



Enabling global identity
Protecting digital trust

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Australian Government Attorney-General's Department consultation on Reforming Australia's anti-money laundering and counter-terrorism financing regime

June 2024

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Australian Government Attorney-General's Department consultation regarding the reform of Australia's anti-money laundering and counter-financing (AML/CFT) regime. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the Attorney-General's proposed initiatives for digital identity verification within Customer Due Diligence (CDD) procedures, thereby contributing to the simplification and modernization of the AML/CTF regime and ensuring compliance with international standards set by organizations, such as the Financial Action Task Force (FATF).

GLEIF supports the Attorney-General's efforts to reform and improve the effectiveness of the regime and proposes that the reformed regime recognise the ISO 17442 [Legal Entity Identifier](#) (LEI) as one of the identifiers used to verify the identity of reporting entities, their clients and relevant counterparties involved in a business relationship that are legal entities.

The global nature of money laundering entails the need to use credible tools to identify 'who is who' and 'who owns who' on a worldwide scale. The Legal Entity Identifier (LEI) is such a digital identification tool, providing a digitally secure means of identifying a legal entity and their relevant entities within a business group in a simplified and efficient manner, which is in line with the objectives of the above-mentioned reform.

At an international level, the Financial Stability Board (FSB) published in 2023 the G20 Roadmap for Enhancing Cross-border Payments: Priority actions for achieving the G20 target¹ emphasizing the significant role of the LEI in assisting entities and financial institutions with sanctions compliance, customer due diligence and wire transferring.

¹See G20 Roadmap (February 2023): <https://www.fsb.org/2023/02/g20-roadmap-for-enhancing-cross-border-payments-priority-actions-for-achieving-the-g20-targets/>

FSB's position is aligned with SWIFT's earlier (2021) 'Guiding principles for screening ISO 20022 payments'² endorsed by the Payment Market Practice Group (PMPG) and [Wolfsberg Group](#), which highlighted how the LEI can support an effective, targeted approach to sanctions screening and AML/CFT processes.

It also represents an earlier (2021) FATF industry survey³ according to which the lack of high-quality global data on complex business structures is one of the leading causes of friction during AML/ CFT checks carried out; broader adoption of the LEI for cross-border payments would enable widespread interoperability, reduced costs, and increased transparency. [The Transparency Fabric](#) illustrates how easy it could become to identify direct and indirect connections between businesses with an LEI and sanctioned persons and companies, resulting in quick and easy identification of people and companies with compliance risk.

In a comparable manner, the Bank for International Settlements (BIS) innovation hub's Project Aurora has demonstrated that the LEI can facilitate cross-border supervision of money laundering threats if incorporated into the data sets that identify legal entities⁴.

Similar considerations are reflected in the most recent (2023) draft revisions to the Financial Action Task Force's (FATF) Recommendation 16⁵ of the 'Travel Rule', which propose that for both originators and beneficiaries *'information accompanying all qualifying payments or value transfers should always contain [...] their Business Information Code (BIC), Legal Entity Identifier (LEI), or the unique official identifier of the originator/beneficiary.'* Furthermore, the proposed revisions suggest that beneficiary financial institution should check that the beneficiary information in the payment messages aligns with the information held by the beneficiary financial institution. This represents a significant opportunity to introduce the LEI, a precise and digital identifier for the beneficiary, to streamline the beneficiary bank confirmation process.

Also, the LEI is recognized in the BIS' Committee on Payments and Market Infrastructures (CPMI) '[Harmonized ISO 20022 data requirements for enhancing cross-border payments](#)' as an equivalent identifier to the Business Identifier Code (BIC) for identifying financial

² Swift, 2021, Swift guiding principles for screening ISO 20022 endorsed by the Wolfsberg Group, available at: <https://www.swift.com/news-events/news/swift-guiding-principles-screening-iso-20022-endorsed-wolfsberg-group>

³ FATF, 2021, Cross-Border Payments: Survey Results on Implementation of the FATF Standards, available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Cross-Border-Payments-Survey-Results.pdf>

⁴ See BIS innovation hub Project Aurora report (May 2023): <https://www.bis.org/publ/othp66.pdf>

⁵ FATF, 2023, Public Consultation on Recommendation 16 on Payment Transparency, available at: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/R16-public-consultation-Feb24.html>



Enabling global identity
Protecting digital trust

institutions and legal entities within a payment message in cross-border payments. This publication is in line with Wolfsberg Group's updated [Payment Transparency Standards](#).

