



The Value of LEI Automation for Banks



HOW TO UNLOCK SEAMLESS
COUNTERPARTY TRADES AND
CLIENT LIFECYCLE MANAGEMENT



What is an LEI?

The LEI (Legal Entity Identifier) is a 20-digit alphanumeric code used across global markets to identify counter-party legal entities engaged in financial transactions. Each LEI contains information about an entity's ownership structure, answering the questions of 'who is who' and 'who owns whom'.

Each LEI uniquely references a Legal Entity Reference Data record in the Global LEI System (GLEIS) database – a free online resource containing the identities of more than two million organizations.

The GLEIS is maintained and operated by the Global LEI Foundation (GLEIF). The GLEIF was established by the Financial Stability Board (FSB) under direction of the G20 after the 2008 financial crisis, in order to drive transparency within global markets. Over 200 regulations now require the use of LEIs in order to help manage the risk of complex transactions - including MiFID II/MiFIR, EMIR, SFTR, Dodd Frank Act, and many more. As of March 2023 over 2.3m LEIs have been issued, and the GLEIF expects that number to increase to 20m by 2027.

LEI use in banking

COUNTER-PARTY IDENTIFICATION TRADES

Banks or financial institutions support clients that are engaged in buying or selling stocks, bonds, swaps or other financial instruments. Over 200 regulations across the capital markets require the use of LEIs to determine the verified identity of the Legal Entities involved in the transaction. That could be a company, fund or trust.

The LEI reference data also informs the risk manager or regulator about the company structures of those entities transacting, making it transparent when an entity is transacting with a parent or child.

Clients operating in such markets are faced with a choice: stop the trade to obtain an LEI, or proceed without an LEI. Non-compliance is not a "choice" and opens the client to considerable risk, both in terms of risk and identity fraud. Banks can benefit from considerable competitive advantage by streamlining LEI issuance during regulatory compliance processes.

LEI usage could save \$2-4 billion annually in client onboarding

Source: McKinsey Cost per Trade Survey, Thomson Reuters: "KYC Compliance: The Rising Challenge for Financial Institutions"

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

KYC / KYB ORGANIZATION IDENTIFICATION

A further revolutionary use case comes from using LEIs in KYC and client lifecycle management, or client onboarding, which is a significant cost saving tool with considerable impact to people/staff productivity, the streamlining of processes, and improved transparency into available entity data. To measure this, the GLEIF conducted research with McKinsey & Company looking at the projected impact of broader adoption of LEIs on the global banking sector. The study found that LEI usage could save \$2-4 billion annually in client onboarding costs alone, representing a saving of between 5-10% of the industry's \$40bn annual overall spend on the practice. In order to take full advantage of these potential cost savings, the GLEIF launched the Validation Agent program as discussed below.

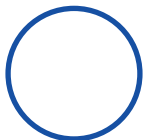
LEI use in banking

The Validation Agent (VA) is a role in the Global LEI System (GLEIS). It enables Banks, FIs & Trust Service Providers to leverage and enhance existing validation processes to consolidate traditionally separate workflows for client onboarding, KYC, AML, counterparty identification in trades & LEI issuance.



BY SIMPLIFYING AND ACCELERATING THE LEI ISSUANCE PROCESS, THE [VA] FRAMEWORK ALSO PAVES THE WAY FOR FIS TO EXPAND THEIR USAGE OF THE LEI BEYOND CAPITAL MARKETS TO ENCOMPASS ALL BANKING BUSINESS LINES, AN OPPORTUNITY ANTICIPATED TO SAVE THE INDUSTRY U.S.\$2-4 BILLION ANNUALLY IN CLIENT ONBOARDING COSTS ALONE.

GLEIF – LEI VA Framework eBook



WE RECOGNIZE THE CURRENT AND FUTURE IMPORTANCE OF LEIS IN GLOBAL TRADE FINANCE AND PARTICIPATION IN CAPITAL MARKETS, SO THE PROVISION OF LEI SERVICES IS A NATURAL ADDITION TO OUR PRODUCT OFFERINGS. THE VA ROLE COMPLEMENTS OUR BUSINESS MODEL AND IMPROVES THE LEVEL OF SERVICE WE CAN OFFER OUR CUSTOMERS.

Paul Mifsud, Managing Director at Sparkasse Bank Malta plc [Source: [GLEIF](#)]

Being a VA empowers FIs to obtain an LEI for a client at the same time, and using the same processes, as the usual client onboarding process. There is no need to engage with the LEI Issuer in a separate, often time consuming, validation process just for the LEI registration. Onboarding and LEI issuance become synchronous.

The VA solution provisions the ability for an FI to request LEIs on behalf of legal entities and/or to request an LEI purely for the benefit of the FI's internal KYC requirements. VAs can monetize the LEI, as well as use it to realize a variety of cost, efficiency and customer experience benefits by leveraging existing KYC and AML processes.



