



# **VALIDATION OF PAYEE (VOP) & THE LEGAL ENTITY IDENTIFIER (LEI)**

**FEBRUARY 2025**

## Payee Validation & Legal Entity Identifiers (LEIs)

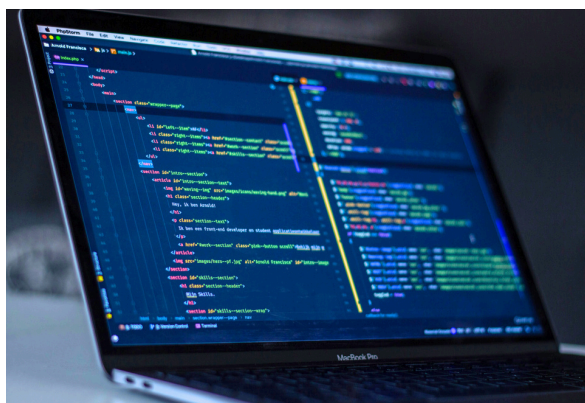
On 16th January 2025, EPAA co-hosted an online Hot Topic briefing with the Global Legal Entity Identifier Foundation (GLEIF) on the topic of “Payee Validation & Legal Entity Identifiers (LEIs)”.

Our expert speakers, Alexandre Kech, Azleena Idris, Alain Raes, and Dima Postnikov explored:

- ✓ New use cases for LEIs
- ✓ Challenges in payment verification and cross-border transactions
- ✓ The 'Passport for Companies' concept
- ✓ Solutions for small businesses and sole proprietorships

This insightful presentation was followed by an in-person workshop, also co-hosted by GLEIF, in Singapore on 27th February. It was great to have more than 25 payments industry leaders attend this candid and important discussion. Their expertise and insights provided a deep dive into the evolving role of LEIs in the payments ecosystem, highlighting opportunities, challenges and next steps for adoption.

### Understanding the Legal Entity Identifier (LEI)



The LEI is a global reference code that uniquely identifies legal entities engaged in financial transactions. Introduced after the 2008 financial crisis, the LEI aims to enhance transparency, reduce financial risks, and improve operational efficiency in global markets. Managed by GLEIF under regulatory supervision, it acts as a digital passport for businesses.

The system operates under the supervision of the Financial Stability Board (FSB) and the G20, reinforcing its credibility as a public good. Today, over 2.8 million LEIs have been issued worldwide, covering more than 80% of global trade by value.

### What does the LEI specifically identify?

- The LEI identifies legal entities, not natural persons.
- It does not replace payment routing systems like IBANs or SWIFT codes but complements them by ensuring precise entity identification in transactions.



## Why should organisations adopt the LEI?

- 1.Enhanced Transparency and Trust – Clearly identifies transaction parties, reducing confusion in cross-border payments.
- 2.Reduced Errors and Fraud – Helps prevent payment rejections and fraud (e.g., invoice fraud) by verifying payment destinations.
- 3.Regulatory Compliance support – Mandated for specific financial transactions, aiding compliance with global regulations.
- 4.Facilitation of Cross-Border Transactions – Improves efficiency and reduces costs by enabling seamless counterparty identification.

## The LEI's Impact on Financial and Regulatory Sectors

### 1.Enhanced Transparency and Risk Mitigation

- a.The LEI enables regulators and FIs to track counterparties with accuracy, helping prevent financial fraud, money laundering, and regulatory breaches.
- b.For example, in derivatives markets, regulators require the use of LEIs to monitor systemic risk and ensure compliance with global reporting standards.



### 2. Fraud Prevention and Compliance in Payments

- a.The LEI reduces payment errors and fraud by linking financial transactions to verified legal entities.
- b.Regulatory bodies such as the Reserve Bank of India has mandated LEIs for high-value payments, ensuring the legitimacy of cross-border transactions.

### 3. Facilitating Cross-Border Transactions

- a.The LEI simplifies international trade by creating a standardized global identifier.
- b.The Bank of England, the China Interbank Payment System (CIPS), and other financial institutions have incorporated LEIs into their payment infrastructures to improve efficiency and reduce costs.

