

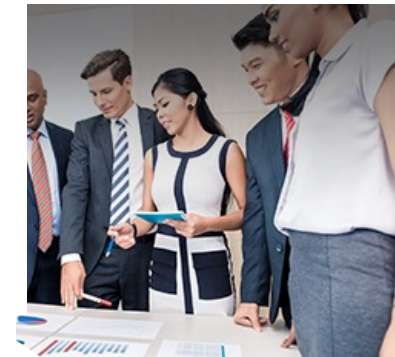
EDM Webinar

Standardized, Recognized, Utilized: Accelerating Trust globally with the LEI

A conversation with



Peter Warms
Business Development Mgr.
Global LEI Foundation



Today's panel

Moderator



John Bottega

President
EDM Council



Peter Warms

Business Development
Manager
GLEIF



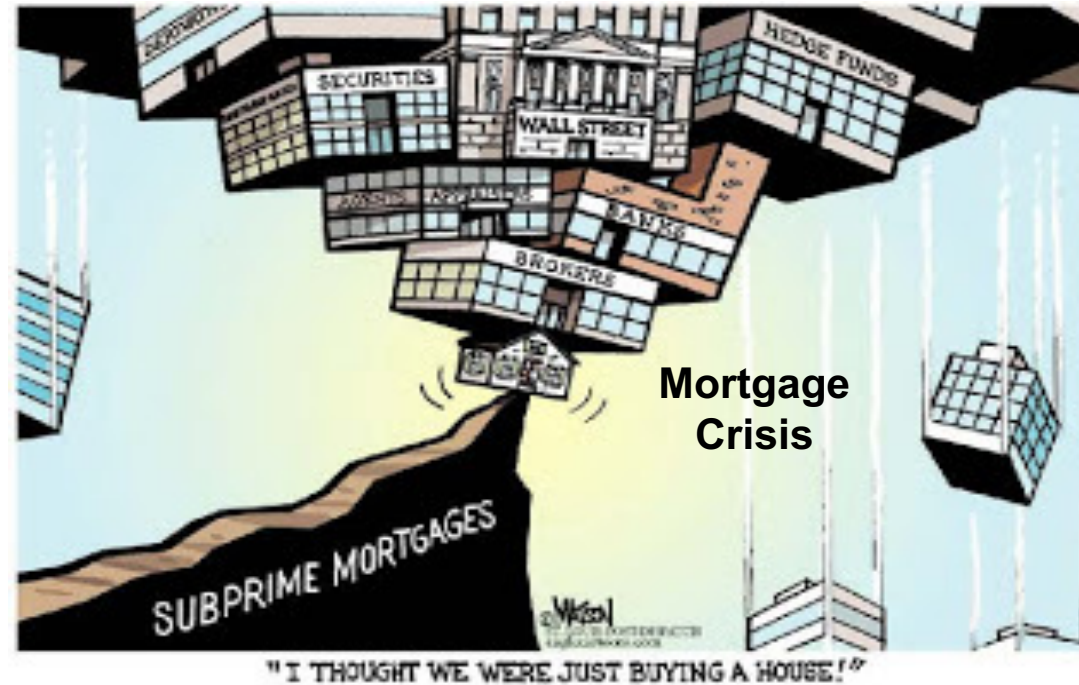


According to the National Academy of Sciences (2009)...

“Rapid change in the financial system driven by innovation and deregulation...has altered the mechanisms and pace of financial intermediation to such an extent that regulatory tools, processes and data have fallen behind”.

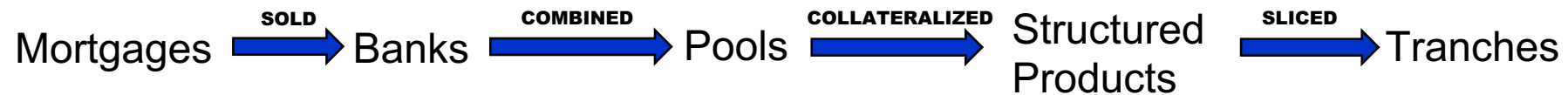
- **We saw historic market turmoil...**
 - This resulted in unprecedented number of mergers, acquisitions, divestitures and bankruptcies – putting immense pressure on the need for timely and accurate data about entities
- **We saw increasingly complex investment vehicles...**
 - Resulting in increasing complex data sets with layers upon layers of abstracted data and data relationships putting pressure on our already weakened legacy of financial instrument infrastructures and architectures
- **We saw pricing and valuation discrepancies**
 - Demanding better public transparency of pricing and pricing methodologies

