

# LEIs, BICs & Wolfsberg

Operational Solutions to KYC and AML?  
(And Improve STP Rates)

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# **LEIs, BICs & Wolfsberg**

## **An Operational Solution to KYC and AML**

### **1. Purpose of this Paper**

CB.Net is involved in a number of STP related projects where the use of: Compliance Information, Bank Identifier Codes (“BIC”s) and/or Legal Entity Identifier (“LEI”s) are critical to their success.

CB.Net believes that the proposals suggested within this paper will assist in addressing the issues of:

- Clarity of Counter-Party Identity.
- Compliance with Know Your Client ("KYC) and Anti-Money Laundering ("AML") Regulations.
- Improvement of STP rates.

This paper has been prepared solely by CB.Net Ltd<sup>1</sup> but does refer to:

- RDUG's paper "Entity and Fund Identifiers"
- ISO STANDARD 9362 Second edition 1994-12-15
- BIC's Database Plus over the period Q4 1999 to Q4 2003

Any and all feedback would be most appreciated – please send any comments to [ian.dunning@cbnet.info](mailto:ian.dunning@cbnet.info)

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<sup>1</sup> Any views expressed here are purely those of CB.Net

## 2. Summary

It is a fundamental element of compliance and STP that there must be total clarity as to counter-party identity.

- In an electronic age, identity can be reduced to a simple code such as a BIC or an LEI.

However, an analysis of the current BIC directory<sup>2</sup> makes the argument that BICs do not provide clarity of legal identity and/or status. If it is unclear as to exactly what a code is identifying, then its relevance is called into doubt.

- There is a debate currently underway involving, inter alia, the ISO, SWIFT, RDUG & REDAC as to the scope of BICs and whether they should be extended to cover Legal Entities or whether a new standard should be created.

Lack of clarity as to identity and status would be further compounded if there is no clear difference between LEIs and BICs.

Again the analysis of the BIC directory shows that the scope of BICs has been extended de facto to cover non-financial institutions.

- SWIFT does not have the resources necessary to provide the infrastructure that an LEI directory would require.

It is for these reasons that CB.Net would suggest that:

- The application of the existing ISO 9362 be more strictly followed; to provide clarity of identity.
- BICs (and ISO 9362) be extended to embrace non-financial institutions; to recognise the de facto situation.
- Although SWIFT should be delegated to manage the LEI database, the management of this database should be outsourced to a 3<sup>rd</sup> party.

In order to provide the depth of information required by compliance regulations, CB.Net would suggest that once a particular code has been applied, it should be linked to the information held within Wolfsberg\SWIFTNet – to complete the circle of information.

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<sup>2</sup> See Appendix A

### 3. LEIs vs. BICs

3.1 Recommendations in RDUG's paper "Entity and Fund Identifiers" included:

- new identifiers based on the BIC format should be issued "to create an industry standard client and counterparty data structure". However .." this new identifier will **not** be a BIC but will merely use its format."
- that "SWIFT is the best suited body to manage and control the issuance and update of entity identifiers".

3.2 From CB.Net's analysis of the BIC's Database Plus<sup>3</sup> it can be seen that BICs now identify a wide range of entities, including: corporates, Stock Exchanges, brokers, financial companies as well as banks and what appear to be funds.

From this, CB.Net would argue that the easiest and least disruptive mechanism would be to extend the scope of BICs to cover LEIs.

3.3 It is agreed that SWIFT is the best umbrella for the issuance of LEIs. However, given that SWIFT's operational constraints and current lack of resources, the management of any LEI directory should be outsourced to a 3<sup>rd</sup> party capable of providing such resources - avoiding the problems linked with the current BIC database<sup>4</sup>.

### 4. Why SWIFT should be the Issuing Authority for LEIs

Whether the scope of ISO 9362 is extended or whether new standards are devised, SWIFT should be the issuing authority for LEIs in order to ensure that:

- (i) the industry does not become a hostage to any particular commercial entity.
- (ii) codes can be linked to information that they have deposited with SWIFT under the Wolfsberg project (see 5.1 below).

Furthermore:

- (i) RDUG's paper "Entity and Fund Identifiers" raised the very valid point:

"the possession of LEIs could confer a spurious respectability on money launderers and their like".

