# Trade Digitalisation Taskforce

## Recommendations for streamlining know-your-customer processes

# Introduction

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# Know-your-customer processes

**As the UK advances its digital trade ambitions, the inefficiencies of the current know-your-customer (KYC) processes pose a significant obstacle. Fragmented systems, manual verification, and duplicative documentation not only delay access to finance for SMEs but also hinder the global competitiveness of UK financial services. This has been accentuated by the Electronic Trade Documents Act 2023, which has cut average trade transaction times from an average 2–3 months to one hour. The slowness of onboarding and compliance checks is negating the economic benefits of cheaper, faster, simpler trade enabled by the new legislation.**

The UK regulatory framework now lags significantly behind the legal frameworks of other countries such as India, Singapore and the UAE, which benefit from centralised public digital infrastructure (ie. invoice registries). In the US and Hong Kong, regulatory frameworks also facilitate faster customer onboarding for banks. This paper supports wider recommendations on invoice registries and proposes a practical solution: a centralised UK KYC utility, housed within Companies House, and powered by a corporate KYC passport leveraging the Legal Entity Identifier (LEI). This is intended to reduce duplication of data requests relating to mandatory information for due diligence purposes. Individual banks will have additional requests in line with their own risk appetite. This will reduce the significant compliance costs for UK businesses by standardising publicly available information.

A UK-hosted KYC utility would align UK practices with an increasingly adopted global standard, facilitating UK companies doing business at home and abroad. The utility approach would improve efficiency and reduce risk for financial institutions by lowering the likelihood of incurring financial fines, which can indirectly reduce access to finance for corporates, especially SMEs.

It recommends streamlining the KYC process undertaken by the financial services sector through the formation of a UK KYC utility and the introduction of a corporate KYC passport. The utility will operate as a decentralised data node, exposing standard application programming interfaces (API) rather than collecting all data in a central silo. KYC is an integral control mandated by legislation and regulation to the financial services sector to ensure that its activity does not enable the laundering of money, money laundering and terrorist financing (MLTF), the circumvention of sanctions, or the evasion of tax. It also supports threat detection capabilities.

## We recommend:

**1 Incorporating a KYC utility into UK Companies House, providing Financial Services access to trusted corporate entity data through the inclusion of the global standard for business identity – the Legal Entity Identifier, ISO 17442.**

**2 The UK government, in collaboration with the Financial Conduct Authority and industry stakeholders, initiate a pilot scheme to validate this model and begin the pathway to market adoption within the term of this Parliament.**

This KYC utility would help financial institutions onboard corporate clients more quickly. If a corporate KYC passport were available, it would also reduce the compliance burden on businesses, particularly small and medium-sized enterprises (SMEs), thus accelerating their access to finance. A template of what information could be included in the utility is provided in Appendix 1 on page 10.

# Recommendations

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# Background

> **The UK remains one of the world's leading hubs for the international financial and related professional services industry, with London at its core. In 2023[1], the UK achieved an estimated trade surplus in financial and related professional services of $125.3bn (£100.7bn) and holds significant global market shares in areas such as cross-border bank lending, foreign exchange, insurance and FinTech.**

With more than 170 foreign banks operating in London and accounting for 14% of global cross-border lending, the UK is undeniably a leading hub for financial services. Yet this leadership position also brings complexity, particularly around compliance with KYC and anti-money laundering regulations

- UK FinTech investment reached £4.1bn in 2023
- Around twice as many US dollars are traded in the UK than in the US
- One of the implications of the UK being one of the world's leading financial hubs is that it has stringent legislation and regulation covering all aspects of business.

A major concern among financial institutions (FIs) is the possibility and ramifications of inadvertently becoming complicit in financial crime, such as by doing business with a client who is carrying out illicit activities. UK money laundering regulations cover customer due diligence (CDD) and KYC requirements with the UK government's website[2] advising that CDD means taking steps to identify your customer and checking they are who they say they are.

Effective CDD/KYC regimes are made up of three key components: identity verification, customer due diligence and ongoing (automated) monitoring. Knowing who the business is and its authorised representatives forms the basis of any relationship involving trust. As such, verification sits at the core of any CDD/KYC regime. The process undertaken by FIs involves the collecting of information about the identity of a customer, the ultimate beneficial owners of a corporate entity, the entities that they do business with and how likely are they to be involved in activities that expose the organisation to risk. Essentially, the due diligence process and relevant checks help regulated organisations protect themselves against being used for illicit activity.

1 Key facts about the UK as an international financial centre 2024 | TheCityUK
2 Your responsibilities under money laundering supervision – GOV.UK

# Streamlining KYC

**The nature of KYC and the scale of an organisation's operations can make it very difficult for regulated organisations to carry out efficient and robust KYC and due diligence. It is for these reasons that organisations are assessing the move towards implementing automated KYC within their workflow, which has really taken shape over the last few years within the retail, SME and wholesale banking sector.**

With the move towards increasing digitalisation of trade finance, transactions are being processed in record time, often taking as little as one hour and depending on the product 'straight through processing' might also be possible. However, the average time of onboarding a corporate client can take up to 100 days[3] and varies depending on the banking product and geographies involved. This presents significant challenges for FIs. There is also an impact on the business client, especially those that are SMEs (which currently amounts to approximately 5.5 million[4] entities in the UK) because they do not have the resource either to comply with such requests from FIs, or to undertake their own due diligence on their supply chain. This potentially restricts them from obtaining financing.

There is a perception that KYC processes are inherently complex and cannot be addressed; a problem compounded by the lack of solutions in the market. While we have seen some successes in the Nordic region (such as Sweden's Invidium system) as well as Singapore and India, enormous inefficiencies and scepticism remains.

