

WORLD TRADE SYMPOSIUM 2016 EXECUTIVE SUMMARY AND ACTION PLAN

Initiatives proposed by the World Trade Board: initiative to drive adoption of Global Legal Entity Identifier numbers by corporates and SMEs

The World Trade Board findings conclude that there is significant potential to use the World Trade Symposium as a vehicle to drive adoption of Legal Entity Identifiers to improve transparency, digitisation, onboarding and risk management along the supply chain with a view to enabling more inclusive trade for global SMEs.

What is the initiative proposed?

In consultation with the Global Legal Entity Identifier Foundation (GLEIF), the World Trade Board sees an opportunity to drive adoption of global legal identifier numbers by all companies, including small and medium-sized businesses involved in cross border trade. This could have a significantly positive impact on growing international trade and increasing access to finance. The World Trade Board members and the organisations they represent will establish a task force focused on driving Legal Entity identifier (LEI) adoption by businesses in cross border trade, as well as educating financial services institutions and technology firms, to help ease implementation and use of the LEI standard to enable greater access to trade and supply chain finance.

The G20 initiated the creation of a harmonised global identification system as a way of adding transparency and efficiency to the global financial system. In 2014, GLEIF was created by the Financial Stability Board to drive global implementation. Given the fundamental importance of this initiative, the World Trade Board, in consultation with GLEIF, can further mobilise and coordinate with a wide variety of parties to increase the acceptance and opportunities for LEIs.

Thus far almost 500,000 companies have a harmonised global identity (LEI). But there is a long way to go. While many national identification systems exist, they are not harmonised at the global level, which hinders the full potential of international trade.

Why is this work important?

Many impediments to global trade and access to finance can be addressed with technology that exists today and that will come online in the future. Yet the success of these innovations and our ability to address impediments to trade through financial technology is largely predicated on our ability to easily, accurately and efficiently find, track and validate information about companies through databases containing huge volumes of information. Without an identifier for companies, this process is cumbersome, costly, unreliable and sometimes impossible.

What are the possibilities we can enable through greater adoption?

Wide adoption of LEIs open many possibilities, including:

1. Improved Access to Finance for Small and Medium-Sized Enterprises (SMEs)
LEIs enable the counterparty information and analysis of company's performance history, payment record, commercial disputes and full supply chain. This facilitates risk assessments, opening the door for financial institutions to provide more SME support and close (cross-border) financing gaps.

2. Financial Crimes and 'Derisking'

- Online search for a company without an LEI makes financial crimes due diligence difficult, expensive and/or impossible
- As a result, banks are exiting relationships, 'de-risking' to protect their business, especially in developing countries and banks are reluctant to acquire SME clients
- LEIs, with verified information about 'who is who' will mitigate the risk of financial crimes by facilitating due diligence and render it less expensive by bringing standards into the Know Your Customer (KYC) process.

3. Enhance safeguards

- Ensuring goods are not manufactured through unethical or unlawful labour forces and in an environmentally sound manner would be greatly improved by identifiers tracking companies and their products moving through a global supply chain. Where LEI can help with easing KYC, it also provides opportunities for a new and important idea which could be termed Know Your Goods (KYG). This is concerned with the notion that increasingly, transparency into the provenance and traceability of goods is key for trust in today's trading relationships.

4. LEIs support the future development of fintech and digital enablement

- LEIs lay the foundation for fintech solutions to leverage global standards to streamline onboarding, gain greater insight and potentially pave the way for new 'smart' digital contracts.
- The exciting potential of fintech is rooted in (i) finding, (ii) organising and (iii) tracking information from vast databases on a global basis across jurisdictions
- Making this a reality requires global adoption of LEI

What are the agreed next steps of the taskforce team?

- Formally announce the initiative with the founding taskforce member organisations and in consultation of the GLEIF
- Formalise working group meetings and communications leveraging the diverse networks of the different collaborating organisations
- Collaborate with leading industry bodies, financial institutions, technology firms and data providers to develop recommendations on the consistent use of LEIs within financial institutions as adoption increases. Also provide impact analysis of regulatory scenarios where LEIs could be part of future mandates.
- Deliver research and thought leadership around the potential of LEI adoption for key markets where SME growth is top of mind, for example, across ASEAN
- Align with leading corporate treasury organisations and the World SME Forum to promote the use of LEIs to ease access and drive transparency in trade and lower risk, as well as aid the operational efficiency and on-boarding processes of customers for banks to ease access to credit