Only an entity such as SWIFT can provide the necessary standing to ensure that this could not easily happen.

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<sup>3</sup> See Appendix A

<sup>4</sup> See Appendix A – Conclusions.

- (ii) In practice, any electronic system using a LEI directory would have to be tightly cross-referenced with the BIC directory as:
- Some entities would have both an LEI and a BIC<sup>5</sup> – and cross-referencing will be necessary in order to ensure total clarity of identity and harmony of content.
  - SSIs for cash settlement of securities' transactions will necessarily include BICs to identify receiving banks, some of which may not have LEIs. Therefore, any system using the LEI directory would also have to use the BIC directory.

Therefore, it makes sense to have the same issuing authority for both codes to ensure a “harmony” between BICs and LEIs issued.

## **5. Integration with the Wolfsberg Project**

- 5.1. It was stated at the beginning of this paper that BICs and LEIs should clearly identify a counterparty.

Once the code has been issued, it is necessarily linked to basic contact details e.g name and address – as is currently the case within the BIC Directory. However, this is clearly insufficient for KYC and AML requirements. CB.Net would argue that the best solution to substantially cover this information gap is to link the code to details held under the Wolfsberg Project<sup>6</sup> within SWIFTNet.

Within the SWIFTNet central repository, it would be possible to stipulate what documentation should be deposited by what type of Legal Entity<sup>7</sup> - further enriching the basic information that can be held within the LEI and/or BIC directories e.g. whether an entity is a bank, a finance company, a fund etc.

- 5.2 Linking a code to content does not of itself satisfy KYC and AML requirements but it does:

- (i) separate those entities which are quantitatively compliant with Wolfsberg.
- (ii) provide the documentation which can be analysed for a qualitative assessment.

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<sup>5</sup> As they already have both SWIFT and Non-SWIFT BICs.

<sup>6</sup> The scope of Wolfsberg would also have to be extended the full scope of LEIs for this solution to be practical. Indeed we understand that there is already a dialogue currently underway whereby the Wolfsberg Project would be extended beyond its initial focus to also cover the Securities Industry.

<sup>7</sup> Clearly the requirements for a fund will be different for those of an international bank.

Furthermore, by tagging LEIs and BICs with a "Wolfsberg Compliant" electronic certificate, a check field is then created which can be directly incorporated into electronic trading systems.

5.3 By tying in the Wolfsberg Principles to clear code identification, the international community would have a system whereby:

- (i) it is absolutely clear with whom you are dealing.
- (ii) there is no doubt whether the counterparty is Wolfsberg compliant – and therefore all the documentation is available to carry out necessary due diligence.

## 6. Assisting STP

It is currently estimated that 30% of trade failures is as a result of inaccurate reference data<sup>8</sup>.

Reference data in this context essentially refers to: BICs<sup>9</sup>, and Standard Settlement Instructions ("SSI"s)<sup>10</sup>.

- a. In Appendix A it can be seen that there are a number of problems with the present BIC Directory, especially in relation to the Non-SWIFT BICs.

CB.Net would strongly suggest:

- (i) applying the proposed remedies in Appendix A to the issuance and maintenance of Non-SWIFT BICs.
- (ii) aggressively promoting the use of Non-SWIFT BICs throughout the international banking community (less than 4,000 banks currently have a BIC) – so that the directory embraces as wide a range as possible of the international banking community.
- (iii) extending the scope of ISO 9362 to at least cover the securities industry.
- (iv) linking the BICs\LEIs to the information held by them under the Wolfsberg Project, and so ensuring that the Non-SWIFT BICs\LEIs can be pro-actively managed and checked.

- b. In relation to SSI related problems:

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<sup>8</sup> The Tower Group

<sup>9</sup> It can also incorporate Local Sort Codes, but the issues related with these and IBANS is beyond the scope of this paper. However, CB.Net is actively addressing many of these through its service BankSearchPlus™.

<sup>10</sup> Themselves usually expressed in terms of BICs.

- (i) there is no industry wide directory.
- (ii) there is no standardisation as to format.
- (iii) there are haphazard updating processes within individual institutions.
- (iv) there are problems with accurate linkage to BIC changes.

