



SWIFT's Comments on the Financial Stability Board's Thematic peer review on implementation of the Legal Entity Identifier

SWIFT

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Confidentiality: Public

SWIFT thanks the Financial Stability Board (FSB) for the opportunity to provide comments on the “Thematic peer review on implementation of the Legal Entity Identifier (LEI)”.

SWIFT is a member-owned cooperative headquartered in Belgium. SWIFT is organised under Belgian law and is owned and controlled by its shareholders, comprising more than 2,000 financial institutions. We connect more than 11,000 institutions in more than 200 countries and territories. A fundamental tenet of SWIFT’s governance is to continually reduce costs and eliminate risks and frictions from industry processes.

SWIFT provides banking, securities, and other regulated financial organisations, as well as corporates, with a comprehensive suite of messaging products and services. We support a range of financial functions, including payments, securities settlement, reporting, and treasury operations. SWIFT also has a proven track record of bringing the financial community together to work collaboratively, to shape market practice, define formal standards and debate issues of mutual interest.

If you wish to discuss any aspect of our response please do not hesitate to let us know.



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SWIFT welcomes the FSB's efforts to conduct a peer review of the implementation of the LEI. As has already been widely acknowledged, the implementation of the Global LEI System (GLEIS) and introduction of the LEI as an unambiguous identifier for legal entities, are key to the improvement of financial data systems.

The LEI has been adopted across the European Union, the United States and multiple other constituencies. This is important for entities engaged in trading financial instruments, since the reporting requirements in many recent legal acts specify that entities should be identifiable by an LEI.

SWIFT strongly supports these efforts and indeed has been engaged in the development of the LEI since its inception as an ISO standard, being involved in the design of the Depository Trust & Clearing Corporation (DTCC)'s Global Market Entity Identifier (GMEI) Utility, one of the largest LEI issuers to date.

Separately, SWIFT was appointed by ISO as the registration authority for the ISO 9362 (Business Identifier Code BIC) standard. The BIC is an international standard for the identification of institutions within the financial services industry. It identifies a financial institution or a non-financial institution, and is used in automated processing. In its role as the BIC registration authority, SWIFT receives BIC registration requests, assigns a BIC, and publishes the related BIC Data Record as defined in and in accordance with the requirements set out in ISO 9362.

Please find below our comments.

Identifiers used by financial institutions for legal entities established in their jurisdiction or in foreign jurisdictions, and the extent to which they are mapped to the LEI

BIC to LEI file

With the growing adoption of the LEI in different markets around the world, facilitating the reconciliation between the LEI and the widely-used BIC has become increasingly important. Regulated institutions need to be able to map those two identifiers, or to identify the parent legal entity of each BIC to provide its LEI in order to comply with the regulatory requirements.

The Global LEI Foundation (GLEIF) and SWIFT, as representatives of the two identifiers, have decided to combine their efforts in providing an open-source file to address this requirement. The file is downloadable free of charge from the GLEIF and the SWIFT websites on a monthly basis. It contains the two codes (BIC and LEI) for institutions that have both active identifiers. The file is published in comma-separated format (csv). It contains all BIC-LEI pairs, i.e. is a "full" file. No "delta" file is made available. The file does not contain BICs that do not have corresponding LEIs or LEIs without corresponding BICs.

Users of the BIC-to-LEI mapping reference file may challenge individual BIC/LEI pairs via GLEIF's data challenge facility, which is available at gleif.org. The GLEIF data challenge facility provides any user of a BIC-to-LEI mapping reference file with the opportunity to substantiate

doubts regarding individual BIC/LEI pairs. Challenging several BIC/LEI pairs requires entering one challenge per record.

We believe this is a valuable tool for the reference data systems of different participants in the financial industry. Furthermore we believe it can help broaden the global adoption of the LEI beyond the mandated usage.

Entity Plus Product

While the LEI is becoming the most commonly used entity identifier in Europe, and is recognised in a variety of financial regulations, there are other regulatory contexts in which entities must be recognised by other identifiers.

SWIFT has therefore developed a product (Entity Plus) that offers a mapping between some of those mostly used identifiers to get a central view on entities for usage across multiple regulations. The identifiers included are the LEI, the BIC, the GIIN (the Global Intermediary Identification Number, which is mandated in the FATCA context – and which does not only cover legal entities), the BRN (the business registration number – which is collected with the LEI, and which therefore covers legal entities in a specific scope), and the MIC (the Market Identifier Code – which does not only cover legal entities). Data is sourced directly from data originators, including central banks, code issuers and financial institutions and mapped leveraging SWIFT's reference data recognised expertise.

Types of private sector uses of the LEI (e.g. to implement risk management frameworks, support financial integrity, reduce operational risks, or support higher quality and more accurate financial data) as well as the benefits measured or anticipated from such uses (including any quantification of the benefits, to the extent possible)

The advantages of the LEI as an unambiguous identifier for legal entities have been widely acknowledged beyond the payments domain. [Research carried out by McKinsey & Company and GLEIF](#) examines potential use cases of the LEI to streamline legal entity identification, and notes that the financial services industry can benefit from savings, efficiencies and greater reliability in entity verification.

Given the rise in fraudulent activity, increased regulatory scrutiny, increasing costs of correspondent banking, especially in compliance related functions such as “Know Your Customer” (KYC), and the increased sensitivity of accurate and reliable data for client identification in payments transactions, the LEI could also become a valuable tool supporting banks' efforts in this area.

In July 2016, the Bank for International Settlement (BIS) – Committee on Payments and Market Infrastructures (CPMI) published a Correspondent Banking Technical Report. This report established a new framework for how the payments industry should assess the use of the LEI in payment messages. While acknowledging the benefit of “inclusion of the LEI in payment messages to ensure unambiguous identification of parties to payment transactions,” the CPMI also recognises the potential high cost of investment and the fact that in the long term, the payments industry will migrate from legacy SWIFT FIN message types to ISO 20022

message standards. The CPMI report suggests that the LEI may be used as an alternate identifier in payment messages on an optional basis in the immediate future. The report calls on the Payments Market Practice Group (PMPG)¹ to “work to define a common market practice for how to include the LEI in the current relevant payment messages without changing the current message structure,” and to do this “as soon as possible.” The CPMI acknowledges that, in the long term, based on broader adoption of the ISO 20022 standard, the LEI might be migrated into the message with dedicated codes or data items.

Following this report, SWIFT and the PMPG consulted the industry on how this could be implemented. This resulted in an ISO 20022 Payments messages *Change Request*, proposing to add the LEI to the identification element within these messages (currently the identification element contains the BIC only), so that the LEI can be used in addition to the BIC. This *Change Request* will allow an LEI to be used as an identifier for parties within a payment e.g. the debtor, ultimate debtor, creditor or ultimate creditor. The *Change Request* is expected to be approved this month by the ISO evaluation group.

After approval of the *Change Request* by the governance of the ISO 20022 messages later this year, the change will be implemented in the production environments in November 2019. We believe that such development will facilitate broader adoption of the LEI as a global identifier across the financial industry.

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¹ The Payments Market Practice Group (PMPG) is an independent body of payments subject matter experts from Asia Pacific, EMEA and North America whose mission, amongst others, is to propose best practice, business responsibilities and rules, message flows, consistent implementation of ISO messaging standards and exception definitions.