“Measure twice, cut once”
Lessons from a Master Carpenter



**If you can't measure
what you can't define,
then you can't manage
what you can't measure**

Collateralization Process



There Were Data Issues Along the Supply Chain

- Bits and pieces of descriptive data are not carried through each step of the process
- Linkages to the underlying loans become broken or obscured
- No standard way to identify and define the structure of the collateralized mortgage instrument



Q1: What was our exposure to a Lehman collapse?

Q2: Who was Lehman?

Unique Entity Identification and Legal Hierarchy did not exist

- Unable to uniquely identify Lehman's financial entities
- Unable to understand the complex relationships of parent to sub, entity to sub-entity
- Unable to understand the systemic impact on other players in the economic ecosystem

The standardized structure and identification of data were not there

- There was no standard way to identify Lehman and her entities cross the industry
- There was no standard way to identify Lehman legal entity dependencies
- There was no way to fully understand and predict the impact across the industry



The LEI

The LEI (Legal Entity Identifier) is a 20-character global identifier code, based on the ISO 17442 standard developed by the International Organization for Standardization (ISO), that uniquely identifies legal entities participating in financial transactions.

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Agenda

1. GLEIF and the LEI today
2. LEI in Regulations
3. Validation Agent onboarding process
4. Room for Improvement
5. Q&A





The LEI today

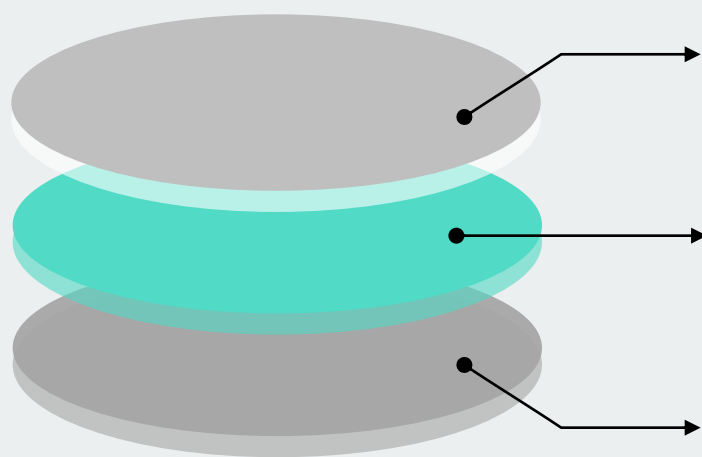
Who is Global Legal Entity Identifier Foundation (GLEIF)

- GLEIF is a not-for-profit Swiss foundation, founded by the Financial Stability Board (FSB)
- GLEIF is overseen by the Regulatory Oversight Committee (LEI ROC) with
 - **65 regulators** and
 - **19 observers**
 - from **50 countries**
- GLEIF Board has **18 independent directors**
- **39 Partners** for LEI issuing (**LOUs**) and growing
- **> 2,319,817 existing LEIs** to date



Introducing the Global LEI System

In 2011, the G-20 leaders supported "the creation of a global legal entity identifier (LEI) which uniquely identifies parties to financial transactions."



1

Regulatory Oversight Committee (ROC)

Represents public financial market authorities from around the world

2

Global Legal Entity Identifier Foundation (GLEIF)

Ensures the operational integrity of the Global LEI system

3

Local Operating Units (LOUs)

Issue LEIs to legal entities

The LEI

- The LEI is a life-long identifier **owned** by the respective legal entity.
- It points to the associated reference data.
- The LEI is an ISO standard ISO 17442
- The LEI and reference data are **open, freely accessible**

Level 2 Data: Who Owns Whom

Parents

NATURAL_PERSONS (Direct Parent Exce)

Direct children (69)

Nestlé S.A.

Maggi-Unternehmungen AG (Direct)

Nestle Marcas S.A.C (Direct)

네슬레코리아 유한책임회사 (Direct)

Nestle Waters Brasil - Bebidas E Alimentos Ltda. (Direct)

Nestle Brasil Ltda. (Direct)

Nestle de Colombia S.A. (Direct)

Nestle Türkiye Gıda Sanayi Anonim Şirketi (Direct)

Nestle Middle East FZE (Direct)

Nestle Dubai Manufacturing L.L.C. (Direct)

Nestle Middle East Manufacturing LLC (Direct)

Nestle Lanka PLC (Direct)

Nestlé S.A.