However, there are no structural reasons why these problems cannot be resolved, provided that:

- (i) there is a central repository for the SSIs – within SWIFTNet<sup>11</sup>?
- (ii) standardisation of SSI format is agreed – which should not be controversial.
- (iii) updating procedures are centralised – again within SWIFTNet?
- (iv) the SSI directory is duly integrated/cross-referenced with the BIC/LEI Directories.

## **7. The Virtuous Circle**

Linking a clear coding system to current compliance documentation creates a virtuous circle.

The more that financial institutions can see the operational benefits of using accurate directories linked to compliance related information, the more they will be incentivised to ensure that their own data is current and so further:

- (i) improve inward and outward STP rates.
- (ii) lower risks as compliancy procedures are made: easier, cheaper and quicker.

## **8. How to Promote Wolfsberg**

Whereas the case for an LEI directory is widely accepted within the industry, the case for Wolfsberg – especially its possible linking to LEIs – is still in its infancy. It was felt therefore that a few suggestions should be listed to outline how this case could be promoted<sup>12</sup>:

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<sup>11</sup> However this would mean that all entities within an LEI directory would have to have access to this area of SWIFTNet.

<sup>12</sup> Without doubt a serious marketing campaign would need to be carried out – but it is not felt to be within the scope of this paper to set out the details of any such campaign, rather the main arguments that could be made to the financial industry.

- a. **Big bank “encouragement”** e.g. the major banks and regulatory authorities can promote the importance of having the “Wolfsberg Compliant” certificate by stating that this will become a necessary condition for trading partners.
- b. **Cost savings** e.g. the savings made by small and large banks alike in facilitating information flows would more than pay for the cost of the Wolfsberg Project.
- c. **Risk Reduction** e.g. systematic and compliance risk would be reduced by having: clarity of identity and immediate access to relevant documentation.
- d. **Via the regulatory authorities** e.g. they could be able to issue restrictions against any entity registered within the LEI\BIC Directory – and so reduce the risks that a bank unknowingly contravenes an embargo or blacklist. The regulatory authorities would therefore have an incentive to cover their national members to participate.
- e. **Ease of Use** e.g. one central repository for: codes, contact details, SSIs and compliance documentation.

## 9. Conclusions & Recommendations

1. ISO 9362 should be extended in scope to cover all entities present and active in the international financial industry.
2. LEI’s can and should be linked to Wolfsberg content. Moreover, by creating such a link one reinforces the other.
3. The “Golden Copy” for identity and compliance content can, therefore, be achieved:

SWIFT can:

- Provide the central repository.
  - Monitor the standards.
4. Although, SWIFT does not have the resources necessary to provide a proactive, day-to-day management of an LEI, this can be outsourced to a 3<sup>rd</sup> party.

# Appendix A

## BICs – A Critique

### 1. Background

In order to create our product BankSearchPlus™ it was necessary to link all BICs to a Principal Office<sup>13</sup>. CB.Net therefore had to try to resolve, on a line by line basis, exactly what legal entity each BIC represented.

In carrying out this exercise our points of reference were:

- a. SWIFT's BIC Database Plus Directory<sup>14</sup>
- b. ISO STANDARD 9362 Second edition 1994-12-15<sup>15</sup>.

### 2. Content: SWIFT BICs vs. Non-SWIFT BICs<sup>16</sup>

SWIFT actively monitors the use of SWIFT BICs and is therefore pro-active in their management. Therefore, we have no reason for not assuming that all the BICs present do in fact represent an operating entity.

The Non-SWIFT BICs are not pro-actively managed and we know for a fact that some represent entities that no longer exist e.g.

MRMDKRS1 - MARINE MIDLAND BANK, N.A. SEOUL BRANCH<sup>17</sup>.

With regard to the details attached to SWIFT BICs and non-SWIFT BICs we cannot make any definitive comment other than to make these comments:

- a. there does not appear to be a consistent application of names to an entity e.g. there are several versions of "ABN AMRO".
- b. there are discrepancies between the address details shown by SWIFT and those shown by local code authorities e.g.