How to become a Validation Agent

Validation Agents work in co-operation with a GLEIF-accredited Local Operating Unit (LOU – aka LEI Issuer), such as RapidLEI, for LEI issuance and management.

RapidLEI developed the [LEI Everywhere](#) program alongside the GLEIF and other ecosystem stakeholders to enable Banks, KYC Service Providers, FinTechs and Trust Service Providers to benefit from the GLEIF Validation Agent framework.

To use LEIs in KYC, the LEI solution needs to be scalable, frictionless, and low cost. RapidLEI is the only accredited LOU to offer an LEI API for lifecycle management and same-session LEI registration for KYC and onboarding. This makes it easy to not just issue LEIs, but also to discover, consolidate and manage both internal LEIs and LEIs for your banking clients.

- API for direct LEI issuance integration
- Automated issuance and renewal
- Reduced cost per LEI
- Supports large scale deployments

Many global banks partner with RapidLEI for management of their LEIs, including Citi, BNP Paribas, Santander and Sparkasse Bank Malta.

— KEY BENEFITS OF BECOMING A VALIDATION AGENT FOR BANKS:

- Gain competitive advantage by ensuring clients meet the regulations mandating use of LEIs in today's 200+ regulations and way into the future.
- Offer a more comprehensive service to clients – they don't have to stop a transaction to go elsewhere to obtain an LEI, ensuring uninterrupted transactions.
- Open a new revenue stream using validation processes that have already been invested in.
- Reduce duplicative client onboarding processes, and reduce time and costs from those efficiencies.
- Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) – use of LEI reference data and business registry integration for improved client data accuracy, quality, and reliability.

RapidLEI is a service from Ubisecure, a leading identity services provider. LEI Everywhere offers unique benefits, both technical and commercial, to banks seeking to become VAs within the GLEIS.

We have been GLEIF-accredited as an LOU since 2018 and have since grown to become the **number one issuer of LEIs worldwide**. We now **manage the largest number of LEIs across the GLEIS**, and month on month issue the highest number of new LEIs.

Contact us

Get in touch to find out more about taking advantage of the Validation Agent opportunity with RapidLEI.

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rapidlei.com/contact



Further resources

[GLEIF - Validation Agents](#)

[GLEIF eBook: LEIs and Client Lifecycle Management in Banking - a U.S.\\$4 Billion Beginning](#)

[McKinsey & Company and GLEIF White Paper: Creating Business Value with the LEI](#)

[RapidLEI - LEI for Banks & FinTech](#)



BY PARTNERING WITH RAPIDLEI, A LOCAL OPERATING UNIT (LOU), WE'RE ABLE TO ASSIST WITH DATA COLLECTION AND VERIFICATION, WHICH BOTH IMPROVES DATA QUALITY FOR THE LOU AND STREAMLINES THE LEI ISSUANCE PROCESS FOR OUR CORPORATE CLIENTS. THE LEI RENEWAL CYCLE ALSO BECOMES MORE EFFICIENT, RESULTING IN IMPROVED CUSTOMER SATISFACTION, COST REDUCTIONS FROM EFFICIENCY GAINS, AND SIMPLER REGULATORY COMPLIANCE. SERVING AS A VALIDATION AGENT ALLOWS THE BANK TO ACT AS THE MAIN POINT OF CONTACT FOR OUR CUSTOMERS' INVESTMENT NEEDS WHILE ALSO ACCELERATING OUR OWN INTERNAL PROCESSES SUCH AS CUSTOMER ONBOARDING, PAYMENTS AND OTHER TRANSACTIONS, AND CONTRACT SIGNING.

Paul Mifsud, Managing Director at Sparkasse Bank Malta plc [Source: [GLEIF](#)]

About RapidLEI



Ubisecure is accredited by the Global Legal Entity Identifier Foundation (GLEIF) to issue Legal Entity Identifiers (LEI). RapidLEI is a Ubisecure service that automates the LEI lifecycle to deliver LEIs quickly and easily. As of March 2023, over 200,000 organisations have chosen RapidLEI to issue their global organisation identifier. As well as pioneering the LEI Everywhere™ program, the company is a technology innovator and provides Identity & Access Management (IAM) software and cloud services for Customers, Workforce, & Organisation Identity use cases. Enterprises and Governments use Ubisecure IAM solutions to enhance user experience and security through improved registration, authentication, authorisation, and identity data management. Ubisecure also provides solutions to companies maintaining their own customer identity pools (such as banks and mobile network operators) to become Identity Providers (IdP) for strong authentication and federation services.

For more information about Ubisecure visit www.ubisecure.com or rapidlei.com

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