Press Release

GLEIF Supports World Trade Board Plan to Empower SMEs Through Trade and Finance

‘Financial Inclusion in Trade Roadmap’ provides a holistic framework for public and private sector collaboration to accelerate change

27 March 2023 – Basel – The Global Legal Entity Identifier Foundation (GLEIF) has contributed to the World Trade Board’s new plan to drive greater access to trade finance for MSMEs, the Financial Inclusion in Trade Roadmap. Launched today for consultation, the plan identifies five key areas where coordinated action can make a significant impact. Crucially, the Roadmap aims to accelerate the pace of change by providing a holistic framework for public and private sector collaboration.

MSMEs make up around 90% of businesses globally but accounted for just 23% of applications for trade finance in 2020. Despite their low representation, these smaller firms made up 40% of rejected trade finance applications. This mismatch between demand for and supply of trade financing, known as the trade finance gap, is growing rapidly – from an estimated $1.5 trillion in 2018 to $2 trillion in 2022, and shows no signs of slowing.

Michael Vrontamitis, Deputy Chair of the World Trade Board, said: “Difficulty accessing finance means MSMEs are greatly under-represented in global trade. Many good ideas to increase financial inclusion have been put into action, but to accelerate progress we need to harness the knowledge and technology available to us into collective action. Our framework aligns diverse stakeholders towards a common vision, with clear lines of responsibility in a results-driven approach. We now invite the industry to provide feedback that will improve the Roadmap, then partner with us on implementation.”

The absence of a universal system of business identity is severely limiting the growth potential of MSMEs everywhere. Without robust business credentials, MSMEs face a variety of significant barriers: their access to finance, particularly to trade finance, is either severely limited or denied altogether, and their capacity to establish contractual domestic and international trading partnerships is constrained. Even gaining access to payment services is a challenge. A crucial step to increasing financial inclusion is to encourage broad MSME adoption of a trusted, globally recognized system for business identity. The Global LEI System is one such system. It gives banks, financial institutions, potential business partners and other regulated institutions easy access to an MSME’s key legal reference data. Once registered, an MSME can be recognized universally, since its data is openly available electronically, free of charge, to anyone, anywhere.
“By opening up cross-border trading opportunities to more MSMEs, the LEI can be seen as a critical – and immediately available – tool in the drive to create a much broader and more competitive supply chain for businesses worldwide,” comments Clare Rowley, Head of Business Operations, GLEIF. “Additionally, using a single global identifier can bring greater transparency and utility to supply chain relationships, both of which are critical components in sustainable supply chain monitoring and reporting. The result of greater financial inclusion among MSMEs will be a stronger, more diverse, transparent, and competitive environment for global trade.”

Writing in the Roadmap’s foreword, Pascal Lamy, Coordinator of the Jacques Delors Think Tanks, President of the Paris Peace Forum and Strategic Advisor to the World Trade Board, notes: “When it comes to the gaps in the provision of trade finance, no commercial bank or multilateral institution can address these [challenges] on their own. They need to find new ways of partnering with each other, with governments and with other innovative organisations to deliver their expertise.” To this end, the Financial Inclusion in Trade Roadmap suggests actions in five key areas:

**Pillar 1: Digital infrastructure**
Digital identities: Accelerate the adoption of digital identities, such as the Legal Entity Identifier (LEI) and Decentralised Identifiers, through mandated utilisation in the financial services sector.

**Pillar 2: Legal/Regulatory infrastructure**
Support the adoption of, or alignment of legal frameworks with, UNIDROIT’s Factoring Model Law (FML), expected to be released in Q3 2023 and its broader implications and facilitate adoption of efficient regulatory regimes.

**Pillar 3: Data infrastructure**
Gain access to trade receivables-related data points to update traditional credit-decisioning methods.

**Pillar 4: Technical assistance**
Support technical learning amongst financial institutions and MSMEs on matters related to legal, digital and data infrastructure.

**Pillar 5: New funding sources**
Develop an infrastructure to encourage investment in credible MSME trade finance assets.

Simon Paris, Chair of the World Trade Board and CEO of Finastra, added: “MSMEs are the fuel of our national economies and the lifeblood of their communities. Together as an industry, I’m sure we have the knowledge, expertise, and technology to address the various challenges in a coordinated, collaborative way and help redefine finance for good. This roadmap is a major step towards that goal, and we look forward to working with industry further to hasten our progress towards it.”
Before the Roadmap is made final, The World Trade Board invites comments and feedback from all stakeholders to help ensure the guidance can be implemented as broadly as possible. The Financial Inclusion in Trade Roadmap can be found at the World Trade Symposium website and feedback should be sent to feedback@worldtradeboard.org.

In addition to the contributions made by GLEIF, key contributors to the Roadmap include the International Chamber of Commerce UK (ICC UK), the International Finance Corporation (IFC), the Bankers Association for Finance and Trade (BAFT), the International Trade and Forfaiting Association (ITFA) and Factors Chain International (FCI).

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Full resolution images and logos can be downloaded via this link https://www.gleif.org/en/newsroom/gleif-graphics-images

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Relevant link
https://www.gleif.org/en

Glossary of terms
Legal Entity Identifier (LEI)
The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity’s ownership structure, answering the questions of ‘who is who’ and ‘who owns whom’. It provides a universally recognized identifier paired with essential entity data, rigorous verification processes and high data quality.

Verifiable LEI (vLEI)
The vLEI concept is simple: It is the cryptographic secure digital counterpart of a conventional LEI. In other words, it is a digitally trustworthy version of the 20-digit LEI code which is automatically verified, without the need for human intervention. It gives government organizations, companies, and other legal entities worldwide the capacity to use non-repudiable identification data pertaining to their legal status, ownership structure and authorized representatives in any kind of digital interaction, transaction, or e-signature scenario.
About the Global Legal Entity Identifier Foundation (GLEIF)

Established by the Financial Stability Board in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is a not-for-profit organization created to support the implementation and use of the Legal Entity Identifier (LEI) and its digital counterpart the verifiable LEI (vLEI). GLEIF is headquartered in Basel, Switzerland.

GLEIF's mission is to manage a network of global partners to provide trusted services and open, reliable data for unique legal entity identification worldwide. GLEIF makes available the technical infrastructure to provide, via an open data license, online access to the full global LEI database free of charge to users. GLEIF is overseen by the Regulatory Oversight Committee, which is made up of representatives of public authorities from across the globe.

Diversity and inclusion underpin GLEIF's values. This is reflected in its workforce of approximately 60 staff from over 20 nations, its operational excellence, and its commitment to open, global participation in the Global LEI System.

For more information, visit the GLEIF website at https://www.gleif.org/en.

Source:

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