

BIC, D-U-N-S, IBAN, UPIC, IBEI, AlertID, AccountNetID....



By Lisa Taikitsadaporn, COO, Brook Path Partners

In the world of financial transactions there are myriads of identification schemes used to identify a legal entity and accounts as the alphabet soup above shows. This is an old issue that has pressing needs in today's world of additional regulations such as; know your customer, anti-money laundering, the Patriot Act, BASIL II, etc.

This problem has seen several attempts at solutions with fits and starts since the late-1990s by many groups including ISITC, RDUG, Redac, FISC, ISO TC68/SC4. Many years on the problem is still not solved. Some sleuthing on the Internet and speaking with individuals with an inside track showed that there was increased interest in getting this going again in 2003/2004, but the efforts seem to have lost steam. In 2006 we still have yet to see the standard organizations come up with a solution everyone can agree on, that would link the legal entity identifier with the asset pools and the counterparties to the transaction.

Financial institutions interact with a myriad of counterparties: exchanges, investment/fund managers, custodian banks, funds or asset pools of various types, issuers, corporate clients, clearing and settlement organizations, broker/dealers. All these parties have a part to play in the STP process, they must be properly identified in order to clear and settle their trades in a timely and error free manner.

Today we have BIC, Bank Identification Code (ISO 9362), which was originally intended to be issued to banks for the

purposes of routing messages on the SWIFT network - in other words these were actually addresses on the SWIFT network. However, as a stop gap solution to the legal entity identification issue, SWIFT, as the registration authority for BIC, was allowed to register BICs to non-banking institutions, such as corporate entities, that may or may not be on the SWIFT network.

There is the D-U-N-S number, a unique 9 digit number identifying the business entity issued by Dun & Bradstreet. According to D&B the DUNS number is recognized by the EU, UN and the US Government as a business entity identifier. The DUNS number can be issued to any corporate entity that requests one and is meant to uniquely identify the entity down to the location - in other words, subsidiaries get their own DUNS number.

The EU has standardized on IBAN (International Bank Account Numbers, ISO 13616) and BIC for cross border settlement and electronic funds transfers. The IBAN uniquely identifies a specific bank account at a bank in a country. But because the IBAN cannot be used for routing,

the BIC is a required additional piece of information to facilitate routing.

UPIC (Universal Payments Identification Code) is primarily used in the US and like the IBAN identifies a bank account at a bank. Unlike the EU mandate to require the BIC for routing, the UPIC includes the banks universal routing number or ABA routing number as the bank identification. This is used for B2B and B2C credit payment transactions. UPIC are compatible with IBAN in that when UPIC are issued a US IBAN is also issued.

The ABA Routing Number (issued by American Bankers Association) are issued only to Federal or State chartered banking institutions. The routing number identifies the end-point financial institution responsible for the payment of a negotiable financial instrument (e.g. checks), participants in automated clearinghouses, on-line banking, and ETF. These routing numbers are unique to each financial institution.

The IBEI (International Business Entity Identification, ISO 16372) is an effort of the ISO TC68/SC4 to exactly solve the problem of legal business entity identification. The work is in progress and is conducted within WG8. The mission of the IBEI is to devise an identification scheme to uniquely identify all regulated institutions and institutions that must go through due diligence. The IBEI would also have covered the identification of funds. Given this scope there appears to be overlap with BIC if IBEI is to also cover banks, broker/dealers and other financial institutions which already have a BIC. It remains to be seen what the final approved standard will look like, and we may not know for certain until 2007.

At the fund identification level there are three possibilities, but none are anywhere near to being a global standard and are owned by vendors: Alert access codes, DTC SIDs and TradeWeb AccountNet IDs. Alert access codes and DTC SIDs are predominant in the US. AccountNet IDs are used only by TradeWeb, however, now that TradeWeb is a part of the Thomson Financial family this ID scheme may be merged into Alert and/or DTC given that Thomson and DTC each owns half of Omgeo.

There are two folds to this partly solved problem: 1) a firm level or business entity identifier and 2) an asset pool, fund or account level identifier. The table below clearly summarizes where we still are today even though it was in a presentation given by Simon Leighton-Porter and Michael Atkin to the WG8 in January 2004.

We see from the brief summary of the alphabet soup of number schemes, that they don't all meet the needs of a global business entity ID number scheme. Most of the schemes have very specific usages, such as the ABA Routing Number. UPIC and IBAN seems more appropriate when the transaction has to do with an individual's or a firm's bank account. The D-U-N-S number is probably the closest to a global business entity identifier, but this is rarely used in the financial services community to identify counterparties or issuers.

