identifier system is currently limited.

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 between 2 billion and 4 billion USD annually in onboarding costs. This represents a saving of between 5 percent and 10 percent of the industry's overall spend of more than 40 billion USD on the practice. If all entities had LEIs, compliance checks would be easier. Today, most of the KYC onboarding process is based on entity names, which is liable to human error and misrepresentation and relies on the understanding of different languages and character sets. This would be solved if entities had a standardized, alpha-numeric, machine-readable LEI code that links to their corresponding record in the Global LEI Index.

Future value from Moody's Analytics KYC solutions

So-called "perpetual KYC" or pKYC is the key to ensuring onboarding data and risk profiles are kept up-to-date. If the LEI were mandated consistently across jurisdictions in onboarding and risk monitoring processes, it could play a pivotal role in automating the KYC industry - saving time and money for all stakeholders, including financial institutions, supply chain organizations, large corporates, and other regulated firms.

The LEI would provide significant efficiency gains when onboarding complex multinational companies since their ownership hierarchies are trackable via the Global LEI Index. This especially holds true for offshore entities for whom real-time access to data via business registries is not available in all jurisdictions, meaning it can take weeks to obtain the necessary entity information.

Moody's Analytics acknowledges that ISO20022 is an important development for the future of payments and is already structuring its data into the appropriate format. Here, the mandated use of the LEI in ISO20022 payments messaging would greatly increase efficiency, help with sanctions screening, and improve correspondent banking relationships.

Moody's Analytics follows the development of AML regulations closely and supports the EU's AML regulatory proposal to include the LEI. Therefore, the LEI is a significant part of our product strategy. We also support broader use of the LEI and LEI reference data, as it has the potential to increase efficiencies and straight-through-processing across other use cases in the financial sector and beyond.

“Moody’s Analytics recognizes the value the LEI can provide, if included in ISO20022 payment messaging as a mandatory data element and therefore fully supports this.” – Johanna Konrad, Managing Director, Kompany, Moody’s Analytics.

About Moody's

[Moody's](#) is a global integrated risk assessment firm that empowers organizations to make better decisions. Moody's Analytics is a separate and independent entity from Moody's Investors Service within the Moody's organization. Moody's data, analytical solutions and insights help decision-makers identify opportunities and manage the risks of doing business with others. Moody's believe that greater transparency, more informed decisions, and fair access to information open the door to shared progress. With over 13,000 employees in more than 40 countries, Moody's combines global presence with local expertise and over a century of experience in financial markets.