The involvement of the Financial Conduct Authority (FCA) and government is essential to support innovation and to help better define a best-in-class outcome. Securing the support of the regulators as well as the Senior Management Function (SMF) holders in financial institutions will be crucial as there must be an internal appetite from the regulators and banks to solve the problem.

3 Winning corporate clients with great onboarding | McKinsey

4 Business population estimates for the UK and regions 2023: statistical release - GOV.UK

# KYC utility

> **Data sources must be trusted, and rules of accountability and ownership need to be established, with appropriate governance and oversight. One clear possibility, and our recommendation, is to use UK Companies House as somewhere a UK KYC utility could be housed, providing financial services organisations access to verifiable company data by means of a corporate KYC passport incorporating the global standard for business identity – the LEI, ISO 17442.**

The KYC passport would enable corporate entities to have their own unique KYC profile which would detail in a single repository all relevant data relating to their structure, ownership and potentially their financial standing. With the integration of the LEI, business entities would benefit from a globally consistent discovery protocol, allowing potential clients and counterparties from any jurisdiction to easily and reliably identify them. Having this data readily available for FIs to access would enable faster onboarding thus quicker access to financial for SMEs and support the UK growth agenda.[5]

To ensure privacy-by-design, the initiative should align with the principles set out in the Data Protection and Digital Information Bill, providing a strong domestic governance framework. At the same time, it should follow global best practice to ensure international interoperability and trust.

A unified KYC utility, underpinned by trusted public infrastructure and interoperable identifiers, would not only reduce costs and delays in compliance but also fuel SME growth, regulatory confidence, and the UK's leadership in digital trade. We recommend the UK government, in collaboration with the FCA and industry stakeholders, initiate a pilot scheme to validate this model and begin the pathway to implementation.

**5** The service shall expose open, machine-readable APIs – JSON-LD and ISO 20022 payloads – so that banks, trade-finance platforms and Customs Single-Window components can consume credentials automatically, in line with the UK Single Trade Window data model.

# Appendices

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# **Appendix 1:** Information required for the UK KYC utilty

## Global Legal Entity Identifier Foundation's (GLEIF) Legal Entity Identifier (LEI)

- **Level 1 data** — *"Who is Who"*, such as a legal entity's official name, address, and registration details.
- **Level 2 data** — *"Who owns Whom"* by requiring legal entities to report their direct accounting consolidating parent and ultimate accounting consolidating parent, where applicable.

## UK Companies House

- Directors' details (provides the name and address for UK directors)
- Account filing history
- Next account filing date
- Whether the company is dissolved

# Appendix 2: Glossary of key terms and concepts

## LEI (Legal Entity Identifier)

- A unique 20-character alphanumeric code used to identify legally registered entities that engage in financial transactions. Global standard — ISO 17442.

## vLEI (verifiable Legal Entity Identifier)

- A digitally verifiable version of the LEI that enhances trust in online transactions by allowing instant verification of an entity's identity and the persons representing businesses in digital transactions. Global standard — ISO 17442-3

## LEI index

The global, open database that stores LEI records.

## Global LEI system

Globally recognised identification system for businesses and organisations.

Managed by GLEIF, a nonprofit organisation established by the Financial Stability Board (FSB) and endorsed by the G20 to oversee the LEI system. Bank of England and FCA participate in the Regulatory Oversight Committee.

### KEY FEATURES

- **Unique identification** — each entity gets a unique LEI to avoid confusion between similarly named entities.
- **Mandatory for financial transactions** — Required by regulators for organisations participating in securities trading, derivatives markets, and other financial activities.
- **Instant verification** — enables real-time, automated validation of an entity's identity in digital interactions.
- **Publicly available data** — LEI records include entity name, registration details, ownership structure, and jurisdiction, making financial dealings more transparent.
- **Cryptographically secure** —uses verifiable credentials (VCs) and self-sovereign identity (SSI) principles for authentication.
- **Tamper-proof and trustworthy** — uses decentralised identity technology, ensures credentials cannot be easily forged or altered.
- **Enhances regulatory compliance** — complies with know-your-customer (KYC) and anti-money laundering (AML) regulations.

# Acknowledgements

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# Trade Digitalisation Taskforce

**The Trade Digitalisation Taskforce was launched in 2023 as a public-private partnership forum that acts as an impartial, solution focused, systems thinking forum that brings together the International Chamber of Commerce ambition to digitalise world trade and reduce the trade finance gap with the government ambition to increase UK growth and productivity.**

Its remit is to promote and implement the benefits of trade digitalisation, remove financial regulatory barriers, prevent fraud in trade, reduce KYC bureaucracy and establish digital identities for cross border trade. The taskforce is co-Chaired by the Minister for Exports at the Department for Business and Trade (DBT), ICC United Kingdom and Barclays. The taskforce meets quarterly and presents practical recommendations to government that are scalable internationally.

The taskforce brings together financial institutions, industry, regulators and wider stakeholders and includes the International Centre for Digital Trade and Innovation, largest international trade banks and business organisations based in the UK, international institutions such as the ICC Digital Standards Initiative, Global Legal Entity Identifier Foundation, International Trade and Forfeiting Association and BAFT as well as His Majesty's Treasury and DBT.

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**ICC United Kingdom is the representative voice for ICC in the UK and provides a mechanism for UK industry to engage effectively in shaping international policy, standards and rules.**

We are the leading voice on digital trade ecosystems, act as the ICC representative to the Commonwealth and Co-Chair the Legal Reform Advisory Board at the ICC Digital Standards Initiative.

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