

GLEIF | Bäumleingasse 22 | 4051 Basel | Switzerland

Committee on Payments and Market  
Infrastructures  
Secretariat

Contact person

Stephan Wolf

Phone +41 61 50870 45

E-mail [stephan.wolf@gleif.org](mailto:stephan.wolf@gleif.org)

Basel

December 7, 2015

### Consultative Report Correspondent Banking

Dear Madam

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the consultative report, entitled 'Consultative Report Correspondent Banking' published by the Committee on Payments and Market Infrastructures (CPMI) in October 2015.

Our letter will limit its comments specifically to GLEIF's views on the use of Legal Entity Identifier's (LEI)'s in the report. The GLEIF has been established **to act in the public and private interest as the operational arm of the Global LEI System**. Consequently, we appreciate the opportunity to provide comments on the possible use of LEIs as described in the report.

GLEIF has a very strong interest in ensuring there is a good understanding by rule makers of the significant benefits to the public and private sectors that derive from the widespread use of LEIs for entity identification in regulatory reporting and supervision. Following the 2008 financial crisis, the importance and benefit of a universal LEI became clear. Regulators worldwide acknowledged their inability to identify parties to transactions across markets, products, and regions. This hindered the ability to evaluate systemic and emerging risk, to identify trends, and to take corrective steps. Recognizing this gap, authorities, working with the private sector, have developed the framework of a Global LEI System that will, through the issuance of unique LEIs, unambiguously identify entities engaged in financial transactions

Regulators globally, therefore, play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices.

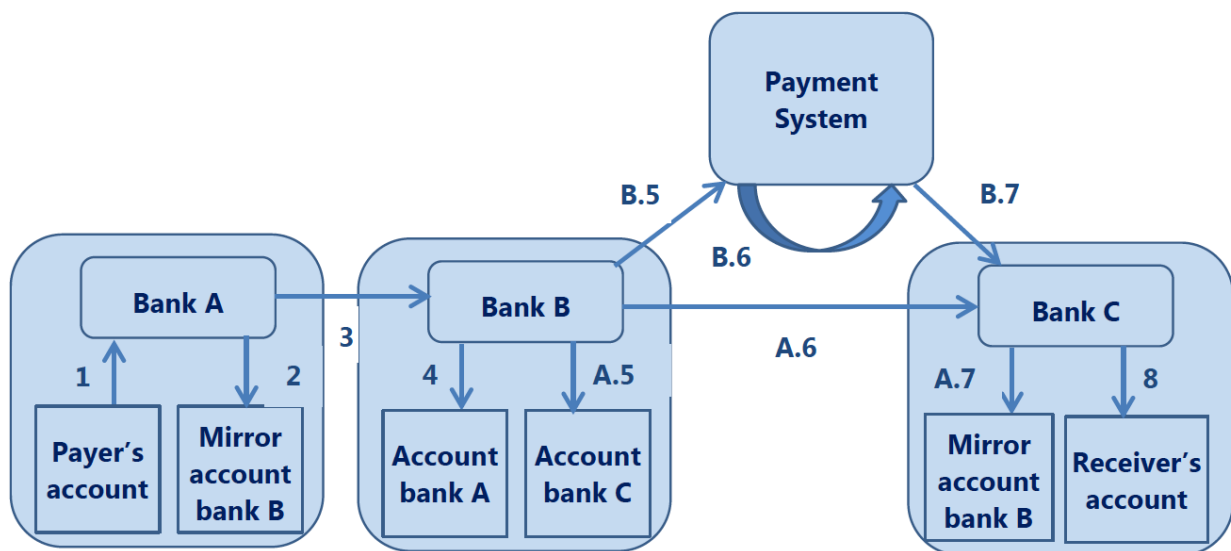
Consequently, we welcome the considerations of the CPMI Working Group on Correspondent Banking concerning the use of LEIs with its consultative report in correspondent banking.

