Can verifying legal entities be as easy as 1, 2, Web3?

22 February 2024


**Problem statement**

Verification of legal entities is challenging

- **Multiple identifiers**
  - Legal entities represent and mandate natural persons.
  - Multiple identities
  - eIDAS

- **Complex enrolment process**
  - Legal entities need to comply with KYC and KYB.
  - Manual
  - Customised

- **Cost of compliance**
  - Regulatory scrutiny
  - Increases the cost of admin. & compliance.
  - For legal entities undergoing KYB
  - And for regulators
The combination of multiple identifiers, different standards, customised and manual processes, significantly increases the cost, complexity and errors of verification.
The “real” cost of KYC & AML compliance
An example from the financial sector

€14 million
The cost of anti-money-laundering (AML) processes for major European banks averages €14.25 million (US$15.15 million) each year, with each of them spending €17,008 daily just for labor expenses.

€5.7 million
KYC cost large European financial firms an average of €5.7 million ($6.07 million) yearly.

€19 million
Switzerland-based companies spent an average of €19 million ($20.24 million) on AML compliance yearly, followed by financial firms in the Netherlands; spending €15 million; Germany, where businesses spend €14 million and France, €9 million.

€200 / year
A single identifier (LEI code) for a legal entity can cost 60-200 EUR/year.

Deepfakes may lead to even more complex and costly KYC

On top of this, AI technology may become an even greater challenge to KYC and KYB processes.

AI-generated photo-realistic fake ID documents may soon be able to bypass remote verification flows.

Source:
Inside the Underground Site Where ‘Neural Networks’ Churn Out Fake IDs
(404media.co)
The solution to this compound issue should not ignore new technology by doubling down on red tape and manual verifications.
About today

1. Legal context
2. Data - Identifiers
3. Technical tools
4. Business opportunities
Agenda

Introduction to the challenges of legal entities verification
10:10 – 10:25

EU tailwinds: Firm intent of the European Commission to solve current challenges
10:25 – 11:10

Exploring Organisational Identifiers in the Verification Landscape of Legal Entities across Europe
11:20 – 12:00

Overcoming challenges through innovative solutions – the role of cutting-edge technologies
12:00 – 12:45

Unlocking business opportunities with organisational identities
12:45 – 13:20
After today
What will happen next?

01
Before
Preparation
✓ 5 DGs of the Commission and 2 Agencies.
✓ Several Institutional players from the EU and beyond.

02
Today
Event
✓ Exchange perspective and discover new solutions
✓ Participate! Contribute to the panels with your ideas, questions and comments

03
After the event
Discussion document
✓ Join our Community of Practice
✓ If you’re interested, you can comment on a sneak preview
✓ To be made public mentioning all contributors*

* Following explicit consent