

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Australian Transaction Reports and Analysis Centre (AUSTRAC) Draft Rules to amend Chapter 16

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Australian Transaction Reports and Analysis Centre (AUSTRAC) Draft Rules to amend Chapter 16. GLEIF suggests that the addition of the LEI in the instruction report pertaining to international transfers for identifying the payer, ordering institution, beneficiary institution, and payee can streamline the payment and AML monitoring process, bring further transparency to the payment chain and support instant payments. The LEI is already included in the ISO20022 standard.

First, GLEIF would like to provide some background on the LEI.

The development of a system to uniquely identify legal entities globally had its beginnings in the 2008 financial crisis. Regulators worldwide acknowledged their inability to identify parties to transactions across markets, products, and regions for regulatory reporting and supervision. This hindered the ability to evaluate systemic and emerging risk, to identify trends, and to take corrective steps. Recognizing this gap, authorities, working with the private sector, have developed the Global LEI System with a global governance framework representing the public interest that will, through the issuance of unique LEIs, unambiguously identify legal entities engaged in financial transactions. Although the initial introduction of the LEI was for financial regulatory purposes, the usefulness of the LEI can be leveraged for any purpose. The LEI is use case agnostic and can be used in any process of entity identification, from payments to healthcare to verifying all counterparties of businesses supply chain.

The LEI initiative is driven by the Financial Stability Board (FSB) on behalf of the finance ministers and governors of central banks represented in the Group of Twenty (G20). In 2011, the G20 called on the FSB to take the lead in developing recommendations for a global LEI and a supporting governance structure. The related FSB recommendations endorsed by the G20 in 2012 led to the development of the Global LEI System as a broad public good that provides unique identification of legal entities participating in financial transactions across the globe and the subsequent establishment of the GLEIF by the FSB in 2014. As outlined in the GLEIF's Statutes, the Global LEI System is designed and developed to be used by the (i) public authorities and (ii) by the private sector to support improved risk management, increased operational efficiency, more accurate calculation of exposures and other needs. The GLEIF, a supra-national not-for-profit organization, is overseen by a committee of currently 65 global regulators and 18 observers, known as the [Regulatory Oversight Committee \(ROC\)](#). The Australian Securities and Investments Commission is represented in the ROC.

The LEI itself is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The code connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions

including their ownership structure. Moreover, the LEI provides freely accessible look-up (identification) of the parties to transactions. The complete database of LEIs and the associated LEI reference data is available free of any charge or barrier to anyone on the web. GLEIF operates under the Open Data Charter terms, which means all users can use the data without limitations.

The LEI is a more comprehensive due diligence tool than a static name and address information collection. As the financial industry moves to digitalized processes and machine-readable formats, the need for international data standards and structured data formats for identifying parties is increasing. Without the LEI, originator/beneficiary information will remain siloed publications with very limited ability to communicate across borders. They also perpetuate the shortfalls of the existing financial ecosystem, such as lack of interoperability, the minimal ability for financial markets participants and authorities to communicate with each other, and reliance on non-standardized, non-digital formats. These are the exact shortfalls that criminals exploit in today's financial markets to carry out illicit transactions.

Recently, SWIFT published its [Guiding principles for screening ISO 20022 payments](#). The report highlights that unstructured data is a barrier to building effective transaction screening and monitoring tools that mitigate sanctions and AML risks. Banks are revisiting their screening environments as the payments industry prepares to adopt ISO 20022. The report advises that BIC and LEI codes of Entities published on sanctions lists are listed as the relevant information that should be screened against. This targeted screening approach allows financial institutions to avoid false positives linked to mismatches between information types (e.g., debtor name hitting against vessel names, street name information hitting against embargo data). SWIFT's Guidelines have been [endorsed by the Wolfsberg Group](#), who develop frameworks and guidance for the management of financial crime risks, particularly with respect to KYC, and AML/CFT policies.

The European Union included the LEI for payer and payee under Article 4 “*Information accompanying transfers of funds*” of its [proposed Transfer of Funds Regulation](#), where provided by the payer to the payer's payment service provider for transfers of funds or transfer of crypto-assets from the Union to outside the Union as part of the complete information on the payer and the payee.

Therefore, GLEIF suggests that AUSTRAC add the LEI in Chapter 16, 16.2 “Instructions transmitted out of Australia” as a requirement. GLEIF precisely suggests the following additions in red color:

16.2 A report about an international funds transfer instruction (the instruction), within the meaning of item 1 of the table in section 46 of the AML/CTF Act, must contain:

- (3) the name **and the LEI or identity** of the ordering institution;*
- (4) where applicable, the name, **the LEI, BIC or identity** of any branch or department of the ordering institution which the payer requested to transmit the instruction;*
- (5) the name and **the LEI or identity** of the institution (the sender) transmitting the instruction to the beneficiary institution, if different from subparagraph 16.2(3);*
- (6) where applicable, the name **and the LEI or identity** of the sender's branch or department which transmitted the instruction, if different from subparagraph 16.2(4);*
- (8) the name **and the LEI or identity** of the beneficiary institution;*

