

The Power of LEIs to Transform Client Lifecycle Management in Banking

Wide adoption of the Legal Entity Identifier (LEI) by banks could unlock an estimated **U.S.\$2-4 billion*** across the global banking sector per annum.

The banking sector relies on counterparty identification and verification for client lifecycle management among many use cases.

By scaling adoption of the LEI beyond regulatory requirements in capital markets to improve customer lifecycle management, the global banking industry could create substantial and quantifiable value in the near to mid-term.

Research** from the Global Legal Entity Identifier Foundation (GLEIF) and McKinsey has illustrated the potential benefits to banks:

1) Improved productivity / onboarding efficiency gains:

Today, the global banking sector spends around **U.S.\$40 billion** → on client onboarding annually.

That's an estimated **U.S.\$54m** per bank, **U.S.\$31m** of which is 'people' cost. Productivity improvements gained through LEI usage could generate cross-sector cost reductions of between 5-10% annually.

By using LEIs to streamline processes for connecting with internal and external data sources, banks could realize an estimated **14%** reduction in client onboarding time.

Wide adoption of the LEI by the global banking sector could unlock an estimated **U.S.\$2-4 billion** per annum across the sector in client onboarding efficiencies.



Comments from participants of the McKinsey / GLEIF study, 2019:

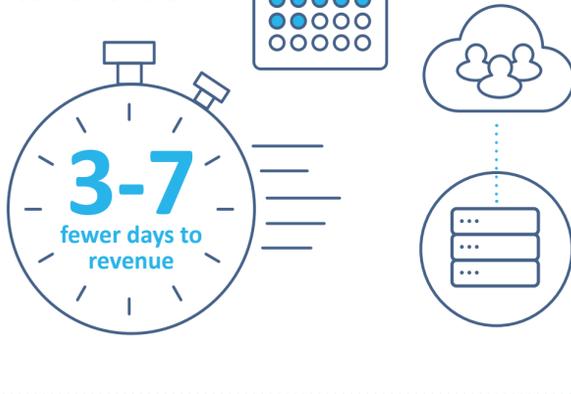
“If everyone had an LEI, it would be **very easy to tie together external sources** and internal systems”

“We consider the LEI as a key piece of our roadmap to **reducing onboarding time**”

“For funds that have an LEI, **onboarding is a breeze** because we know what KYC documents exist”

2) Shorter time to revenue:

LEI usage could create between **3 to 7 fewer days to revenue** thanks to increased **transparency into available entity data**, reducing Know Your Customer (KYC) data collection time.



3) Better customer service delivery and improved retention:

- **Streamlined document collation during onboarding. LEI usage could save banks one round trip** for additional client information during onboarding.
- **Improved system connectivity**, reducing redundant and frustrating client requests for data or documents.



4) Improved compliance and credit risk:

- More holistic view of client pre-onboarding.
- **Ability to view client data across business lines and geographies**, enabling more effective risk evaluation and avoidance of fines.



Major pain points in counterparty identification and verification

The top four pain point identified by banks, which recur repeatedly throughout the client lifecycle, are:



If an LEI was obtained at the start of onboarding, many of these challenges could be resolved, with the net effect being expedited counterparty identification and verification processes. Know Your Customer compliance may also be expedited.

The LEI supports business activities at all stages of the client lifecycle management use case, including:



Broader use of the LEI beyond regulatory reporting in capital markets could generate significantly higher cost and time savings, when utilized across other banking business lines, for example:



“Wider use of the LEI brings **significant potential benefits to the banking sector**. To realize these gains, GLEIF encourages banks to make LEIs foundational to customer lifecycle management processes across all areas of business”

GLEIF's priority is to support voluntary adoption of the LEI in banking use cases beyond regulatory reporting so that these benefits can be fully realized. GLEIF welcomes engagement from financial institutions wishing to learn....

For further information on LEIs: Please visit www.gleif.org



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). GLEIF is headquartered in Basel, Switzerland.

Find out more here: www.gleif.org

*Calculation: FTE productivity gain of (10% to 15% [*2-4 hours] of ~25 hours per onboarding case) multiplied by percentage of total onboarding costs attributable to FTEs (~57%) then multiplied by the estimated total industry spend on client onboarding (\$40 billion per year). FTE productivity was based on "voice of customer" and expert interviews and includes both the estimated reduction and FTE hours per onboarding case. Percentage of total client onboarding costs attributable to FTEs based on the average cost of FTEs in the client onboarding function at 10 tier-1 banks (McKinsey Cost Per Trade Survey) divided by total client onboarding cost (European Association of Corporate Treasurers). Total industry client onboarding spend based on a Thomson Reuters report: KYC Compliance: The Rising Challenge for Financial Institutions.

**Source: McKinsey Cost per Trade Survey, Thomson Reuters "KYC Compliance: The Rising Challenge for Financial Institutions" report, GLEIF 2.0 voice of customer and expert interviews. McKinsey conducted a voice of the customer exercise involving interviews of over 70 stakeholders, including market participants across more than five sectors, current LEI registrants and users, Local Operating Units, regulators and potential Global LEI System partners.