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Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Bank of England’s consultation on Mandating ISO 20022 enhanced data in CHAPS

July 2024

The Global Legal Entity Identifier Foundation (GLEIF) welcomes the opportunity to provide its views on the Bank of England’s new policy paper mandating the use of enhanced ISO 20022 data for the CHAPS system.

GLEIF will focus its comments on the consultation paper’s ***Question 1: Are there any barriers (either in relation to CHAPS DP internal processes or through external dependencies) to CHAPS DPs meeting our mandatory enhanced data requirements (set out in Section 4 of this policy statement) through all of their initiation channels by November 2027?***

GLEIF wishes to express support for the Bank of England’s proposal to expand the mandatory requirements for enhanced data, hereby requiring financial institutions to disclose their ISO 17442 Legal Entity Identifier (LEI) when conducting CHAPS payments.

As the policy paper rightfully points out, the global and interoperable nature of the LEI would allow Direct Participants (DPs) of the CHAPS system to enhance their customer due diligence and sanctions screening measures. Likewise, the LEI provides an efficient means to identify ‘who owns whom’ in the financial system, allowing DPs to proceed with more efficient resolution planning.

The requirement for DPs to disclose an LEI has also the potential to strengthen the supervisory work conducted by the Bank of England, given that most DPs have cross border operations. Additionally, the interoperable nature of the LEI provides a practical solution for information sharing between supervisors in different jurisdictions.

It should be highlighted that the Bank of England’s initiative is in line with the recommendations and guidance issued by other standard setting bodies and international organizations on the use of the LEI in the payments’ ecosystem.



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For example, 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.

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.

Importantly, the most recent draft revisions to the Financial Action Task Force's (FATF) Recommendation 16 of the 'Travel Rule' 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.'*⁴. 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.

At a national level, the Reserve Bank of India (RBI) issued (2021) a mandate for the LEI in all payment transactions totalling ₹ 50 crore and more undertaken by entities for Real-Time

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/>

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 FATF proposed revisions to Recommendation 16: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/R16-public-consultation-Feb24.html>

Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT)⁵. The RBI introduced fields in NEFT and RTGS payment messages to record the LEI of both the remitter and beneficiary. To further harness the benefits of increased transparency and risk management provided by the LEI, the RBI mandated that Authorized Dealer (AD) Category I banks must, from October 1, 2022, obtain the LEI number from resident entities (non-individuals) for any capital or current account transactions worth ₹50 crore or more per transaction. In a similar fashion, GLEIF suggests that the Bank of England could consider including the LEI in the messaging structure of payments in the next phase.

At an EU level, the new AML Regulation⁶ (AMLR), which is part of the recently finalized AML package, 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 Rule⁷ (TFR) was recast to ensure that transfers are accompanied by various data points on the originator and beneficiary (for non-individuals). Lastly, the regulation on instant credit transfers in Euros enables PSPs to allow users to use the LEI for the verification of payee⁸.

In light of all the above-mentioned international and national developments, GLEIF does not see any barriers to DPs on the requirement to disclose an LEI as part of payments conducted on the CHAPS system. On the contrary, GLEIF wishes to reiterate that the widest possible use of the LEI can significantly reduce administrative hurdles for DPs while guaranteeing a secure means to monitor potential money-laundering and terrorist financing risks.

In line with the Bank of England's recommendation, GLEIF would like to highlight the role of its [Validation Agent](#) model in supporting DPs to enrich their internal databases with LEIs, enabling them to meet the CHAPS requirements in a timely manner; Citibank, JP Morgan, BNP Paribas are examples of financial institutions already benefiting from becoming Validation Agents.

Last but not least, to ensure that DPs can leverage all the benefits associated with the use of the LEI for know-your-customer procedures, GLEIF suggests that the Bank of England clarify in its guidance

⁵ RBI Notifications <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12010&Mode=0>

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



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.

GLEIF remains available to provide further technical clarifications to the Bank of England and DPs to ensure the timely implementation of this requirement by November 2027. Please do not hesitate to engage us in discussions and questions related to the LEI in future consultations.