How to Become
a Validation Agent

GLEIF

Enabling global identity
Protecting digital trust

Introduction

In its drive to encourage voluntary adoption and use of LEIs across a broader portfolio of non-regulatory use-cases, the Global LEI Foundation (GLEIF) introduced in 2020 a new role in the Global LEI System. It is called the Validation Agent.

The goal of the Validation Agent role is to streamline the LEI issuance process and deliver a multitude of benefits for legal entities, LEI issuers and the organizations that serve legal entities as clients.

Validation Agents also serve to proactively champion broader industry efforts to harmonize the use of identifiers to promote greater transparency and contribute to the fight against financial crime across the global economy. This follows support for the inclusion of the LEI within ISO 20022 payment messages from key stakeholders – including the Bank for International Settlements' Committee on Payments and Market Infrastructures' (CPMI) and the Wolfsberg Group.

In addition, the Swift Payment Market Practice Group (PMPG) has outlined how global adoption of the LEI in ISO 20022 payment messages can support key cross-border use-cases including: sanctions and watch-list screening; KYC and client onboarding; fraud detection and the fight against vendor scams; e-invoice reconciliation; and account-to-account validation.

Any FI or other organization that performs relevant validation and verification practices that are overseen or audited by an independent authority may apply for Validation Agent status.

GLEIF welcomes engagement with any relevant, interested organizations to continue the growth of its global network of Validation Agents. This eBook shines a light on the seven-step process to become a Validation Agent for organizations seeking to develop a clearer picture of the operational requirements and the support available from GLEIF.

Unfamiliar with the Validation Agent role and its benefits?
Click here to learn more.
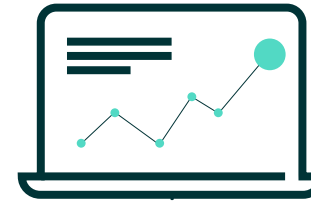
Validation Agent:
Benefits for Participating Organizations

Today ▼

✔ Faster, more efficient client onboarding experience and subsequent client refresh cycles.

✔ Increase opportunities to add value and create differentiation.

✔ Enhance internal data management processes, increase consistency, reduce cost.

✔ Accelerate digital transformation.

✔ Support increasing industry momentum for the inclusion of the LEI in cross-border payment messages.

✔ Instant and seamless compliance with current industry regulations requiring the LEI.

❝

40% of existing costs that our customers experience in their KYC processes is around public data collection. The ability to standardize this via the LEI is significant. The second wave of savings is in the technology costs reduction given the use of a standardized identifier for corporates.

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Preeti Malk, Head of Global - Risk and Financial Crime Compliance, Capgemini.