## What are the challenges to LEI Adoption

LEI adoption faces some challenges, primarily due to low awareness within the industry. While financial institutions and regulatory bodies increasingly recognize the importance of LEIs, knowledge levels vary across different players in the payment value chain. Banks, for instance, are accustomed to using LEI codes to identify themselves and counterparties in derivatives trading. However, even within banks, understanding of how to apply LEIs in payment processing remains limited.

As we move closer to the end consumer in the payment chain, corporate awareness of LEIs declines further. Many businesses, particularly micro, small, and medium-sized enterprises (MSMEs), are either unfamiliar with LEIs or unaware that they may be required for certain transactions. Payment Service Providers (PSPs) and intermediaries often rely on banks for information about LEIs, but only a small percentage of PSPs actively follow the Financial Stability Board's (FSB) G20 initiative, which promotes the LEI as a recommended global identifier to enhance transparency and efficiency in payments.

One of the key barriers to broader LEI adoption is the cost associated with obtaining and maintaining an LEI, which typically ranges from €50 to €100 per year. In Singapore, this translates to approximately SGD 75 to SGD 150 per year, depending on the service provider and additional services offered. While this is a minor expense for large enterprises, it can be perceived as an unnecessary burden for smaller businesses, particularly those that do not fully understand the benefits. Since PSPs depend on corporates having LEIs for compliance and transaction processing, low corporate adoption further slows industry-wide uptake.

When considering MSMEs, which often operate similarly to individual proprietors, the cost becomes a more significant barrier. These entities, if registered, may already be struggling to maintain profitability, making it challenging to justify the expense of obtaining an LEI. For such businesses, the cost may outweigh the perceived benefits, leading to reluctance in adopting LEIs.



To address these challenges, innovative solutions are being explored, such as bulk issuance of LEIs through business registries and the development of sponsorship models to alleviate financial burdens. Furthermore, industry leaders are actively working to integrate LEIs with digital identity frameworks and blockchain technology, which could significantly enhance their functionality and relevance. The GLEIF Validation Agent Framework is another strategy aimed at simplifying obtaining an LEI by streamlining the process of obtaining and maintaining Legal Entity Identifiers (LEIs) for clients. It allows financial institutions and other organizations to leverage their existing Know Your Customer (KYC), anti-money laundering (AML), and other regulated onboarding processes to facilitate LEI issuance.

Collaboration among governments, financial institutions, and GLEIF will be essential in fostering broader adoption of LEIs. By working together, these stakeholders can drive awareness, reduce barriers, and promote a more efficient and secure global financial ecosystem, ultimately benefiting businesses and the financial landscape as a whole.

### **What Strategies Can Drive Greater LEI Adoption in the Industry?**

- **Need for Greater Awareness:** Many businesses, particularly SMEs, are unaware of the benefits of obtaining an LEI. A collective industry effort is required to promote its adoption through education and outreach initiatives, such as workshops and webinars.
- **Mandates to Drive Adoption:** Regulatory mandates have been the primary driver of LEI adoption. While voluntary uptake is growing, further regulatory encouragement in trade finance, supply chain management, and corporate transactions could accelerate implementation.
- **Cost and Accessibility Challenges:** SMEs often struggle with the annual cost of an LEI. Suggested solutions include alternative pricing models, subsidies, or bundled issuance through business registries, as well as government incentives to cover registration costs.
- **Integration with Digital Identity:** The introduction of the verifiable LEI (vLEI) will help businesses authenticate themselves in digital transactions, enhancing security in payments and trade finance.
- **Bridging Trade and Payments:** The LEI has the potential to unify trade finance and payment processes, reducing fraud and improving transaction efficiency.
- **Role of Financial Institutions:** Banks and payment service providers must promote LEI adoption by incorporating it into their onboarding and compliance processes, including Know Your Business (KYB) and Anti-Money Laundering (AML) procedures.
- **Leveraging Technology for LEI Verification:** Utilizing artificial intelligence (AI) and machine learning can automate LEI verification, improving accuracy and reducing manual labor.
- **Global Standardization and Interoperability:** Ensuring that LEIs work seamlessly across borders and within national frameworks will enhance their usability.

