



VALIDATION AGENT PROGRAM

Legal Entity Identifier (LEI) Services for Banks & FIs

Using LEIs to streamline and reduce costs of
KYC & Onboarding

Introduction

The banking and FI sector relies on counterparty identification and verification for client lifecycle management in many use cases. The subscription fees for the KYC data and the connection and management of various data points lead to high costs, with the global banking sector spending around \$40 billion on client onboarding annually.

Use of Legal Entity Identifiers in KYC and onboarding has the potential to be a significant cost saving tool, with measurable impact to people/staff productivity, the streamlining of processes, and improved transparency into available entity data.

LEI programs for banking & FIs

Ubiseure is a GLEIF accredited LEI issuer and offers numerous programs for banking and FIs to use LEIs in their KYC and onboarding scenarios, including the GLEIF Validation Agent framework. The services include live lookups to the global LEI database with on-demand LEI issuance and both API and SaaS-based lifecycle management of issued LEIs, to scale to banking customer quantities. The Validation Agent is a tri-party engagement with Ubiseure, the Global LEI Foundation (GLEIF) as an independent and agnostic party, and the bank itself equally invested in realising the benefits of LEI usage.



RESEARCH CONDUCTED BY MCKINSEY ON BEHALF OF THE GLOBAL LEGAL ENTITY IDENTIFIER FOUNDATION (GLEIF) HAS CONCLUDED THAT BROADER USE OF LEGAL ENTITY IDENTIFIERS (LEIS) ACROSS THE GLOBAL BANKING SECTOR COULD SAVE THE INDUSTRY U.S.\$2-4 BILLION ANNUALLY IN CLIENT ONBOARDING COSTS ALONE. THE WIDESPREAD USAGE OF THE LEI CAN GENERATE TOPLINE BENEFITS ACROSS ALL STAGES OF THE CLIENT LIFECYCLE MANAGEMENT PROCESS FOR BANKS, INCLUDING KNOW-YOUR-CUSTOMER REQUIREMENTS. WE ARE EXCITED THAT WIDER USE OF THE LEI BRINGS SUCH SIGNIFICANT POTENTIAL BENEFITS TO THE BANKING SECTOR, AND OUR PRIORITY AT THIS STAGE IS TO SUPPORT VOLUNTARY ADOPTION OF THE LEI IN BANKING USE CASES BEYOND REGULATORY REPORTING SO THAT THESE BENEFITS CAN BE FULLY REALIZED."

Global LEI Foundation

This document provides a brief background on the potential benefits of LEIs to banks, highlights the datapoints from the McKinsey survey, and details how a bank may engage in RapidLEI's programs.

About LEIs

A Legal Entity Identifier is a 20-character identifier that identifies a distinct legal entity. It is defined by the ISO 17442 standard, endorsed by the G20, and acts as “the one identity behind every business”. As of October 2020, over 1.7 million legal entities worldwide have registered LEIs.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
|--|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|--|----|
| LOU IDENTIFIER Prefix used to ensure uniqueness among codes from LOUs | | | | ENTITY IDENTIFIER Entity-specific part of the code generated and assigned by the LOUs according to transparent, sound and robust allocation policies | | | | | | | | | | | | | | VERIFICATION ID Two check digits as described in the ISO 17442 standard | |
| 5 | 2 | 9 | 9 | 0 | 0 | T | 8 | B | M | 4 | 9 | A | U | R | S | D | O | 5 | 5 |

LEIs provide a publicly-available verifiable source of ‘who is who’ (organisation identity) and ‘who owns whom’ (organisation group structures). The system is operated by the GLEIF and the ability to issue LEIs is awarded to a limited number of organisations (like Ubisecure through its RapidLEI service) - passing a stringent accreditation process to become LEI issuers.

Role and impact of LEIs in KYC and onboarding

If banks extend the utilisation of LEIs beyond regulatory reporting in capital markets to other banking business lines, such as trade financing, corporate banking and payments, the resulting efficiencies in improvements in customer lifecycle management would generate significant cost and time savings.