The status quo is that with BIC having opened up to non-financial institution (i.e. corporate entities can get a BIC) the pain of the problem seems to have been alleviated somewhat. However, this does not solve the problem, as the BIC was not intended to be a business entity identifier nor does the BIC database contain a BIC for every business entity. Additionally an entity can have multiple BICs.

The second part to this problem is the ability to uniquely identify the investment pools and funds. This is the missing link where there is no standard. As mentioned earlier in the US the Alert and DTC SID codes are the closest to a standard.

Issuer identification is also non-standard. In the US the workaround has been to use the first 6-digit prefix of the CUSIP to identify the issuer, but again this is not a global solution to the problem given that CUSIP is only used in the US.

So, what typically happens today in an electronic trade? The front office sends an order to Goldman Sachs, the executions flow back and once the block trade is done it gets allocated either by the front office or the middle office. The trader using his OMS is only going to know that GSCO identifies Goldman. The typical FIX Order message would also show that the broker is GSCO. When the block trade is allocated, the fund identifiers sent to Goldman could well be the buy-side firm's internal fund IDs, which Goldman will either map to some other fund identifier be it an internal ID, Alert ID, DTC SID or some other if it was a cross border trade. Confirms would require Goldman to map back to the buy-side's fund IDs. As we can see from this over simplified scenario, there is room for error if not properly setup.

If IBEIs existed and funds are included, then these IDs could be used to enrich the messaging through the STP process at the appropriate time. The buy-side trader may select GSCO from his OMS, but his OMS converts that to the IBEI for GSCO before sending that FIX message out.

When the buy-side's middle office sends out that allocation message, the front end interface may show the internal fund IDs or better yet the fund name along with the IBEI, but the FIX Allocation Instruction would carry the IBEI for the funds. The Confirmation from Goldman would carry the IBEI for the fund as well. As adoption increases and firms migrate to IBEI there should be little need for proprietary or internal IDs.

From a credit risk, counterparty risk, issuer risk and operational risk standpoint, a better solution than the hodgepodge we have today is needed. As regulators breath down the necks of financial institutions with regulations and laws such as AML, KYC, Patriot Act, BASEL II, etc., the industry needs better tools to meet these regulatory rules and manage their risks. With the Enron case, firms had trouble determining and divesting their exposure to Enron

and its affiliates, subsidiaries, and holdings because there was no easy way to identify the linkages between these entities. Without the proper tools, building that hierarchy is no easy task. WG8 needs to ensure that IBEI standard (ISO 16372) will help with building that hierarchy and linkage, if not build it into the numbering scheme. But until the community agrees on a global standard and the IBEI standard gets approved, financial institutions will need to make do with the hodgepodge solutions and hope that we don't get another Enron episode any time soon. **FIX**

Any thoughts on this or other articles?

Please send any comments, referring to this article as Vol 1 Issue 10 GL3, direct to Edward at edward@fixglobal.com

	ISO Standard Identifiers	Other Public Domain Identifiers	Non-Public Domain Identifiers
Settlement & Clearing Organisations	BIC Code (ISO 9362) Country Code (ISO 3166)	N/A	N/A
Custodian / Agent Banks	BIC Code (ISO 9362)	CSD / ICSD-specific IDs	N/A
Exchanges and Trading Systems	MIC Code (ISO 10383)	N/A	N/A
Broker Dealers	BIC Code (ISO 9362)	Market-specific Ids	Counterpart's own ID Mutually agreed ID
Investment Advisors / Fund Managers	BIC Code (ISO 9362)	ALERT Acronyms	Counterpart's own ID Mutually agreed ID
Funds	Identifiers for Funds and Portfolios None Available	ALERT Access Codes DTC SIDs	Counterpart's own ID Mutually agreed ID
Issuers	Identifiers for Non-Financial entities None Available	D&B D-U-N-S Numbers CUSIP "Prefix" EAN International GLNs	Proprietary IDs on Vendor Feeds
Corporate Clients		D&B D-U-N-S Numbers EAN International GLNs	Counterpart's own ID Mutually agreed ID
Suppliers		D&B D-U-N-S Numbers EAN International GLNs	Counterpart's own ID Mutually agreed ID
Other Entities in Own Group	BIC Code (ISO 9362)	D&B D-U-N-S Numbers EAN International GLNs	Internal IDs

Source: Simon Leighton-Porter and Michael Atkin January 2004 presentation to TC68/SC4/WG8