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<sup>13</sup> As it is not a pre-requisite that the main 8 character BIC is the legal Head Office (it is some times the main operating office) we applied the concept of the "Principal Office", being the main operation office. With regard to other offices, these can be: branches, departments, agencies, representative offices, Offshore Banking units etc., without any definite indications to their legal status. Therefore, we applied the neutral concept of "office" – making only a simple distinction between: domestic offices and foreign offices.

<sup>14</sup> In the examples given in this paper, we have used the Q4 2003 edition.

<sup>15</sup> SWIFT is the body delegated by the ISO to issue BICs according to this standard.

<sup>16</sup> All BICs are issued by SWIFT; being the ISO authorised body for the issuance of BICs. However, the difference between "SWIFT BICs" and "Non-SWIFT BICs" is that "Non-SWIFT BICs" are not operationally active within the SWIFT system and are characterized by the number "1" as the 8<sup>th</sup> character e.g. ADFDAEA1

<sup>17</sup> Marine Midland was absorbed into HSBC some years ago.

NWBKGB2156P 42, ISLINGTON HIGH STREET, LONDON, N1 8XL  
60-72-14 42, ISLINGTON HIGH STREET, LONDON, N1 8WL

- c. there is a lack of field discipline within certain fields e.g. zip codes in the location field

1, COLOMBO  
09, PARIS  
1, DUBLIN  
1, KASSEL  
1, MUMBAI  
14, MADRID  
2, KARACHI

and branch information in the institution field e.g.

WELATRISXXX	WESTLB AG ISTANBUL BRANCH
KOEXNL2AXXX	KOREA EXCHANGE BANK, AMSTERDAM BRANCH
BKCHKRSEANS	BANK OF CHINA SEOUL BRANCH

as well as there being inconsistencies in location fields e.g.

Kowloon Bay, Hong Kong  
Kowloon Bay, KLN, Hong Kong  
Kowloon Bay, Kowloon, Hong Kong

These anomalies can be understood when the following is taken into account:

- a. SWIFT does not charge for the issuance, management and publication of Non-SWIFT BICs and cannot justify on economic grounds applying any more resources than they currently do.
- b. Address and name details are of minor operational relevance when using a SWIFT BIC within the SWIFT system – and therefore any discrepancies will have little to no effect on the operational effectiveness on a SWIFT message.
- c. If SWIFT formally receives entry changes and/or complaints regarding a BIC entry they will respond. The level of discrepancies within the BIC directory therefore reflects, inter alia, (i) the level of complaints received by SWIFT and (ii) amendment requests received from banks regarding their BICs.

In order to put the level of magnitude of the issue into perspective, it is important to note that:

- a. the number of institutions with a Non-SWIFT BIC vs. those with a SWIFT BIC is c. 15,000 to 6,800
- b. the current number of Non-SWIFT BICs vs. SWIFT BICs is c. 46,500 to 34,600
- c. the growth of Non-SWIFT BICs vs. SWIFT BICs is an average of 5.1% p.a. to 3.8% p.a.<sup>18</sup>
- d. the reported rate of change within non-SWIFT BICs is c.21 % per quarter as opposed to c.14% per quarter for SWIFT BICs.<sup>19</sup>

Therefore, the biggest, most dynamic and fastest growing component of the BIC directory is not being pro-actively managed. This is not to say that there is anything wrong in this from a purely operational point of view – at least within the SWIFT community. However, the question which should be addressed is whether a database worth creating, is worth maintaining current? Or, perhaps more importantly, is this the model which should be applied to an LEI directory?

### **3. Issuing Cycle and Issues Arising**

Currently BICs are activated and deactivated on a quarterly basis. The main reason behind this is that the SWIFT network has to be taken down to re-program the FIN routers and understandably SWIFT wants to limit the number of times that this should happen. Once SWIFTNet has fully replaced FIN, then this operational limitation should essentially be removed. However, in the meantime SWIFT is trying to move towards monthly updating of the BIC directory.

The issuance of large blocks of BICs is further limited by capacity constraints within SWIFT's issuing department. Currently it would appear to take SWIFT c.6 months to issue special requests for blocks of c. 2,000 new BICs<sup>20</sup>. However, responding to requests for a few BICs is usually achieved for the next quarter.