- (9) the name, and where applicable, ~~the LEI, BIC or identity~~ of the branch or department of the beneficiary institution at which the funds will be made available to the payee;
- (10) the name of the payee ~~and the LEI if the payee is a legal entity~~;
- (11) one or more of the following details:
- (a) the number of any account held by the payee with the beneficiary institution through which the transferred money is to be made available to the payee;
 - ~~(b) the payee's full business or residential address (not being a post box address);~~
 - ~~(c) where applicable, the type and number of identification relating to the payee;~~
- (12) the following details as appear in the instruction:
- (a) any information or directions provided by the payer to the payee in relation to the instruction;
 - (b) the name, ~~the LEI or identity~~ of any interposed institution in the funds transfer chain;
 - (c) the name, ~~the LEI or identity~~ and account number of any institution through which the beneficiary institution will be reimbursed;

Requiring the LEI as a mandatory data element would make 11 (b) and (c) unnecessary as the LEI reference data includes the full headquarter and legal address of a legal entity.

Similarly for "Instructions transmitted into Australia" (16.3), GLEIF suggests the following in red color:

16.3 A report about an international funds transfer instruction (the instruction), within the meaning of item 2 of the table in section 46 of the AML/CTF Act, must contain:

- (1) the name of the payer ~~and the LEI if the payer is a legal entity~~;
- (2) the name, ~~and the LEI or identity~~ of the institution (the sender) transmitting the instruction to the beneficiary institution;
- (3) the following details as appear in the instruction:
 - (a) for an instruction to which paragraph 70(b) or 70(c) of the AML/CTF Act applies:
 - (i) subject to subparagraph 16.6, one of the following:
 - ~~(A) the payer's full business or residential address (not being a post box address);~~
 - ~~(B) a unique identification number given to the payer by the Commonwealth or an authority of the Commonwealth (for example, an Australian Business Number or an Australian Company Number);~~
 - ~~(C) a unique identification number given to the payer by the government of a foreign country;~~
 - (D) the identification number given to the payer by the ordering institution;
 - (E) if the payer is an individual—the payer's date of birth, country of the payer's birth and the town, city or locality of the payer's birth;
 - (c) the name, ~~and the LEI or identity~~ of the ordering institution, if different from subparagraph 16.3(2);
 - (d) where applicable, the name, ~~the LEI, BIC or identity~~ of any branch or department of the ordering institution which the payer requested to transmit the instruction, if different from subparagraph 16.3(3)(e);
 - (e) where applicable, the name ~~the LEI, BIC or identity~~ of the sender's branch or department which transmitted the instruction;
 - (f) the identification code assigned to the instruction by the sender;
 - (g) the name, ~~and the LEI or identity~~ of the beneficiary institution;

(h) the name, ~~the LEI, BIC or identity~~ of any branch or department of the beneficiary institution at which the funds will be made available to the payee;

Given the LEI reference data includes the local company number, it would be unnecessary to request this information separately from the payer. The value of the LEI in strengthening uniformity and standardization of data flow has already been recognized in the recent [Cross-Border Payments Survey Results on Implementation of the FATF Standards](#). Under the Section 5. “Conclusions and suggestions from the industry to address key challenges” it is stated that many respondents asked for increasing uniformity in the list entries and greater use of structured identifiers such as Legal Entity Identifiers (LEIs), Business Identifier Codes (BICs) and digital identities and linkage of list entries between UN and country lists would simplify the screening process and improve detection performance. They also indicated that wider adoption of the LEI for entity client identification and identifying beneficiary and originator in payment messages would support widespread interoperability between systems, reduce costs and increase precision and transparency.

In parallel to the migration to ISO20022, GLEIF suggests that AUSTRAC’s inclusion of the LEI in payments instruction would enable faster, cheaper, and more secure transactions. The LEI should be used to identify any originator or beneficiary legal entity, especially in complex scenarios such as the following: payer to payment institution A, from payment institution A to payment institution B, from payment institution B to payee. Improved payment transparency is paramount for all users in this network. In particular, for cross-border transactions, tracking the status of payments involves **lengthy** and **manual** processes for both senders and recipients due to differing time zones, reliance on multiple intermediaries, and limitations in consistent tracking information. Given the LEI were the global unique identifier for originators and beneficiaries, manual processes would be eliminated thereby contributing to **faster** and **cheaper** (no human intervention) payments.

Lastly, GLEIF would like to highlight a [recent report published by the Financial Stability Board](#). The report sets out recommendations to FSB member jurisdictions, including Australia, the FSB itself, ROC and GLEIF, and relevant standard-setting bodies for promoting the use of the LEI in cross-border payments. It provides use cases to highlight the potential benefits of the LEI in supporting straight-through processing and contributing to the KYC process. In particular, the report recommends guidance and further outreach on the use of the LEI as a standardized identifier for sanctions lists and as the primary means of identification for legal entity customers or beneficiaries, with specific reference to customer due diligence and wire transfers. The report builds on the work of the FSB on enhancing cross-border payments and considering the LEI as a mandatory data field with the transition to the ISO 20022 payment messaging.

Therefore, GLEIF suggests that AUSTRAC considers these developments in the international payments landscape and sets out its requirements accordingly. GLEIF would like to highlight that the LEI reference data has no personal information; hence, it would comply with the Privacy Rule 2015.