



Enabling global identity
Protecting digital trust

GLEIF's public comments to the Financial Action Task Force's (FATF) proposed revisions to Recommendation 16 (R 16)

May 2024



The Global Legal Entity Identifier Foundation (GLEIF) welcomes the initiative taken by FATF to revise the parameters under recommendation 16. GLEIF will comment on what additional information could be used to enable identification of the issuing and acquiring financial institutions as noted in 4(a) and on the use of structured identifiers for originator and beneficiary legal persons as noted in 7(e)(e).

Q.3- Which data fields in the payment message could be used to enable financial institutions to transmit the information on ‘the name and location of the issuing and acquiring financial institutions’ in a payment chain? If appropriate data fields or messaging systems are not currently available, how could they be developed and in what timeframe?

GLEIF believes that standardized identifiers, such as LEI and Connected BIC, efficiently and reliably identify the name and location of the entities involved in the payment.

The [Legal Entity Identifier \(LEI\)](#) is a global standard (ISO 17442) for legal entity identification. The drivers of the LEI initiative, i.e. the Group of 20, the FSB and many regulators around the world, have established the LEI and the Global LEI System as a broad public good. The publicly available LEI data pool is a unique key to standardized information on legal entities globally. The data is registered and regularly verified according to protocols and procedures established by the [Regulatory Oversight Committee \(ROC\)](#).¹ Each LEI record displays the entity’s legal name and legal address information in the entity’s local language character set and often with transliteration or translation. There are more than 200 [regulations worldwide](#) referencing the LEI.

The LEI is relevant for financial institution identification in cross-border payments. For example, the LEI is recognized in the CPMI’s [‘Harmonized ISO 20022 data requirements for enhancing cross-border payments’](#). This publication recognizes the LEI as an equivalent identifier to the Business Identifier Code (BIC) for identifying financial institutions within a payment message and suggests the LEI and/or the BIC may substitute name and postal address for legal entities involved in cross-border payments. Another example is the Bank of England implementation of the LEI for CHAPS Direct Participants – which include traditional high-street banks and a number of international and custody banks (see Bank of England [Policy Statement: Implementing ISO 20022 Enhanced data in CHAPS](#)).

In summary, the LEI is an important global standard for identifying precisely, instantly, and automatically the legal entity financial institution in a payment chain. However, the LEI is not a routing key for financial institutions. The most known routing key is the business identifier code (BIC). SWIFT is the registration authority for the ISO 9362 (BIC) standard appointed by ISO. The BIC is an international standard for identification of institutions within the financial services industry. BICs are assigned to legal entities, bank branches, trading desks, departments and/or test and development systems. BICs are a foundational element of data exchange on the SWIFT network and can serve to transmit information on the name and location of the issuing and acquiring financial institution business unit involved in the payment chain. However, the BIC does not enable unambiguous identification of the specific financial institutions having the customer relationship with the cardholder and merchant in a given transaction. In the next paragraph we provide some examples.

Since 2018, GLEIF and SWIFT have published [open source relationship files](#) that match BICs to its LEI.



This mapping is limited to BICs that are described as legal entities or foreign branches (see the [Factsheet](#) for full details). Even with this limited scope, the mapping demonstrates the complexity that arises for parties involved in the payment chain (financial institutions, law enforcement and FIU authorities) to clearly identify the involved legal entity financial institutions using only the BIC. For example, about 1,500 financial institutions have at least 2 BIC codes mapped¹. Given the BIC used in the payment message includes the branch identifier (BIC with 11 characters) the ability to identify the legal entity involved is even more limited as such BICs are not included in the open source relationship files.

In summary, the BIC can be used as a reference to the involved business units of the issuing and acquiring financial institutions and the LEI can be used as a reference to the legal entities associated with these business units. Together the BIC and LEI enable transmission of the name and location of the involved business units and legal entities via structured identifiers.

Furthermore, BIC and LEI together contribute to AML/CFT controls as they are global identifiers which make them particularly effective to identify sanctioned entities or discard potential hits. Given both the BIC and LEI are structured identifiers, they enable exact matching in screening processes (see SWIFT’s [Guiding Principles for screening ISO 20022 payments](#)).

GLEIF would therefore like to suggest the following **wording amendments** with the aim of ensuring that the CPMI’s guidance on harmonized ISO 20022 data requirements for enhancing cross-border payments is leveraged in the FATF recommendation 16 proposal.

FATF draft recommendation 16 proposal	GLEIF’s suggestion
<p>B. SCOPE</p> <p>4. Recommendation 16 is not intended to cover the following types of payments:</p> <p>Option 1 – Requiring issuing and acquiring bank information</p> <p>(a) Any transfer that flows from a transaction carried out using a credit or debit or prepaid card for the purchase of goods or services from merchants, so long as the credit or debit or prepaid card number, as well as the name, and location, and Legal Entity Identifier (LEI) and/or connected BIC of</p>	<p>GLEIF suggests that financial institutions involved in any payment transactions are unambiguously identified as well and therefore propose the use of the Legal Entity Identifier (LEI) and/or connected BIC of both issuing and acquiring financial institutions.</p>

¹ Example of a [financial institution](#) with at least 2 BIC codes mapped.