In light of the above-mentioned international recommendations, several regional developments recognise the significant value of the LEI in combating money laundering and terrorist financing and hence aim to broaden its implementation.

At an EU level, the new AML Regulation (AMLR), which is part of the recently finalized AML package⁶, references the LEI as part of the identity and verification of customers and beneficial owners for legal persons. Additionally, as part of the EU AML package, the EU Transfer of Funds Rule (TFR) was recast to ensure that transfers are accompanied by various data points on the originator and beneficiary (for non-individuals)⁷. Lastly, the regulation on instant credit transfers in Euros enables PSPs to allow users to use the LEI for the verification of payee⁸.

Additionally, the Bank of England published its 'Policy Statement: Implementing ISO 20022 Enhanced Data in CHAPS' which confirmed the introduction of the LEI into the CHAPS payment message standard when migrating to ISO 20022.⁹

The Reserve Bank of India (RBI) issued a mandate for the LEI in all payment transactions totalling ₹ 50 crore and more undertaken by entities for Real-Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT). From October 2022, this requirement was extended to cross-border capital or current account transactions.¹⁰

GLEIF wishes to reiterate that the widest possible use of the LEI can significantly reduce administrative hurdles for entities while guaranteeing a secure means to monitor potential money-laundering and terrorist financing risks. Therefore, GLEIF suggests that the Attorney-General considers all the developments and sets its requirements accordingly, including examples in its guidance of standards and identifiers already being used by businesses for identity verification

⁶ https://www.europarl.europa.eu/doceo/document/A-9-2023-0151-AM-329-329_EN.pdf

⁷ European Council, Digital finance: Council adopts new rules on markets in crypto-assets (MiCA), available at: <https://www.consilium.europa.eu/en/press/press-releases/2023/05/16/digital-finance-council-adopts-new-rules-on-markets-in-crypto-assets-mica/>

⁸ REGULATION (EU) 2024/886 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202400886

⁹ Bank of England, 2023, Policy Statement: Implementing ISO 20022 Enhanced Data in CHAPS, available at: <https://www.bankofengland.co.uk/-/media/boe/files/payments/rtps-renewal-programme/iso-20022/policy-statement-implementing-iso-20022-enhanced-data-in-chaps-january-2022.pdf>

¹⁰ GLEIF, 2022, #7 in the LEI Lightbulb Blog Series - Spotlight on India: A Rise in LEI Mandates Offers MSMEs a Springboard for Growth, available at: <https://www.gleif.org/en/newsroom/blog/number-7-in-the-lei-lightbulb-blog-series-spotlight-on-india-a-rise-in-lei-mandates-offers-msmes-a-springboard-for-growth>

purposes globally, such as the LEI. This approach will enable Australia's AML/CTF regime to align with international standards and recommendations set by organizations, such as the FATF, BIS CPMI, Wolfsberg Group, FSB.

Last but not least, to ensure that businesses can leverage all the benefits associated with the use of the LEI for know-your-customer procedures, GLEIF also suggests that the Attorney-General clarify in its guidance that the LEI should be regularly updated in accordance with the [Global LEI system policy](#). This will ensure that the verification procedure remains credible and accurate.

Some background information about the LEI:

- The LEI is a 20-character, alpha-numeric code, based on the ISO 17442 standard, is used for uniquely and unambiguously identifying legal entities globally. Each LEI contains information about an entity's ownership structure and thus answers the questions of '[who is who](#)' and '[who owns whom](#)'. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.
- Established by the [Financial Stability Board](#) in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is tasked to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF is a supra-national not-for-profit organization headquartered in Basel, Switzerland.
- The Global LEI System is overseen by over 71 public authorities (including Australian Securities and Investments Commission) participating in the [Regulatory Oversight Committee](#). There are currently more than 200 regulations requiring or requesting the usage of the LEI, especially in capital market: https://www.leiroc.org/lei/lei_regulatory_uses.htm. For example, ASIC Revised Derivative Transaction Rules (Reporting) 2024 mandates reporting entities and their counterparties to be identified with the LEIs, Securities and Exchange Board of India and Financial Services Commission of South Korea also started to require Foreign Investors to be identified via LEIs.

GLEIF remains at the Attorney-General's disposal to further discuss and support the Attorney-General's in its work. Please do not hesitate to engage us in discussions and questions related to the LEI in future consultations.