Capgemini

❝
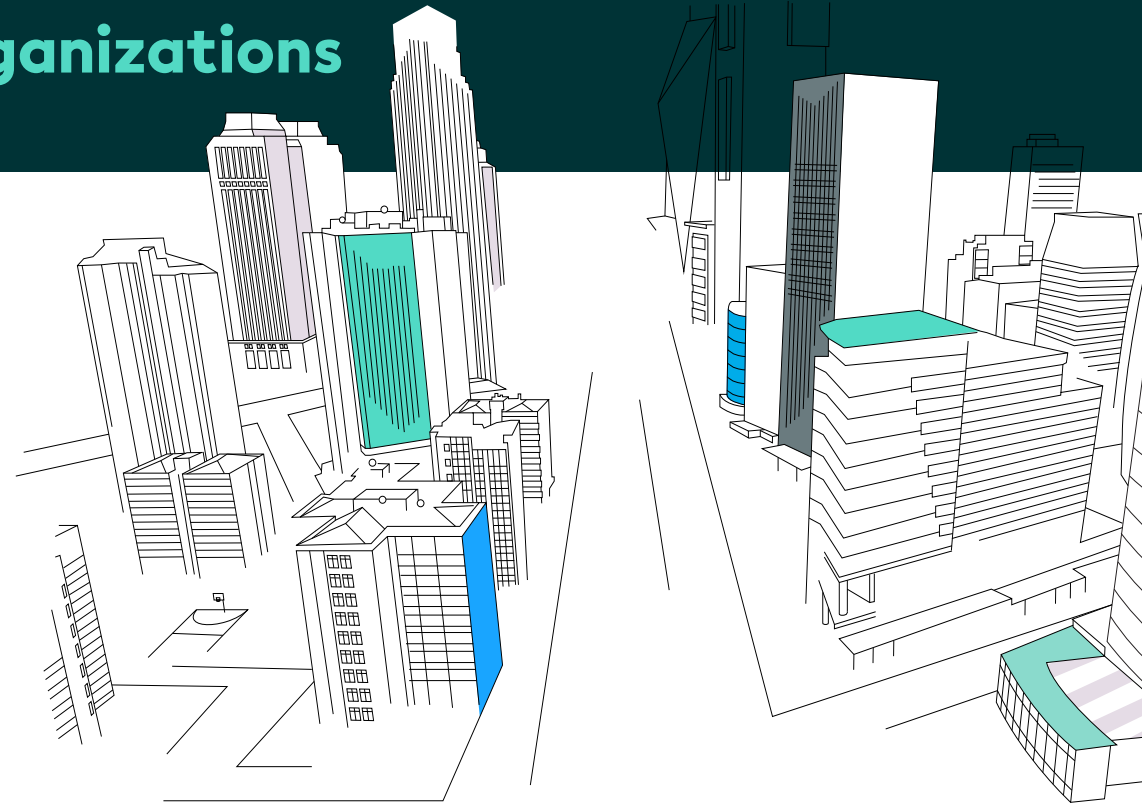
The adoption of LEIs allows us to associate an alphanumeric identifier to a client so we know precisely who we are dealing with. It sounds basic but it enables all these other benefits around new digital services and improved data management.

❞

Paul Maley, Managing Director, Deutsche Bank.

Deutsche Bank

Validation Agent:
Benefits for Financial Institutions

Tomorrow ▼

✔ Platform for innovation and new service development, including:

- Corporate Identity.
- Digital x-border supply chain relationships.
- Legal assurance level e-signature services via digital certificates.

✔ Readiness for uplift in LEIs as use-cases evolve beyond capital markets.

✔ Autonomous control over digitization of business processes. The LEI is a non-proprietary global standard that enables commercial and operational independence from vendors.

✔ Proactive and seamless compliance with emerging industry regulations requiring the LEI.

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Although the Validation Agent Framework will initially appeal to FIs seeking to streamline regulatory compliance processes for their clients, the role is designed to foster broader appeal among banks and to encourage voluntary LEI adoption outside of capital markets. Validation Agents can leverage the LEI and eliminate manual linking of entity data from disparate internal and external sources. McKinsey estimates that this alone would save the global banking industry $2-4 billion per annum by improving full time employee productivity in client onboarding.

The Validation Agent role is also likely to be assumed by banks seeking to become recognized leaders in identity management, positioning themselves as facilitators of global trade. By expanding LEI issuance beyond organizations clients that require an LEI for financial compliance, a Validation Agent can equip its whole business client base with globally recognized identities, which can be used across borders with any legally registered counterparty or supplier around the world. In this way, FIs can use the LEI to solve the problem of cross border trust for their clients worldwide.

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Stephan Wolf, CEO, GLEIF (2014-2024)

Supporting Participation

What are the goals of the engagement process?

By working with Validation Agent applicants, GLEIF aims to:

- Enable smooth and efficient adoption of the Validation Agent role.

- Support the creation of a business case by identifying, specific to each organization, the efficiency gains that can be realized through the Validation Agent role.

- Explore and provide support for the technical, legal and operational adjustments within the organization required by the role.

What value does GLEIF bring to the engagement process?