Clearly, should there be a need to issue tens or even hundreds of thousands of BICs – which would be the case if BICs were to be used throughout the Securities Industry (to identify: individual funds, fund managers, brokers etc.) then there is clearly a bottle neck that would have to be addressed:

- a. with regard to their issuance.

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<sup>18</sup> Over the period Q4 1999 to Q4 2003 inclusive. From "The 'Dynamism' of Static Data" – analysis of changes to BICs during the periods Q4 1999 to Q4 2003 conducted by CB.Net Ltd.

<sup>19</sup> Change being defined as "Activation", "Deactivation" and "Modification" flags as applied by SWIFT within the relevant BIC Plus Databases. "The 'Dynamism' of Static Data" It should also be noted that this rate of change does not take into account those changes which are not reported to SWIFT.

<sup>20</sup> Taking a recent example for Unicredito Italiano.

- b. their maintenance.

In examining the potential requirements for Non-SWIFT BICs, SWIFT's current limitations regarding:

- a. operational limitations within FIN, and
- b. resource limitations within SWIFT's issuing department

can be resolved relatively easily as.

- a. Non-SWIFT BICs are not registered within FIN routers
- b. SWIFT could outsource the publication and administration of Non-SWIFT BICs to a 3<sup>rd</sup> party which is sufficiently resourced.

#### 4. Application of ISO 9362

According to this Standard:

"The Bank Identifier Code (BIC) shall consist of eight (8) or eleven (11) contiguous characters comprising the first three or all four of the following four components:

- 1. BANK CODE
- 2. COUNTRY CODE
- 3. LOCATION CODE
- 4. BRANCH CODE

The bank Code, country code and location Code shall be mandatory. The branch code shall be optional.

The format for BIC is:

$\frac{4an}{BBBB} \frac{2a}{CC} \frac{2an}{LL} \frac{3an}{AAA}^{21}$ "

Here we found a number of anomalies. Taking each component in turn:

- a. **"The bank code shall ..... unambiguously identify the institution in the financial Services industry."**

However:

- (i) The same first 4 characters can identify different legal entities e.g

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<sup>21</sup> A direct quote from the ISO Standard.

## MGTC

MGTCBEBE = EUROCLEAR  
MGTCUS3G = JPMORGAN CHASE BANK  
MGTCCHGG = J.P. MORGAN (SUISSE) S.A.  
MGTCDE55 = JP MORGAN FLEMING INVESTMENT GMBH  
MGTCGB22 = JPMORGAN FLEMING ASSET MANAGEMENT  
MGTCJES1 = MORGAN GUARANTY TRUST CO. OF NEW YORK

These can perhaps be understood in the light of (a) historical change – via mergers and acquisitions and (b) pressure from major banks which wish to have the same 4 letter coding for all their group.<sup>22</sup>

- (ii) there are the cases where different 4 characters can seem to have been issued for the same legal entity e.g.

EQSAESM1XXX  
A.T. EQUITIES SPAN A.V.B., S.A., FLOOR 1: 18, FORTUNY, MADRID

ATECESM1XXX  
A.T.EQUITIES SPAIN A.V.B., S.A., PLANTA 1: 18, C / FORTUNY, MADRID

ALFCGB21XXX  
ALDERTON FINANCIAL SERVICES LIMITED, 26, DRAX AVENUE, LONDON

ALISGB21XXX  
ALDERTON FINANCIAL SERVICES LTD, 26, DRAX AVENUE, LONDON

BIIAGB21XXX  
BARING INTERNATIONAL INVESTMENT MANAGEMENT LIMITED, 155,  
BISHOPSGATE, LONDON

BATVGB21XXX  
BARING INTERNATIONAL INVESTMENT MANAGEMENT LTD, 155,  
BISHOPSGATE, LONDON

The spelling mistake in the first example could explain this occurrence but the change of "Ltd" to "Limited" in the other examples seems to suggest a specific requirement to differentiate the entries.

- (iii) different first 4 characters are clearly used to identify the same legal entity e.g.

ING SVILUPPO GESTIONI SPA

AMRCITM1XXX = ING SVILUPPO GESTIONI SPA

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<sup>22</sup> **N.B.** However, it is not suggested here that this was the case behind the allocation of MGTC to these entities.