Cross-sector collaboration is crucial for making the LEI a mainstream identifier for businesses worldwide, as it enhances transparency, streamlines compliance processes, and fosters trust among stakeholders, while also standardizing data sharing, improving business identification accuracy, and promoting innovation and growth in a more resilient global economy.



## What are the Future Prospects for the Role of Digital Identity and the vLEI

A major development in the LEI ecosystem is the introduction of the verifiable LEI (vLEI), which allows organisations to digitally authenticate their identity in real-time. The vLEI is expected to revolutionise:

- E-signatures and digital contracts, enabling seamless verification of corporate identities.
- Supply chain security, reducing fraud by ensuring that only legitimate businesses participate in trade networks.
- Financial inclusion for SMEs, by making it easier for them to establish credibility with banks and investors.
- Corporate Identity Management: Large corporations and multinational entities can benefit from vLEI by streamlining compliance processes across different jurisdictions.
- Integration with Open Banking and Fintech: As financial ecosystems become more interconnected, vLEI can serve as a foundational element in digital banking and payment orchestration.

## What key takeaways and actions to advance the global adoption and integration of the LEI?

The LEI has already proven its value in regulatory compliance, fraud prevention, and financial transparency. However, its broader adoption hinges on increased awareness, streamlined registration processes, and strategic partnerships with financial institutions and regulatory bodies. By expanding the use of LEIs across digital identity verification, trade finance, and cross-border payments, the financial ecosystem can become more secure, efficient, and interconnected.



The insights and commentary from the workshop held in Singapore further emphasize that while regulatory mandates will continue to be a primary driver of adoption, financial institutions and corporations must also take an active role in integrating LEIs into their operational frameworks. As governments and private sector players collaborate to integrate LEIs into financial and trade infrastructures, the LEI is poised to become a global standard for entity verification, shaping the future of secure financial transactions worldwide.



# Precise and Efficient Validation of Payee: A Look at the Legal Entity Identifier (LEI) as a Practical Solution

Watch the  
recording [here!](#)

## Hot Topic Briefing Speakers



**Camilla Bullock**  
EPAA



**Alexandre Kech**  
GLEIF



**Alain Raes**  
iPID



**Azleena Idris**  
Payments Network  
Malaysia



**Dima Postnikov**  
AP+

## Workshop Participants



**Camilla Bullock**  
EPAA



**Alexandre Kech**  
GLEIF



**Adrian Ng**  
GLEIF



**Avalon Ingram**  
SWIFT



**Benjamin Pun**  
Juspay



**Carmen Arias**  
BIS Innovation Hub



**Cary Horenfeldt**  
i2c



**Chee Beh**  
Yuno



**Christina Chow**  
Deutsche Bank



**Daniel Lee**  
LSEG



**David McLellan**  
Boku



**Deepan Dagur**  
Dandelion  
Payments



**Eileen Sim**  
FIDReC



**Gwen Tang**  
Juspay



**Karthik Ashok**  
Diligence.AI



**Kheng Chun Lee**  
NETS



**Mark Seward**  
Swan River Capital



**Martin Wong**  
Standard Chartered



**Maxim Neshcheret**  
CMA



**Meital Raviv**  
mera.



**Mohammad Shah**  
LSEG



**Rahul Bhargava**  
EPAA



**Rajan S. Narayan**  
Cyberbeat



**Runn Sachasiri**  
Nium



**Tze Tze Lee**  
HSBC



**Tat Yeen Yap**  
Maybank

**WE ALWAYS TURN TO OUR MEMBERS FOR  
THOUGHT LEADERSHIP. THANK YOU**



Enabling global identity  
Protecting digital trust



The Emerging Payments Association Asia (EPAA) is a leading association for innovative businesses in the Asia Pacific payments ecosystem, including banks, issuers, and technology providers.

EPAA hosts discussions, think tanks, and networking events, providing members with insights while influencing policy and regulation and representing APAC in international forums. The community amplifies the voice in payments, connects business opportunities, and drives innovation to improve the financial payments landscape and lives everywhere.

## CONTACT US