Included here please find the comments provided on behalf of GLEIF with regard to the specific questions relevant to the use of LEIs raised in the report.

GLEIF is pleased to see the proposal that the LEI be used in correspondent banking as the identifier of legal entities in KYC utilities and to share information cross-border. GLEIF agrees that use of the LEI in the correspondent banking area could reinforce the worldwide demand for the LEI, especially in the area of coverage of corporates who are a major party in payment transactions.

For many cross-border payments, the sender and receiver as well as their respective banks are included and, in many cases, the nostro banks of the banks (referred to as 'mirror account banks' in Figure 1 of the consultative paper) that do not have their own clearing capability in the currency are involved. All four banks could use different KYC utilities implying that, for a single transaction, four banks and four KYC utilities could be involved.

### Payments settled via correspondent banking



1. Debiting of payer's account with bank A
2. Crediting of bank B's mirror account with bank A, which is kept for accounting purposes
3. Payment message from bank A to bank B via telecommunication network
4. Debiting of bank A's account with bank B (loro account)

#### A. Use correspondent bank only

5. Crediting of bank C's account with bank B
6. Payment message from bank B to bank C via telecommunication network
7. Debiting of bank's B mirror account with bank C, which is kept for accounting purposes
8. Crediting of receiver's account with bank C

#### B. Involvement of payment system

5. Payment message from bank B to payment system
6. Settlement via payment system
7. Payment message from payment system to bank C
8. Crediting of receiver's account with bank C

Source: ECB, *Ninth survey on correspondent banking in euro*, 2015, adapted from Danmarks Nationalbank, *Payment systems in Denmark*, 2005.

The consultative paper states in section 3.3.2 and section 3.5.3 that coverage of the LEI is does not and is not foreseen to 'cover the identification of natural persons as beneficial owners of legal entities'. On 30<sup>th</sup> September, 2015, the LEI Regulatory Oversight Committee (ROC) released a Statement on the topic of individuals action in a business capacity (the 'ROC Statement on Individuals Acting in a Business Capacity' available on [www.leiroc.org](http://www.leiroc.org)). This Statement issued by the ROC specifies conditions under which an individual acting in a business capacity could get an LEI rather than specifying roles for which an individual would be considered. Since the CPMI/FSB process for approval of the publication of this consultative paper already was in process before the release of the ROC Statement on 30<sup>th</sup> September, it is understandable that the information regarding the eligibility of individuals acting in a business capacity to obtain LEIs is not taken into account in the consultative paper.

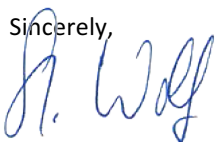
Regarding the topic of mapping of LEIs to BICs, GLEIF also sees this mapping as a necessary condition for connecting the legal entity information with the transaction entity information the payment messages used for correspondent banking.

GLEIF thinks that an open, trusted standard for LEI to BIC identifier mapping is needed. GLEIF would be able to deliver mapping services, working together with the ISO BIC Registration Authority, which would open the possibility for mapping of the LEI as a key to other identifiers. In the context of use of LEIs in payments and correspondent banking, central banks and some treasuries will benefit from LEI to BIC mapping.

Mapping LEIs to external identifiers and other reference data is an effective approach to integrate the LEI into existing information flows and operational processes. GLEIF foresees that the public sector beginning with the central banks, as well as the private sector, such as compliance officers, would be interested in a public mapping service.

Also to support this integration, the inclusion of the LEI in payment messages should be considered. An effort by the industry to evaluate the inclusion of the LEI in payment messages should be undertaken to be able to ensure unambiguous identification of parties to payment transactions.

In conclusion, we would like to reiterate that the Global LEI System in place today supports also the objectives of the CPMI in the area of correspondent banking. We therefore, encourage the CPMI to progress the considerations regarding the use of LEI set out in its consultative report.

Sincerely,  
  
Stephan Wolf  
CEO