



Enabling global identity
Protecting digital trust

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Financial Action Task Force (FATF) Revision of Recommendation 25 - White Paper for Public Consultation

August 2022

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Financial Action Task Force (FATF) Revision of Recommendation 25 - White Paper for Public Consultation.

First, GLEIF would like to respond to Question 12 *“What are the key obstacles to transparency of trusts and other legal arrangements?”*.

The key obstacle to the transparency of trusts and other legal arrangements is the difficulty of verifying and validating the legal existence of a trust and its name. Not all trusts need to register in business registries, making it difficult for data users to verify and validate the trust and trustees.

According to the [ISO 17742:2 Legal Entity Identifier \(LEI\) standard](#), the LEI applies to legal entities, which include, but are not limited to, unique parties that are legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way (e.g. trust, partnership, contractual). It includes governmental organizations, supnationals and individuals when acting in a business capacity, but excludes natural persons. Given the Global Business Registry operated by GLEIF encompasses all forms of legal entities, including trusts, legal arrangements, funds, partnerships, Special Purpose Vehicles (SPVs), and individuals acting in a business capacity, by leveraging the Registry, the obstacles to transparency of trusts and legal arrangements can be reduced substantially.

For a trust to receive an LEI, the GLEIF accredited LEI Issuing Organization must verify and validate the contract displaying the relationship between the trust and trustee. Some LEI Issuing Organizations require that for a trust to be eligible for an LEI, the trustee should already have an LEI. If the information of the trust can be verified and validated through official sources (e.g., business registry), the LEI Issuing Organization is able to tag the validation corroboration level as “FULLY CORROBORATED”. If the trust deed submitted by the trust is the only source for verification and validation, the validation level is tagged as “ENTITY SUPPLIED ONLY”. The Global Business Registry allows any data user to understand the validation corroboration level of trust data and make their business choices accordingly. GLEIF would like to provide two examples with these validation statuses:

Example 1 - US-based JOHN HANCOCK VARIABLE INSURANCE TRUST - Select Bond Trust with the LEI 549300VA17RPTF33B015 has been verified and validated against the information at the Securities and Exchange Commission. Therefore, in its LEI reference data, the validation corroboration level was set as “FULLY CORROBORATED”. For further details, please see the LEI record:

<https://search.gleif.org/#/record/549300VA17RPTF33B015>

Example 2 – Switzerland based CARRÉ TRUST AG AS TRUSTEE OF THE V.I.N. FAMILY TRUST with the LEI 5493008PTFGZYKHZ6M16 has been verified and validated against the trust deed; therefore, the validation corroboration level was set as “ENTITY SUPPLIED ONLY”. For further details, please see the LEI record:

<https://search.gleif.org/#/record/5493008PTFGZYKHZ6M16>

GLEIF would like to highlight that the LEI always brings precision, unambiguity, uniqueness, and transparency to all legal entity types, including trusts. Based on the examples above, in the Global Business Registry, there are 77 LEI records, including “JOHN HANCOCK VARIABLE INSURANCE TRUST”, but each of these trusts is a legal entity on its own. Without the LEI and by relying only on the name of the trust, it is nearly impossible to identify these trusts uniquely and achieve transparency. Similarly, there are 11 LEI records, including “CARRÉ TRUST” in Switzerland, which shows that name-based identification is not easy and prone to error for trusts even within a single jurisdiction.

Lastly, GLEIF would like to provide its comments for Question 22. *“Are there any suggestions to improve R.25 and its Interpretive Note to better meet its stated objective to prevent the misuse of legal arrangements for money laundering or terrorist financing?”*

Recommendation 25 aims to bring transparency to trusts and legal arrangements and prevent misusing these vehicles for money laundering and terrorism financing. The Recommendation highlights that, at a minimum, countries should ensure that information of trusts shall be recorded and kept accurate and current and that such information is accessible in a timely way by competent authorities.

GLEIF suggests that an explicit reference to the Global LEI Registry maintained by GLEIF could be added to Recommendation 25 and its Interpretive Note, under “Other Possible Measures”. By leveraging the LEI Repository, users will be able to verify and validate the legal and headquarter address of the trusts, if registered, its registration number, across borders. Financial Intelligence Units or other supervisory authorities could use the Global LEI Repository to exchange information on trusts and legal arrangements associated with money laundering risks. The barrier-free accessibility and accuracy of data with a change history make the Global LEI Repository a foundational pillar of achieving the transparency objective of Recommendation 25.