Figure from: GLEIF eBook “The power of LEIs to transform client lifecycle management in banking: A U.S.\$4 billion beginning”.

| Sector | Use case | Business activity sub-use cases | Counterparty action |
|---------|---|---|--|
| Banking | Client lifecycle management | Client onboarding | Bank verifies legitimacy of client prior to onboarding |
| | | KYC refresh | Bank re-verifies legitimacy of client on an ongoing basis |
| | | Transaction verification/AML compliance | Bank verifies legitimacy of an entity and its trading partner |
| | | | Bank verifies legal entity included in payment instructions is legitimate |
| | | | Bank filters entities for further AML review and performs enhanced due diligence process on flagged entities |
| | | | Bank verifies legitimacy of both a buyer and leaser prior to issuing financing as part of a lease agreement |
| | | | Lessor (bank) verifies legitimacy of a leaser prior to good shipment |
| | | | Factor (bank) verifies legitimacy of the buying and selling entities prior to accepting a pledged A/R |
| | | | Seller gives buyer and factor each other's LEI |
| | | | Bank checks invoices against pledged A/R |
| | | | Bank verifies the legitimacy of an entity prior to loan origination |
| | Risk management reporting and analytics | Compiling client static reference data | Bank reviews relevant business data such as account structure, address, key people etc |
| | | Monitoring client activity for compliance or risk management purposes (e.g., client credit worthiness monitoring) | Bank monitors entity and parent entity activity |

Figure 1: Client lifecycle management use cases that could benefit from early stage LEI deployment. Source: McKinsey, 2019

From the interviews completed by McKinsey with banks (of various sizes and geographic reach), banking regulators, and other sector participants and experts, four major pain points in client identification and verification came to light. These pain points are addressable by LEI utilisation:

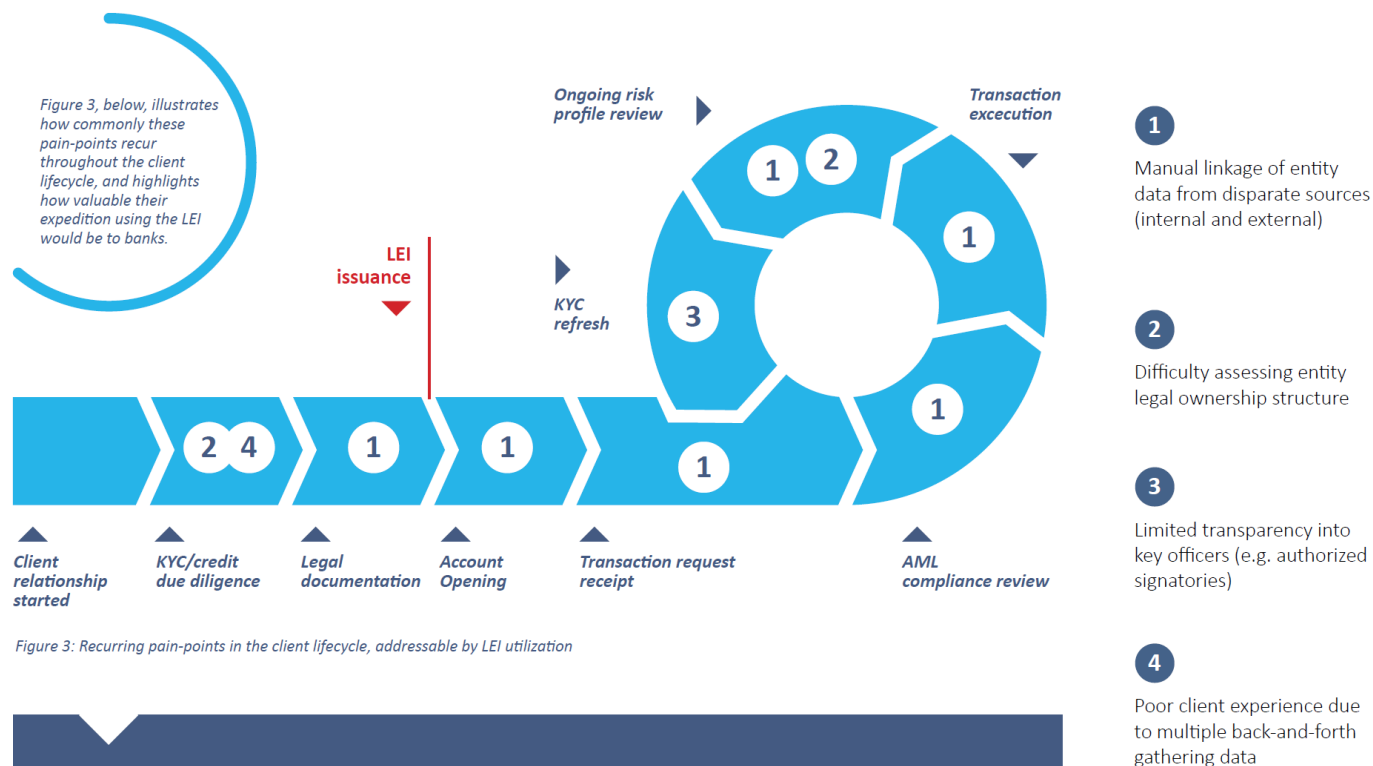


Figure 3: Recurring pain-points in the client lifecycle, addressable by LEI utilization

The study found that many banks try to resolve these problems by implementing various technical solutions, increasing headcount, or just accepting longer cycle times. Since none of these methods fully resolves any of these pain points, many banking interviewees responded enthusiastically to the idea of using LEIs to identify and verify counterparties.

Figure from: GLEIF eBook “The power of LEIs to transform client lifecycle management in banking: A U.S.\$4 billion beginning”.

USING LEIS TO REDUCE PEOPLE COSTS

Today, the global banking sector spends around \$40 billion on client onboarding annually. That’s an estimated \$54 million per bank, of which approximately \$31 million is ‘people’ cost.

Such costs include increase in human resources to: link identity data points; assess ownership structure detail; identify officers; and communicate back-and-forth with customers. Productivity improvements for these activities gained through LEI usage could generate cross-sector cost reductions of between 5-10% annually.

USING LEIS TO REDUCE TIME TO REVENUE

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

- Gains from reducing duplicative data entries and improving data access across internal systems.
- Gains from reducing manual data lookups and enabling straight-through processing across external data sources.

Managing LEIs at scale – automation is key

To realise the positive impact of the LEI, banks must be able to easily manage the lifecycle and be assured of optimum quality of the identity data encapsulated within the LEI. To achieve this at scale with tens to hundreds of thousands of customers, automation is key. The bank must use a solution that connects directly to the various business registries, offers same-session issuance, and offers robust management tools and reporting that can be directly integrated into existing KYC services.

Service delivery

Ubisecure delivers LEI programs through its [RapidLEI](#) service. Since launching in 2018, RapidLEI has consistently been the fastest-growing LEI Issuer, the most popular service with incoming transfers of existing LEIs, and now holds the #1 positions for LEI issuance and data quality. The service has been designed from the ground up to be fully automated for enterprises managing LEIs at scale. The RapidLEI service offers banks:

- **Automated LEI issuance process** – no administrative burden as platform automates or minimises requests for validation data, e-signing, and payment processing.
- **API** – industry's only same-session LEI registration and issuance, reporting, and lifecycle management.
- **Bulk registration** – register LEIs for clients in bulk.
- **Discovery** – service will identify issued, lapsed, missing LEIs.
- **Automated renewal** – avoids lapse risk.
- **Full LEI support** – issue LEIs to organisations, trusts, and funds.
- **Customisable expiry** – assistance with customising/aligning the expiration date.
- **24/7 customer support.**
- **Reduced LEI costs.**

The GLEIF Validation Agent (VA) framework

INTRODUCING THE VA FRAMEWORK

The VA framework is a new role in the Global LEI System (GLEIS). It enables FIs, Banks, & Trust Service Providers to leverage and enhance existing validation processes to consolidate the usually separate workflows for KYC, AML & LEI issuance. VAs realise a variety of cost, efficiency and customer experience benefits by leveraging existing KYC and AML processes by obtaining an LEI for customers when verifying a client's identity during initial onboarding or during a client refresh.

