



Enabling global identity
Protecting digital trust

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Banking Authority (EBA) consultation paper on the draft guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes under Regulation (EU) 2023/1113 ('The Travel Rule Guidelines')

February 8th, 2024

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Banking Authority (EBA) on the consultation paper on Guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering (ML) and terrorist financing (TF) proposed under Regulation (EU) 2023/1113 ('The Travel Rule Guidelines').

GLEIF supports the EBA's approach to have the Legal Entity Identifier (LEI) being considered as the standard identifier for identifying legal entities involved in fund and crypto-asset transfers as set out under the EU's recast Transfer of Funds Regulation, while determining key and precise defining elements for alternative identifiers being used.

The global nature of money laundering entails the need to use credible tools to identify 'who is who' and 'who owns who' not just at national or at EU level, but on a worldwide scale. Such solutions should provide a digitally secure means of identifying counterparties in a simplified and efficient manner.

The [LEI](#), as a digital, interoperable standard (ISO 17442), can indeed provide the necessary safeguards for identifying the counterparties involved in fund and crypto-asset transfers across the globe.

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 targets¹, 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/>

In a similar fashion, 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 entities².

Furthermore, the lack of high-quality, global beneficial ownership data is the leading cause of friction during Anti-Money Laundering (AML) / Counter Financing of Terrorist (CFT) checks carried out as part of cross-border payment processing, according to a 2021 survey by the Financial Action Task Force. [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 terms of EU complementarity, GLEIF wishes to underscore that the LEI is proposed as a supplementary tool to be disclosed by legal entities as part of payee verification checks under the soon to be adopted instant payments Regulation³.

Additionally, the LEI is proposed as an option for customer due diligence during the onboarding of legal entities under the soon to be published EU anti-money laundering Regulation⁴.

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.

² See BIS innovation hub Project Aurora report (May 2023): <https://www.bis.org/publ/othp66.pdf>

³ See inter-institution agreement on Instant Payments proposal (December 2023): https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/ECON/AG/2023/12-11/AG_1292019_EN.pdf

⁴ See European Commission Anti Money Laundering Regulation proposal: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0420>