Applicants benefit from deep engagement with GLEIF's experts, who help to define how the Validation Agent process can be tailored to individual organizations. GLEIF assigns an account manager to each participating organization to support them throughout the application process. This includes support with performing a gap analysis and on engagement with the LEI Issuer network. Here, several key points of negotiation exist regarding, for example, who manages LEI challenges and renewals. GLEIF's experience in facilitating this dialogue has proven invaluable to organizations who have become Validation Agents.

GLEIF provides templates, training and education on the LEI System and its processes. GLEIF also acts as a channel through which to outreach to LEI issuers for bids.

A Seven Step Process
to Becoming a Validation Agent
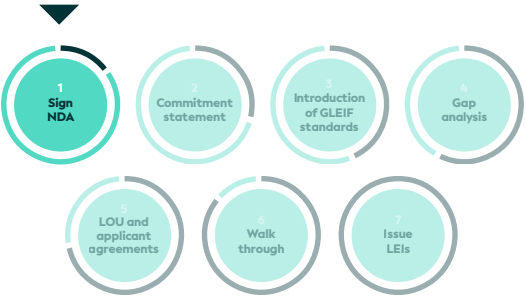
A customized, partnership approach

While every effort has been made to standardize the engagement process, GLEIF acknowledges that the each organization employs unique processes and organizes its departmental functions differently. GLEIF is committed to working closely with every organization to explore and define the procedural adjustments needed to enable the Validation Agent role and to help identify the opportunities to drive process efficiencies in client onboarding and lifecycle management.

GLEIF has defined seven stages in the Validation Agent engagement process:

1. Sign NDA

2. Commitment statement

3. Introduction of GLEIF standards

4. Gap analysis

5. LOU and applicant agreements

6. Walk through

7. Issue LEIs

Figure 1: GLEIF's Validation Agent seven step engagement process

Stepping Through the Engagement Process

Step 1

1 **Sign NDA** · 2 Commitment statement · 3 Introduction of GLEIF standards · 4 Gap analysis · 5 LOU and applicant agreements · 6 Walk through · 7 Issue LEIs
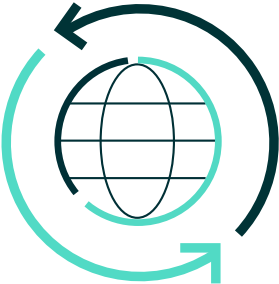
Sign NDA

To enable preparatory discussions between GLEIF and the applicant Validation Agent to evolve beyond a theoretical framework, both parties sign NDAs. This action permits open collaboration while protecting each party's intellectual property and commercially sensitive data.

Step 2

1 Sign NDA · 2 **Commitment statement** · 3 Introduction of GLEIF standards · 4 Gap analysis · 5 LOU and applicant agreements · 6 Walk through · 7 Issue LEIs

Commitment statement

This non-binding agreement confirms that both GLEIF and the applicant will commit their personnel time to the engagement process. Both parties cover their costs of participation. It does not, however, require the applicant to complete the process should its priorities or circumstances change. (In respect of the time and efforts of all parties, GLEIF requests that applicants needing to withdraw from the process do so prior to concluding agreements with LEI Issuers.)

To assist interested parties in securing internal approvals to assume the Validation *Introducing the LEI Validation Agent Framework* which provides an executive level overview of the role together with its benefits to organizations and the broader LEI ecosystem.
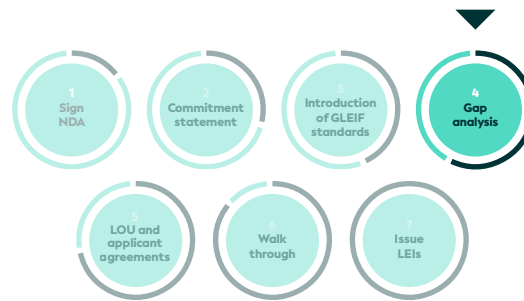
Stepping Through the Engagement Process