LEI Code KY37LUS27QQX7BB93L28

(Primary) Legal Name

Nestlé S.A.

Transliterated Names

Nestle S.A.

Registered At

Commercial Register (Ministry of Justice)
Handelsregister (Eidg. Amt für das Handelsregister)
Switzerland, Switzerland
RA000549

Registered As

CHE-105.909.036

Jurisdiction Of Formation

CH

Entity Legal Form

Aktiengesellschaft
MVII

Entity Status

ACTIVE

BIC Code

NESNCH22XXX

Sections

Empty fields

Entity details

Addresses

LEI Registration details

LOU details

Level 2 Data: Who Owns Whom

Ultimate children (110)

Maggi-Unternehmungen AG (Ultimate)

Nestle Marcas S.A.C (Ultimate)

Galderma Nordic AB (Ultimate)

네슬레코리아 유한책임회사 (Ultimate)

CPW Brasil Ltda. (Ultimate)

Chocolates Garoto SA (Ultimate)

Nestle Waters Brasil - Bebidas E Alimentos Ltda. (Ultimate)

Nestle Nordeste Alimentos E Bebidas Ltda. (Ultimate)

Nestle Brasil Ltda. (Ultimate)

Nestle de Colombia S.A. (Ultimate)

Nestle Middle East FZE (Ultimate)

Nestle Dubai Manufacturing L.L.C. (Ultimate)

Nestle Middle East Manufacturing LLC (Ultimate)

Nestle Lanka PLC (Ultimate)

Fondation Nestlé pour l'étude des problèmes de l'alimentation dans le monde (Ultimate)

Nestle (Thai) Limited (Ultimate)



Mapping initiatives

- **GLEIF & Association of National Numbering Agencies (ANNA) ISIN mapping**
 - In April 2019, GLEIF and ANNA published the first ISIN-LEI mapping file, which covers 3.2 million mapping pairs provided by 11 NNAs covering 30 jurisdictions.
 - As of the end of October 2022, the ISIN-LEI mapping file contains over 7.7 million mapping pairs provided by 25 NNAs covering 61 jurisdictions.
- **GLEIF & S&P Global Market Intelligence Mapping**
 - Users can map from LEI to the S&P Global Company ID and seamlessly link to over 200+ S&P Global datasets
 - The S&P Global company ID is available on the LEI Search starting from **Q4 2022**.
- **GLEIF & SWIFT LEI and MIC (ISO 10383) Mapping**
 - SWIFT has been certified by GLEIF on the MIC-LEI mapping
 - LEI is added to the MIC data file format
 - SWIFT and GLEIF published MIC - LEI mapping files in **Q4 2022**.