ASIAITM1XXX = ING SVILUPPO GESTIONI SPA  
 AZIOITM1XXX = ING SVILUPPO GESTIONI SPA  
 BONTITM1XXX = ING SVILUPPO GESTIONI SPA  
 EMMAITM1XXX = ING SVILUPPO GESTIONI SPA  
 EMMQITM1XXX = ING SVILUPPO GESTIONI SPA  
 EURPITM1XXX = ING SVILUPPO GESTIONI SPA  
 EURSITM1XXX = ING SVILUPPO GESTIONI SPA  
 INGLITM1XXX = ING SVILUPPO GESTIONI SPA  
 INIZITM1XXX = ING SVILUPPO GESTIONI SPA  
 MONAITM1XXX = ING SVILUPPO GESTIONI SPA  
 OLANITM1XXX = ING SVILUPPO GESTIONI SPA  
 PORSITM1XXX = ING SVILUPPO GESTIONI SPA  
 REDDITM1XXX = ING SVILUPPO GESTIONI SPA

- b. **"Country code. The appropriate two-letter country Code ... shall be used to identify the country in which the institution .... is located."**

No discrepancies were noted. However, there is still the time limitation of the quarterly updates to be taken into consideration e.g. when the code "YU" was changed to "CS" by the ISO, there was a period of c.1 month before SWIFT could make the necessary changes to the relevant BICs.

- c. **Location Code: "For entities connected to S.W.I.F.T., the location Code ..... shall identify the location of the institution within the specified country.**

**For entities not connected to S.W.I.F.T., the ..... first Position of the Code shall identify a location ..... and the second ..... will consist of the digit 1 ... to designate that the entity is not connected to S.W.I.F.T."**

However we noted that the Location Code was used to differentiate departments and companies e.g.

ZENBJPJ2XXX = SHINKIN CENTRAL BANK, TOKYO, 8 - 1, KYOBASHI  
 3 - CHOME CHUO - KU  
 ZENBJPJTXXX = SHINKIN CENTRAL BANK, TOKYO, 9 - 1, HONMURA -  
 CHO ICHIGAYA SHINJUKU - KU  
  
 CNORGB22XXX = NORTHERN TRUST COMPANY, THE  
 CNORGB2LXXX = NORTHERN TRUST GLOBAL INVESTORS (EUROPE)

### 3. Other Considerations

#### a. BIC = "Bank Identifier Code".

However, ISO 9362 envisages that BICs will be issued to "Institutions in the financial services industry". This begs the question as to how to define such institutions<sup>23</sup>.

Until recently, it would appear that BICs have been issued only to financial institutions. However, there is now a distinct trend to issuing BICs to institutions that would not normally be considered financial institutions e.g.

HPCOUS31XXX = HEWLETT-PACKARD COMPANY  
MISYGB2LXXX = MISYS INTERNATIONAL BANKING SYSTEMS LTD  
NIKEUSU1XXX = NIKE USA, INC.

Of course, there is nothing intrinsically "wrong" in issuing BICs to such entities (it is very likely that the size of their treasury operations exceeds those of many small banks).

However, given discussions relating to the creation of codes for non-financial industry participants<sup>24</sup> and in the light of SWIFT's declared intention to reach out to the corporate sector<sup>25</sup>, we do feel that to avoid serious confusion (a) either ISO 9362 should be explicitly extended to cover all legal entities or (b) the definition of what entities can be issued BICs should be tightened and strictly applied.

#### b. Re-Use of BICs

We originally were under the impression that BICs, once issued to a legal entity, would not be re-issued to another.

However, we have learnt from SWIFT that:

"It is today's SWIFT policy that a discontinued BIC8 can be reused after 125 days for a new institution"<sup>26</sup> e.g. PARBFRPPXXX

Originally = PARIBAS, PARIS

2000 Q4 = BNP-PARIBAS SA (FORMERLY PARIBAS) - last appeared in  
2001 Q3

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<sup>23</sup>This definition could apply to office cleaning companies upward.

<sup>24</sup>e.g. LEIs for the Securities industry

<sup>25</sup>Whereby corporate participants are expected to exceed the number of banks active within SWIFT within 3 years or so.

