

# Data challenges following the introduction of LEI



**NordLEI**  
LEI issuer in the Nordic and Baltic region

## Counterparty static data - The new challenge



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While global financial markets participants expected an eagerly awaited phase of recovery after the push to meet regulatory deadlines for derivatives transaction reporting related to EMIR and Dodd-Frank Act, this recovery period has not materialized. Following the adoption of the Legal Entity Identifiers (LEIs) system, new challenges now emerge as increased demands on firms' record keeping become apparent.

In order to achieve operational excellence, firms have identified the process of updating, maintaining and synchronizing their internal counterparty static registers to the Global LEI System (“GLEIS”) as vital. This involves adequately identifying and referring to counterparties as part of the banks' submissions to Trade Repositories.

However, no best-practice has evolved and overall conditions to ensure the standards of counterparty static data record-keeping have so far been poor. As a consequence, market participants currently struggle with time consuming manual routines to ensure their counterparty LEI referencing is up to par, with the crucial cross-referencing considered a cumbersome operational process due to the fact that:

- Market participants' internal Counterparty and Customer Master Databases lack uniform identifiers to match against the new LEI reference data
- Counterparty static data is most often stored in proprietary formats, hence requiring normalization and translation in order to enable the necessary matching process.
- Since the GLEIS comprises in excess of 300 000 records, superior data processing capacity is required in order to adequately match and enrich firms' stored records.

## Continuous data synchronization - The higher challenge

### LEI Facts

- There are in excess of 300 000 active LEI codes
- EMIR and Dodd-Frank Act derivatives regulations make LEI use mandatory in Transaction Reporting
- More global regulation making LEI commonplace is in the pipeline
- The Global LEI System is still in an interim phase so the actual implementation will develop; this is something firms should take into consideration
- ISO standard 17442 describe the LEI code as such, but the reference data linked to the LEI holder is developed through best practice

The process for maintaining internal counterparty static registers with respect to LEI, is not a one-off exercise. Banks need to find a resilient and cost-effective automated process since the LEI is here to stay and will gather traction as subsequent European and global regulation requires it.

The core challenge firms face in keeping their counterparty ledgers consistent with the GLEIS arises due to the fact that the process for LEI matching lacks consistent search parameters (i.e. do not contain unique entity identifiers or common keys). For instance, many LEI registrations have been accepted without business registry numbers and legal entity names are far from always kept identical to public registers.

There is currently 17 operational issuers of LEIs (so called LOUs) and process maturity, data formats and best practices are still developing and differ quite a lot between the LOUs. This has resulted in some inconsistent LEI registrations, which further encumber the matching process.

Consequently, matching of internal register records against the GLEIS presumes an approach based on record similarity (as opposed to record exactness), thus requiring powerful “compare and pair” algorithms to detect specific corresponding records.

### **To facilitate LEI matching, NordLEI expands its service offering by giving clients access to the Congruous software**

So far, publicly available search engines for LEI data have only offered an item-by-item approach to support the cross-referencing necessary to enrich firms’ internal customer master databases. However, by using a recently launched NordLEI service, firms facing the above static data challenges now have the option to easily access normalized LEI data and continuously enrich and maintain internal registers with respect to counterparty LEIs.

The web-based service gives connected firms availability to the Congruous data matching and reconciliation software as an integrated part of the platform and includes a free-of-charge service for the normalization of firm-specific Customer Master Databases in order to facilitate the matching service. Once connected to the service, clients can continuously have their internal counterparty registers updated at a preferred frequency.

## Service details

- Ascertain that the most recent LEI code data is matched to the right legal entities in your firms static data
- Normalises your firm's Customer Master Database(s) data model to be compatible with publicly available data
- Pre-processing available to normalise slight differences in LEI formats from different geographies/Local Operating Units
- Clients can decide at which intervals and service levels the solution is used
- The solution is based on industry-standard SaaS/Cloud technology hosted with Amazon Web Services

## Service summary

In essence, the new NordLEI service initiative includes

- Instant linking to the latest updated records of the Global Legal Entity Identifier System (GLEIS).
- Integrated accessibility to the reputable Congruous data matching and reconciliation software with the distributed computational powers of the Cloud.
- Simple service on-boarding within 24 hours on a trial basis.
- One-off mapping and conversion of the client's proprietary Customer Master Database format.
- Possibility to perform instant matching and updating of clients' overall counterparty static registers, instead of applying the previously accepted time-consuming item-by-item approach.

This new service initiative leverages the LEI expertise of NordLEI and in integrating the publicly available data of the GLEIS into a powerful "compare and pair" engine, financial markets participants can enjoy an enhanced process with regards to LEI data. In order to get a more detailed insight in the service offering, please contact the NordLEI sales representatives on [LEI-SureMatch@nordlei.org](mailto:LEI-SureMatch@nordlei.org)



## About Congruous

The integrated Congruous reconciliation software ([congruous.se](http://congruous.se)) is provided by the Swedish software company Rational Minds AB. Congruous is a data matching and reconciliation tool built to work with complex scenarios, multiple sources, data formats and languages. Congruous lets you shape your data to make it comparable to any external or internal reference data.