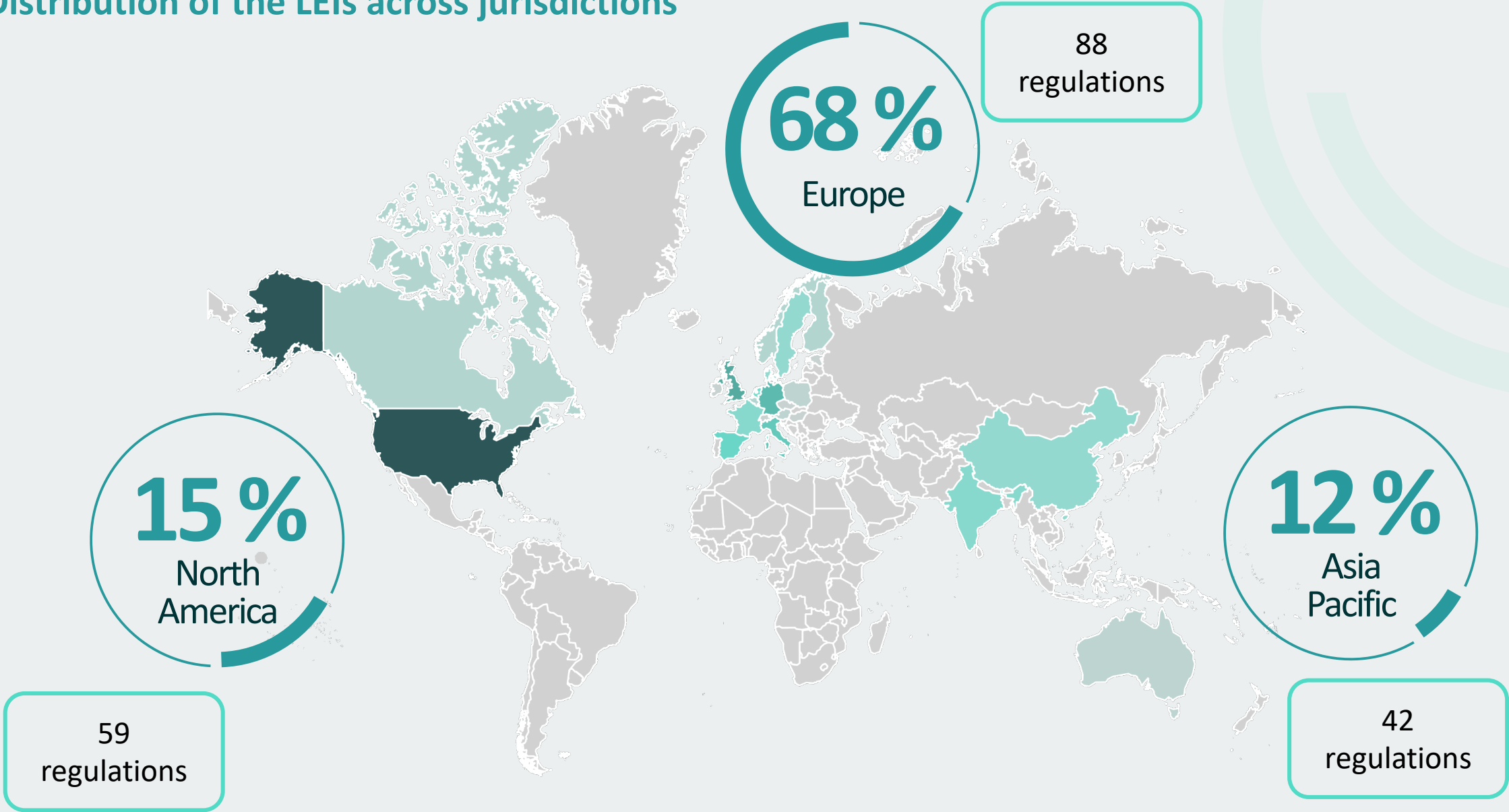


The LEI in Regulations

Financial Data Transparency Act

U.S. Customs and Border Protection, Global Business Identifier

Distribution of the LEIs across jurisdictions



FSB recommendation and current adoption of LEI

FSB recommendation to FSB member jurisdictions

- Explore ways to promote LEI adoption
- Consider mapping the LEI to domestic identifier
- Consider using the LEI in routing message formats, including ISO20022 messages
- Consider adding the LEI in regulations, directives or legislations regarding cross-border payment
- Consider providing guidance on using the LEI in payment chain, including intermediaries.

LEI adoption in payment

- **Reserve Bank of India** mandated LEI in all payment transactions totaling 50 crore and more, undertaken by RTGS and NEFT.
- Reserve Bank of India mandated LEI in all cross-border transactions of 50 crore and more.
- **Bank of England** will introduce LEI into ISO 20022 standard CHAPS payment messages from February 2023 and mandate LEI usage later on for payment involving a transfer of funds between Financial Institutions.
- **China Interbank Payment System (CIPS)** is using LEI to identify transaction participating entities.

<https://www.swift.com/swift-resource/251416/download>

- Congress passed the **Financial Data Transparency Act (FDTA)** as a part of the FY 2023 National Defense Authorization Act. The FDTA requires eight of the financial regulatory member-agencies of the U.S. Financial Stability Oversight Council to adopt and apply uniform **data standards** for the information collected from regulated entities.
 - The FDTA represents the most significant step forward in US financial system standardization in over a decade.
 - Standardization requested by the FDTA will reduce cost and risk while improving efficiency and accountability across every financial sector.
- **“legal entity identifiers”** are included in the bill, but the LEI specifically is not mentioned
- The criteria for FDTA specifies the following:
 - Be fully searchable and machine-readable
 - Be **non-proprietary** or made available under an **open license**
 - Incorporate standards developed and maintained by **voluntary consensus standards bodies**
- No new reporting or disclosure requirements
- A 2-year rulemaking period is already underway, followed by a 2-year implementation period.