Step 3 (highlighted): Introduction of GLEIF standards

Steps shown: 1 Sign NDA · 2 Commitment statement · **3 Introduction of GLEIF standards** · 4 Gap analysis · 5 LOU and applicant agreements · 6 Walk through · 7 Issue LEIs
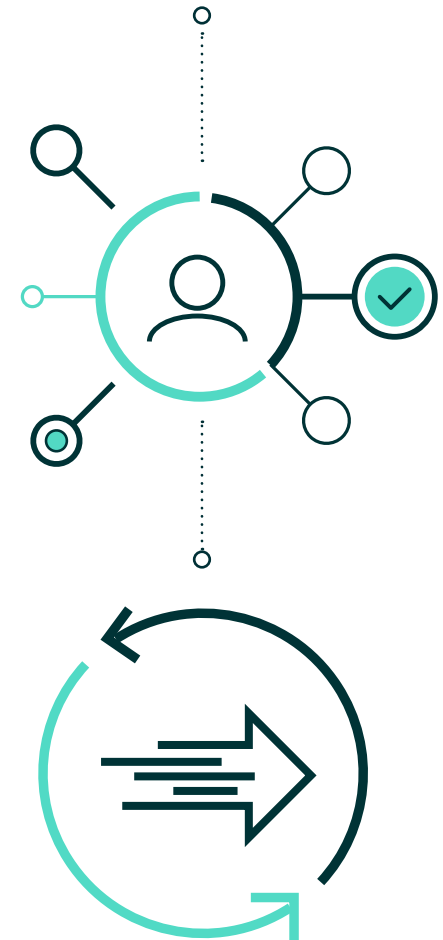
Introduction of GLEIF standards

Through a series of regular calls, GLEIF and the applicant review the LEI Issuer services in the Global LEI System and explore the processes that the applicant can assume from the issuer during client onboarding and standard refresh updates. This includes how the applicant can leverage GLEIF's public API to discover whether their legal entity customer already has an LEI. It also offers a chance to explore whether GLEIF's Validation Agent to LEI Issuer protocol can be leveraged to facilitate interoperability during the shared identity data verification processes.

Step 4 (highlighted): Gap analysis

Steps shown: 1 Sign NDA · 2 Commitment statement · 3 Introduction of GLEIF standards · **4 Gap analysis** · 5 LOU and applicant agreements · 6 Walk through · 7 Issue LEIs

Perform gap analysis

GLEIF assists the applicant in performing a gap analysis based on its understanding of the applicant procedures and processes in identity verification. This step involves comparing the *reference data sources* that are used in the Global LEI System with those the applicant uses in its standard client onboarding and refresh updates. Once commonalities and differences have been identified, the applicant and GLEIF then create a change management plan to adjust processes or documentation to achieve parity.

At this point, the application assumes control of the process and proceeds to engage with its LEI Issuer(s) to agree and design the interaction and negotiate pricing.

Stepping Through the Engagement Process

Process steps (Panel 1)

1. Sign NDA
2. Commitment statement
3. Introduction of GLEIF standards
4. Gap analysis
5. **LOU and applicant agreements**
6. Walk through
7. Issue LEIs

LEI Issuer and applicant agreements

With the processes explored and designed, the applicant now moves to establish agreements from all internal parties, together with its LEI Issuer(s). The applicant can engage with the LEI Issuer(s) that it would like to work with by leveraging the GLEIF's Request for Proposal template. The issue of client consent management, for example, must be addressed with the applicant's compliance team. GLEIF has a number of available legal document templates which can be used as a starting point for these internal discussions. The key areas that require negotiation are commonly identified in the gap analysis, so the development of the agreement between the applicant and its LEI Issuer(s) – which forms the blueprint for their data exchange processes, services and pricing – occurs privately, without GLEIF's involvement.