ENSURING KYC ACCURACY WITH THE GLOBAL LEI SYSTEM

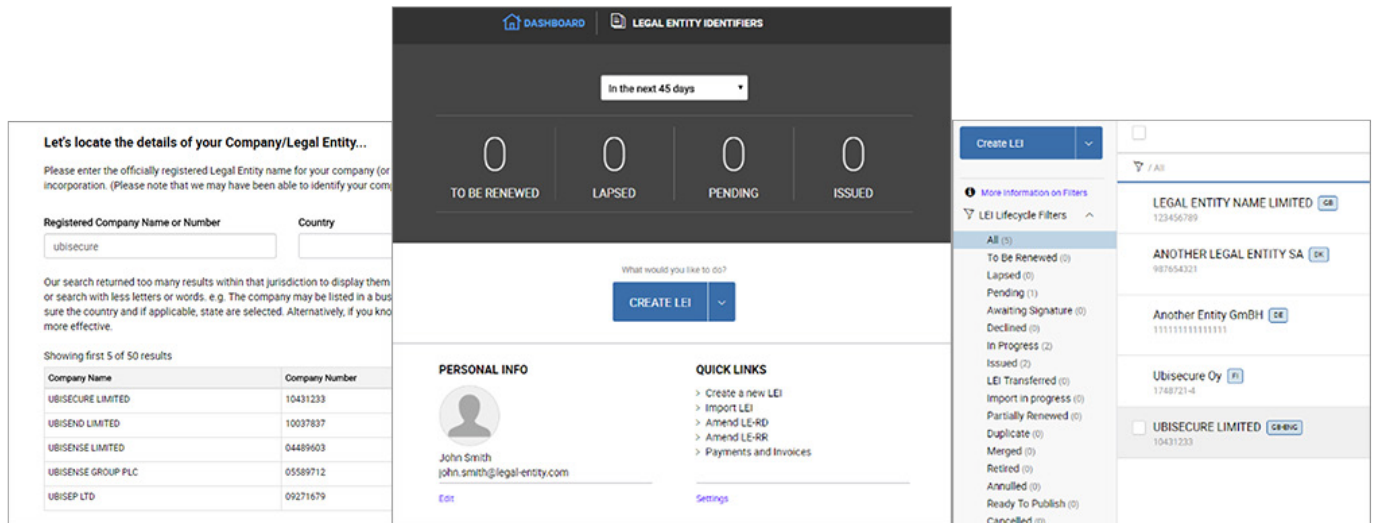
The RapidLEI platform and its API can be integrated into existing KYC and AML workflows to automate both the validation of legal entity validation data and the subsequent registration of the LEI with the GLEIS, all in real-time. This unique approach ensures VAs gain entity data validation enhancements and register only accurate LEIs that meet GLEIS data quality requirements. VAs using RapidLEI with the VA framework enhance the overall reliability of KYC data in general.