GLEIF Americas

LEI in U.S. Regulations

- In December 2022, **U.S. Customs and Border Protection (CBP)** commenced the **Global Business Identifier (GBI)** Evaluated Proof of Concept (EPoC), which will be a collaboration with 13 partner government agencies.
- The objective of the GBI initiative is to develop a single identifier solution that will:
 - improve U.S. Government's ability to pinpoint **high-risk shipments** and **facilitate legitimate trade**;
 - create a “common language” between government and industry;
 - improve data quality and efficiency for identification, enforcement, and **risk assessment**.
- The LEI has been selected as a foundational identifier within the GBI scheme to identify trade entities, most **notably shippers, suppliers, manufacturers, and sellers**.
- The GBI also include GS1's Global Location Number (GLN) and Dun and Bradstreet's Data Universal Numbering System (DUNS) to form the GBI.
- The EPoC also specifies the following criteria:
 - **10 participating countries:** (1) Australia; (2) Canada; (3) China; (4) France; (5) Italy; (6) Mexico; (7) New Zealand; (8) Singapore; (9) United Kingdom; and (10) Vietnam
 - List of **commodities** covered: alcohol, toys, seafood, personal items and medical devices





Validation Agent

Financial institutions obtaining LEIs on behalf of their clients

How it works:

What will Validation Agents do?

The responsibilities of FIs that become Validation Agents begin with a check to establish whether their client has an LEI. If the client does not, the agent will validate the following during the LEI Issuer's entity verification process, in accordance with the LEI ISO 17442 standard:



Validation Agents will partner and interface with one or more LEI Issuers to obtain LEIs for their legal entity clients.

Aside from accepting data records from Validation Agents, LEI Issuers will continue in their conventional roles:

- *Performing LEI duplication checks*
- *Issuing LEIs in compliance with ISO 17442*
- *Managing LEI challenges*
- *Publishing LEI records daily to GLEIF*

- Enables Financial Institutions (FIs) involved in identity verification and validation to obtain and maintain LEIs for their clients in cooperation with accredited LEI Issuers through KYC and client on-boarding processes

Validation Agents

- GLEIF onboarded its first Validation Agent, J.P. Morgan Chase, in November 2020.
 - Through end of 2022, 11 organizations have become VAs and an additional 9 are in process.
 - More than 2,000 LEIs in 2022 (approximately 1,500 in Q4 alone)
 - 2 additional U.S. Globally Systemically Important Financial Institutions (GIFIs) are in the pipeline for 2023

The J.P. Morgan logo is displayed in a classic serif font, with the letters 'J.P.' in a smaller size than 'Morgan'.

“Working as a Validation Agent will allow us to improve our client onboarding experience as well as create valuable industry LEI reference data. If a majority of financial institutions implemented this service, it would greatly multiply the number of LEIs in production to the benefit of all.”

George Brandon, Managing Director, JPM

The Citi logo features the word 'citi' in a bold, blue, lowercase sans-serif font, with a red curved line arching over the 'i'.

“We are very excited to be a Validation Agent now. We see this service as a key to our ongoing success or continued improvement to our client experience as well as we are keeping good grace in the regulatory space. LEI is so much for us than a regulatory requirement in the bank from a data quality perspective, deduplication, being able to identify the relationships. Therefore, we consider it as a significant win for us to be able to become a Validation Agent.”

Kyle Hughes, Global Head of Entity Data, Citi



Room for Improvement

LEI: Areas for Improvement

- **Coverage:**
 - 235 rules and regulations globally
 - 2022 growth rate: 12.9%
 - LEI in client on-boarding & KYC
- **Renewal and lapse rate:**
 - Legal entity events data feed
 - Bulk registration, business registries
- **Expanding beyond the financial sector:**
 - Verifiable LEI (vLEI)
 - Cross-border payments, trade finance
 - Supply chain, sustainability

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Thank you!
FOR MORE INFORMATION:

Peter Warms
Business Development Manager

Global LEI Foundation

Peter.Warms@gleif.org

www.gleif.org




EDMCouncil