Process steps (Panel 2)

1. Sign NDA
2. Commitment statement
3. Introduction of GLEIF standards
4. Gap analysis
5. LOU and applicant agreements
6. **Walk through**
7. Issue LEIs

Walk through

Once legal agreements have been established, the applicant demonstrates to GLEIF the process of issuing an LEI. Here, the applicant and the LEI Issuer demonstrate that the cooperative information flows and processes established adhere to the *framework of the Global LEI System.* This step allows for refinement of the established system, ahead of GLEIF's final approval of the applicant as a Validation Agent.

Process steps (Panel 3)

1. Sign NDA
2. Commitment statement
3. Introduction of GLEIF standards
4. Gap analysis
5. LOU and applicant agreements
6. Walk through
7. **Issue LEIs**

Issuing LEIs

Once final approval has been granted by GLEIF, the applicant now holds official Validation Agent status and may begin obtaining LEIs on behalf of its corporate clients.

Operational Considerations: Q&A

If an organization becomes a Validation Agent, will GLEIF or the public be able to discover who its clients are?

No, neither GLEIF nor the public can know who its clients are. All LEI records contain a "Managing LOU" field, which will be populated with the LEI Issuer(s) that the organization chooses to work with. The confidentially of the client data is ensured in the legal agreement with the LEI Issuer.

Does a Validation Agent have to work with the same LEI issuer for all jurisdictions that it has KYC procedures in?

No, Validation Agents do not have to work with a single LEI Issuer. They can choose to cooperate with various issuers operating in different jurisdictions.

Which entities should a Validation Agent target with an LEI?

This depends on the organization. By issuing the LEI to regulated entities (who are mandated to obtain one) the organization will create more satisfied clients, as they will benefit from the newly streamlined process. By issuing the LEI to the non-financial corporations, however, the organization will demonstrate excellence in its client servicing, as corporates will then be equipped with an LEI for use in future **cross-border payment, cross-border trade** and **digital transactions** use cases.

Get involved

GLEIF is actively engaging with all relevant organizations to become Validation Agents. Interested to learn more? Contact us on **info@gleif.org.**

About the Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure, answering the questions of 'who is who' and 'who owns whom'. It provides a universally recognized identifier paired with essential entity data, rigorous verification processes and high data quality.
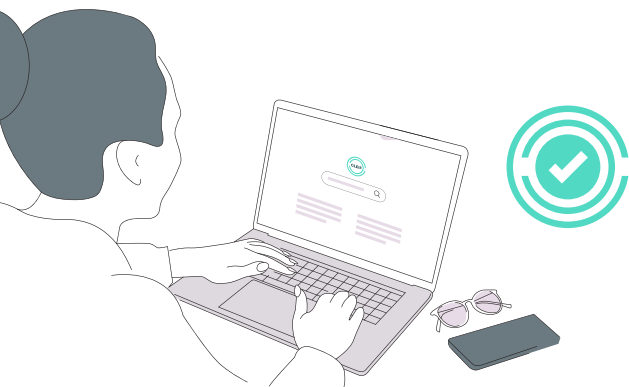
About the Global Legal Entity Identifier Foundation (GLEIF)

Established by the Financial Stability Board in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is a not-for-profit organization created to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF is headquartered in Basel, Switzerland.

GLEIF services ensure the operational integrity of the Global LEI System. GLEIF also makes available the technical infrastructure to provide, via an open data license, access to the full global LEI repository free of charge to users. GLEIF is overseen by the LEI Regulatory Oversight Committee, which is made up of representatives of public authorities from across the globe. For more information, visit the GLEIF website at **https://www.gleif.org/en.**

History of the Global LEI System

In 2011, the Group of Twenty (G20) called on the Financial Stability Board (FSB) to provide recommendations for a global Legal Entity Identifier (LEI) and a supporting governance structure. This led to the development of the Global LEI System which, through the issuance of LEIs, now provides unique identification of legal entities participating in financial transactions across the globe. The FSB emphasized that global adoption of the LEI underpins multiple "financial stability objectives" and also offers "many benefits to the private sector".

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