<sup>26</sup>We have asked whether for details as to how and when this policy decision was made – and are currently waiting for an answer.

2001 Q4 = BNP PARIBAS SECURITIES SERVICES, FRANCE

It should be noted however:

- (i) the change from Paribas to BNP-Paribas can be considered as representing the same legal entity as this represents a merger and therefore a legal continuum.
- (ii) the change from BNP-Paribas to BNP PARIBAS SECURITIES SERVICES would appear to represent a change of legal entity and that the time difference between being present in the BIC Directory of Q3 2001 as BNP-Paribas to the change in the BIC Directory of Q3 2001 to BNP PARIBAS SECURITIES SERVICES is less than 125 days.

**c. Use of 8 character BICs**

We were under the impression that a legal entity should only have one 8 character BIC per country in which it is present; this representing the main office in that country. However, there are many examples of where the same legal entity has more than one 8 character BIC in a particular country, e.g

DBSSCNSH	DBSSCNBJ	DBS BANK LTD, China
BOTKKR2P	BOTKKRSX	BANK OF TOKYO-MITSUBISHI LTD, Korea
BRASPYPC	BRASPYPX	BANCO DO BRASIL S.A, Paraguay
BNPALULS	BNPALULL	BNP PARIBAS, Luxembourg

to mention just a few.

Again, this in itself may not be an operational problem. However, clarity as to the standard behind the issuance of 8 character BICs would be appreciated.

**d. Banks' use of 11 character BICs for their Principal Office**

There some banks who use an 11 character BIC for their main office e.g.:

CRESCHZZ80A	CREDIT SUISSE
UBSWCHZH80A	UBS AG <sup>27</sup>

Some banks have their own Non-SWIFT BIC as an identifier and then an 11 character SWIFT BIC with a different initial 4 characters e.g.

VBOEATWWKRE	VBKDAT21XXX	VOLKSBANK KREMS-ZWETTL
VBLAAT2102A	VBLAAT21XXX	VOLKSBANK LANDECK

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<sup>27</sup> Interesting to note here that "Zurich" is designated by both "ZZ" and "ZH".

VBMUAT2102R      VBMUAT21XXX    VOLKSBANK LINZ- MUEHLVIERTEL

This further illustrates the added problems that are encountered when trying to link BICs within a corporate structure.

**e. Use of BICs as identifiers and as electronic addresses**

When looking at apparent anomalies in the use and construction of BICs it should be noted that within the SWIFT system:

- (i) Non-SWIFT BICs are only used as identifiers, whereas
- (ii) SWIFT BICs are used both as identifiers and as electronic addresses.

Therefore, whereas there should be no impediment to changing a Non-SWIFT BIC in real-time to reflect changes affecting the entity it identifies, there are considerable operational obstacles to making such changes to SWIFT BICs.

**5. Conclusions**

There are 3 main areas that we have addressed with regard to BICs:

**a. content**

Here it was found that:

- (i) There are inconsistencies as to names and locations.
- (ii) There is a lack of field discipline.
- (iii) There are Non-SWIFT BICs for non-existent entities.

Which are explained by:

- (i) A lack of resources within SWIFT.
- (ii) The perception within SWIFT is that these are not important\urgent issues – apparently based upon the number of complaints received at their Helpdesk.

**b. Issuance**

SWIFT has operational constraints which limit:

- (i) the timing of the issuance of new-BICs – quarterly

- (ii) the number of new BICs that can be issued in any one quarter – human resources.

**c. Compliance with ISO 9362**

It would seem that SWIFT is unable to strictly apply ISO 9362 to BICs due to:

- (i) internal operational and/or resource restrictions.
- (ii) pressure from their members – who exert such pressure due to their own operational requirements.

With regard to SWIFT BICs, it is only the SWIFT Community that can judge whether these issues are in fact problematic or not.

We would suggest that with regard to Non-SWIFT BICs:

- (i) ISO 9362 should be extended to cover entities which are not financial entities but are involved in the financial industry.
- (ii) SWIFT is nominated as the issuing authority for Legal Entity Identifiers (“LEI”s).
- (iii) A 3<sup>rd</sup> party is delegated by SWIFT to: issue, manage and publish Non-SWIFT BICs\LEIs.