The Transparency Fabric: Using the LEI to Enhance Sanctions and Anti-Money Laundering Screening

Introducing The Transparency Fabric

The Transparency Fabric is a joint initiative that is progressing between GLEIF, Open Ownership and OpenSanctions which is set to revolutionize the screening process, by making it significantly easier to trace parties engaged in money laundering, terrorist financing and sanctions evasion. It will achieve this by mapping GLEIF's universal identifier - the LEI - to both Open Ownership and OpenSanctions data. By enabling critical data sets to be efficiently matched, particularly in the context of cross-border and instant payments, the Transparency Fabric is an important collaboration in the global fight against financial crime.

The Transparency Fabric was a finalist in the 2023 G20 TechSprint Challenge. The competition is hosted annually by the G20 Presidency and the Bank of International Settlements (BIS) to recognize best-in-class technology innovations that address challenges faced by the global regulatory and banking community. In 2023, the TechSprint Challenge was hosted in partnership with the Reserve Bank of India (RBI) and the focus was on finding solutions to cross-border payment challenges defined by BIS and the RBI. In particular, the Transparency Fabric was recognized as a technology solution that could reduce illicit finance risk.

The Challenge

According to a report by the BIS, an estimated $2 trillion to $5 trillion is laundered globally each year, yet less than 1% of this amount is recovered by the authorities.
Despite public and private sector efforts to oppose money laundering and terrorist financing, a critical challenge remains: there needs to be an efficient mapping of high quality, standardized data sets. In particular, this applies to data sets which identify corporate vehicles; those that provide insight on the beneficial ownership and control of those corporate vehicles; and sanctions and watch lists, including those identifying politically exposed persons (PEPs). This need is particularly urgent in the context of cross-border and instant payments. The lack of high-quality, global beneficial ownership data is the leading cause of friction during Anti-Money Laundering (AML) /Counter Financing of Terrorist (CFT) checks carried out as part of cross-border payment processing, according to a 2021 survey by the Financial Action Task Force.
There is a need for trusted international entity identifiers to be embedded within accurate and up-to-date data on the beneficial ownership and control of corporate vehicles, so it can be mapped to watch lists, including PEP lists, which also integrate the same entity identifiers. This would make it far easier to find direct and indirect connections between businesses and the person(s) exercising ultimate effective control over a company, thereby supporting AML, customer due diligence and sanctions enforcement efforts globally.

The Power of the LEI

The value of the Transparency Fabric lies in GLEIF's universal entity identifier - the LEI - being embedded with both Open Ownership and OpenSanctions data. An LEI is a unique 20-character alphanumeric code based on the ISO 17442 standard that is assigned to legal entities. Using the LEI for identification of the counterparties engaged in a financial transaction, means that transacting parties can be unambiguously identified.

The Open Ownership database provides beneficial ownership transparency to help tackle corruption, reduce investment risk and improve governance. It currently provides over 27 million beneficial ownership records for 9.6 million companies globally. Its data is already reconciled with the OpenCorporates database, to ensure the highest quality data sourced from national business registries in 140 jurisdictions. As a result of the Transparency Fabric collaboration, Open Ownership is expanding the OpenCorporates data fields it integrates to include the LEI where one is available. This will enhance the usability and mapping of Open Ownership data with other datasets globally.

Under the Transparency Fabric initiative, the Open Ownership database, including newly integrated LEI data, will be further mapped to the OpenSanctions database, which includes 80 government-published sanctions lists and multiple international databases of politically exposed persons (PEPs).

This three-way collaboration will result in the LEI becoming a common denominator across both beneficial ownership data and sanctions and watch lists publications. This will lead to the easier identification of direct and indirect connections between businesses that have an LEI and sanctioned persons and companies, using graph database solutions.

Future value of The Transparency Fabric

With LEIs embedded within Open Ownerships beneficial ownership data records and within Open Sanctions data, the potential exists for those data sets to be mapped to any dataset, from any data provider globally. The LEI opens up the possibility to greatly streamline the entity identification process. It serves as the data connector starting with accurate identification of the involved entities and their direct and indirect connections with other corporate vehicles – all that means faster, cheaper and simpler compliance. Data users across governments, the public and private sectors will be able to quickly and easily identify people and companies that pose a compliance risk. This will deliver a more transparent and secure financial landscape for all.

"Money laundering poses an inordinate threat globally. The Transparency Fabric is a groundbreaking initiative which addresses one of the most critical issues facing the global financial system today by delivering hope in the fight against financial crime.

Accessible, clean and transparent data is the foundation upon which we can combat illicit finance." - Stephan Wolf, CEO of GLEIF

"As a result of the Transparency Fabric project, Open Ownership now offers the LEIs mapped to OpenCorporates IDs within its own datasets. As a result, anyone can use the LEI or OpenCorporates IDs to connect our high-quality beneficial ownership data with other datasets from all over the world. This will improve the quality of available data and reduce friction when it comes to cross-border payments." - Stephen Abbott Pugh, Head of Technology, Open Ownership

"There is significant value in linking our global watch list database to the data made available by GLEIF and Open Ownership, which is why mappings have been created between those two data sources and the entities mentioned on international watch lists. Using these mappings, we were able to generate a graph of the combined organizations and individuals from all available and connected databases. The solution can work as an in-depth research system and as a sophisticated screening solution for Financial Institutions. The Transparency Fabric is a game changer. It will simplify and reinforce the screening and tracing of players in money laundering, terrorist financing and sanctions evasion." - Friedrich Lindenberg, Founder OpenSanctions

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