

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Australian Treasury for the Consultation Paper A Strategic Plan for the Payments System

February 6th, 2023

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Australian Treasury for the Consultation Paper A Strategic Plan for the Payments System. GLEIF welcomes the opportunity to comment on the Plan.

First, GLEIF would like to respond to Question 1: *“What are your views on the proposed key principles? Are there other principles that should be included? Please provide an explanation.”*

GLEIF agrees with the proposed key principles outlined in the Consultation Paper. Regarding the efficiency principle, GLEIF particularly agrees that ensuring payments are processed seamlessly with minimal friction is essential. Additionally, GLEIF would like to highlight that it is not only efficiency that ensures interoperability, but interoperability facilitated through the use of global data standards and protocols that enables efficiency.

The cross-border payments initiative of the Financial Stability Board (FSB) under the auspices of G20 Leaders shows demonstrates that ensuring efficiency in payments across borders is critical. A foundational element in the provision of an efficient, secure, and trusted instant credit transfer process is to have a standardized identification and verification approach that is easily accessible for consumers to conduct due diligence on the party to whom they are transferring funds to, especially when the beneficiary is a company or a natural person who acts as the official beneficiary of a company.

The Global Legal Entity Identifier (LEI) System is featured in the international cross-border payments initiative as the broad public good that enables unique and unambiguous identification of legal entity originators and beneficiaries in cross-border payments. The Global LEI System was developed for the unique identification of legal entities participating in financial transactions across the globe and the subsequent establishment of the Global LEI Foundation by the FSB and leaders of the G20 nations 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) 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). Australia is represented by the Australian Securities and Investments Commission 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 Global LEI System is free to use, open, and easily accessible database that consumers would be able to connect with 24/7 operating hours. The LEI connects to key reference data that provides the information on a legal entity identifiable with an

LEI: the official name of the legal entity as recorded in the official registers, the registered address of that legal entity, the country of formation, etc. The Global LEI System links each LEI to its local business registry thereby providing an international layer that overcomes barriers to local access such as proprietary data and data in different character sets. Instead of navigating through various access points and languages, the Global LEI System allows consumers to conduct quick due diligence in a trusted way. Via the Global LEI System, consumers and businesses can easily know and verify with whom they are transacting across borders.

Therefore, in addition to the principles already outlined in the proposed Strategic Plan, GLEIF suggests that the Treasury could consider “Transparency” and “Interoperability” as additional principles. In a globalized digital economy, verifying the identity of legal entities such as customers, partners and suppliers is becoming increasingly complex, prone to error, and costly, where transparency and interoperability play a greater role. Consumers become more and more targets of vendor scams and online frauds in the payment processes since they do not have easily accessible resources to verify the beneficiaries. The role of the LEI to support transparency and interoperability has already been recognized in the [FSB’s landmark recommendation](#) published in July 2022. FSB calls on FSB members, national and regional regulatory authorities, global standards-setting bodies and international organizations with authority in the financial, banking, and payments space to drive forward LEI references in their work. The report also recommends guidance and further outreach on using 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. By helping to make these transactions faster, cheaper, more transparent, and more inclusive, while maintaining their safety and security, the LEI has been deemed by the FSB to support the goals of the G20 Roadmap. Given Australia is a member of the FSB, GLEIF suggests the recommendations to FSB member jurisdiction are especially relevant.

GLEIF would also respond to Question 2: *“What are your views on the proposed key priorities? Do they provide enough certainty on what the key priorities are for the Government? Are there other matters that should be included? Please provide an explanation”.*

GLEIF agrees with the proposed key priorities in the Strategic Plan. GLEIF suggests that for all priorities listed, but particularly for “ensuring alignment with the broader digital economy transformation” and “modernizing payments infrastructure,” solving the identification problem and creating a digitally fit solution is fundamental. Technical standardization of the payer and beneficiary information with the digitally-enabled LEI for businesses will enable interoperability both domestically and across borders, thereby reducing reconciliation costs, time, and uncertainties for all involved parties.

It is stated in the Consultation Paper that the Treasury has drawn on findings from payments-focused plans developed by other countries such as Canada, New Zealand and India. GLEIF would like to provide India as an example of a progressive approach to implementing the LEI in its large-value payment transactions. The [Reserve Bank of India \(RBI\) concluded](#) that all payment transactions above 5 million AUD shall include the originator’s and beneficiary’s LEI in the payment message. The RBI will consider lowering the threshold in parallel to the developments of the LEI in cross-border payments landscape and the FSB work. Similarly, the [Bank of England adopted the LEI](#) in its transition to the

Real Time Gross Settlement (RTGS) system and requires all direct participant financial institutions to obtain an LEI by 2024. The Bank of England considers further mandating the LEI for all payment participants, depending on the volumes of the LEI in the future. The Treasury could consider a similar incremental approach. Although ISO20022 is not mentioned in the Strategic Plan, GLEIF is aware that Australia plans to migrate to ISO20022 payment messaging format for its Australian High-Value Clearing System. In SWIFT's [Guiding principles for screening ISO 20022 payments](#) publication, it is highlighted 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 develops frameworks and guidance for the management of financial crime risks, particularly with respect to KYC, and AML/CFT policies.

The European Union proposed LEI verification as part of customer due diligence in its AML Regulation and 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.

With these examples and use cases provided, GLEIF suggests that the Treasury could consider adding the identification and, specifically, the LEI for legal entities in its broader payments framework to enhance its proposed key priorities.

Lastly, GLEIF would like to respond to Question 4: Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.

GLEIF welcomes the inclusion of "Support international efforts to enhance cross-border payments" outlined in Attachment B. As GLEIF already elaborated in its responses to Question 1 and 2, the LEI is an integral part of the G20 Roadmap. GLEIF would be pleased to have a closer dialogue with the Treasury for updating the Treasury on the recent developments of the LEI particularly regarding recommendations of the FSB.