To discuss LEIs and the GLEIF Validation Agent framework, please contact us at rapidlei.com/contact/

LEI lifecycle management

SaaS portal:



The screenshot displays the RapidLEI SaaS portal interface. At the top, there's a navigation bar with 'DASHBOARD' and 'LEGAL ENTITY IDENTIFIERS'. Below this, a section titled 'Let's locate the details of your Company/Legal Entity...' prompts the user to enter the official registered Legal Entity name or incorporation details. A search bar contains 'ubisecure'. Below the search bar, a message states: 'Our search returned too many results within that jurisdiction to display them or search with less letters or words. e.g. The company may be listed in a business directory and if applicable, state are selected. Alternatively, if you know more effective.' A table shows the first 5 of 50 results, listing company names and numbers. To the right, a 'LEGAL ENTITY IDENTIFIERS' section shows a 'In the next 45 days' filter and four status indicators: 'TO BE RENEWED', 'LAPSED', 'PENDING', and 'ISSUED'. Below these, a 'CREATE LEI' button is visible. Further down, a 'PERSONAL INFO' section shows a profile for John Smith, and a 'QUICK LINKS' section lists actions like 'Create a new LEI', 'Import LEI', 'Amend LE-RD', 'Amend LE-RR', and 'Payments and Invoices'. On the far right, a sidebar lists various LEI lifecycle filters such as 'To Be Renewed', 'Lapsed', 'Pending', 'Awaiting Signature', 'Declined', 'In Progress', 'Issued', 'LEI Transferred', 'Import in progress', 'Partially Renewed', 'Duplicate', 'Merged', 'Retired', 'Annulled', 'Ready To Publish', and 'Cancelled'.

Developer API for LEI

registration:

```
curl --location --request POST 'https://api.rapidlei.com/v1/leis/orders/create' \
--header 'Authorization: Bearer MTQ0NjJkZmQ5OTM2NDk1ZTZjNGZmZjI3' \
--header 'Content-Type: application/json' \
--data-raw '{
  "companyName": "ABC Limited",
  "companyNumber": "68678678",
  "legalJurisdiction": "AQ",
  "firstName": "Peter",
  "lastName": "Anderson",
  "isLevel2DataAvailable": false,
  "reportingExceptionReason": "NON_CONSOLIDATING",
  "multiYearSupport": 3,
  "entityType": "LEGAL_ENTITY",
  "nextRenewalDate": "2020-04-25",
  "notificationUrl": "https://www.someotherserver.com/notify/me/when/lei/is/ready",
  "notificationToken": "Sq31YkqGWKXGEpeJGZwM",
  "is3rdPartyRequest": false,
  "loaFile": {
    "fileName": "My Letter of Authorization.docx",
    "fileData": "data:application/octet-stream;base64, ldfhaklsjdfhkaskjfsdfgakjsfgakjsdagsdf..."
  },
  "corroboratingFiles": [
    {
      "fileName": "Corroborating Data 1.docx",
      "fileData": "data:application/octet-stream;base64, ldfhaklsjdfhkaskjfsdfgakjsfgakjsdagsdf..."
    },
    {
      "fileName": "Corroborating Data 2.docx",
      "fileData": "data:application/octet-stream;base64, ldfhaklsjdfhkaskjfsdfgakjsfgakjsdagsdf..."
    }
  ]
}
```

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About Ubisecure

Ubisecure is a pioneering b2b and b2c Customer Identity & Access Management (CIAM) software provider and cloud identity services enabler dedicated to helping its customers realise the true potential of digital business.

Ubisecure provides a powerful Identity Platform to connect customer digital identities with customer-facing SaaS and enterprise applications in the cloud and on-premise. The platform consists of productised CIAM middleware and API tooling to help connect and enrich strong identity profiles; manage identity usage, authorisation and progressive authentication policies; secure and consolidate identity, privacy and consent data; and streamline identity based workflows and decision delegations. Uniquely, Ubisecure's Identity Platform connects digital services and Identity Providers, such as social networks, mobile networks, banks and governments, to allow Service Providers to use rich, verified identities to create frictionless login, registration and customer engagement while improving privacy and consent around personal data sharing to meet requirements such as GDPR and PSD2.

Ubisecure is accredited by the Global Legal Entity Identifier Foundation (GLEIF) to issue Legal Entity Identifiers (LEI) under its RapidLEI brand, a cloud-based service that automates the LEI lifecycle to deliver LEIs quickly and easily.



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