<p><u>the issuing and acquiring financial institutions⁴⁷</u>, accompanies all transfers flowing from the transaction. However, when a credit or debit or prepaid card is used as a payment system to effect a person-to-person wire payment or value transfer, the transaction is covered by Recommendation 16, and the necessary information should be included in the message.</p>	
<p>B. SCOPE</p> <p>4. Recommendation 16 is not intended to cover the following types of payments:</p> <p>Option 2 – Exclude withdrawals, purchases of cash and a cash equivalent</p> <p>(a) Any transfer that flows from a transaction carried out using a credit or debit or prepaid card for the purchase of goods or services <u>from merchants</u>, so long as the credit or debit or prepaid card number, <u>as well as the name, and location, and Legal Entity Identifier (LEI) and/or connected BIC of the issuing and acquiring financial institutions [footnote 47]</u>, accompanies all transfers flowing from the transaction. However, when a credit or debit or prepaid card is used as a payment system to effect a person to person wire transfer, the transaction is covered by Recommendation 16, and the necessary information should be included in the message.</p>	<p>GLEIF suggests the same change as for Option 1 above.</p>

⁴⁷ Card issuer and merchant acquirer information should make it possible for all institutions and authorities referred to in paragraph 1 to identify which financial institutions are in possession of the full cardholder and merchant information, and in which countries these institutions are located.



Q.8 - Would stakeholders support FATF’s approach and view that the proposed amendments will improve the reliable identification of the originator and beneficiary and increase efficiency? Which of the two options set out above for the proposed revisions in paragraph 7 would stakeholders prefer and why? To what degree is the customer identification number, as set out in paragraph 7 (d), useful to identify the customer? Are there any other issues or concerns in this regard? Are there any important aspects where the FATF needs to provide more granular advice in the future FATF Guidance in order to facilitate effective and harmonised implementation of the FATF proposal?

GLEIF welcomes the inclusion of the ISO 17742 Legal Entity Identifier as part of the information to be disclosed by the counterparties (originator and beneficiary) involved in a payment transaction. When the LEI is added as a data attribute in payment messages, any originator or beneficiary legal entity can be precisely, instantly, and automatically identified across borders. Inclusion of the LEI removes the friction of name matching in confirmation of payee (see PMPG [Global adoption of the LEI in ISO 20022 Payment Messages version 2, Use Case 5 – Account-to-account owner validation](#)). It removes the complexity of attempting to structure address information consistently across organizations by providing a single globally consistent starting point for address information (For example, while debtor address information can be sourced from the debtor agent’s KYC master records, the debtor interpretation of the creditor address into the ISO 20022 format is recognized as being 'problematic', PMPG [Structured ordering and beneficiary customer data in payments](#)). The LEI is recognized in the CPMI’s [‘Harmonized ISO 20022 data requirements for enhancing cross-border payments’](#). This publication suggests the LEI may substitute name and postal address for legal entities involved in cross-border payments. The Wolfsberg Group’s updated [Payment Transparency Standards](#) state that policies may set out where a unique identifier code such as the LEI is sufficient to identify the debtor without full name and address information.

While regional, national and local identifiers such as business codes play an important role within borders and legal jurisdictions, they are, by their nature, inherently limited in their usefulness in cross-border payments. Why? Each issuer of a regional, national or local identifier: defines its own data model and the data it collects, determines its quality control protocols, and decides if and how reference data associated with the identifier can be retrieved - see BIS Papers (no 126) [Corporate digital identity: no silver bullet, but a silver lining](#). Currently there are more than 1,000 business registers and other relevant registration and validation authority sources existing worldwide (see [GLEIF registration authorities list](#) for further detail). It’s common to have multiple registration authorities in one jurisdiction which adds to the complexity for identifying the right identifier. Therefore, it is very inefficient and costly for financial institutions to conduct verification given the plethora of local identifiers, and the chance of payment disruption or cancellation due to different identification schemes being used is much higher.

GLEIF suggests that the LEI should be encouraged as a global, readily available, digital standard, for identifying the originator and beneficiary legal person. Compared to the other identifiers mentioned in 7(e), only the LEI has all the required features that will enable transparent party identification in cross-border payments (see GLEIF position paper ‘Fighting crime with transparency in cross-border payments: the need for universal entity identification’ for a description of these features). This will



reduce the instances of payments fraud and improve straight through processing by eliminating false positives (see PMPG [Global adoption of the LEI in ISO 20022 Payment Messages version 2, Use Case 3 – Corporate Invoice Reconciliation and Use Case 4 - fraud detection and fight against vendor scams](#)).

Furthermore, the LEI is mapped to other key entity identifiers through GLEIF’s Certification of Mapping program. This includes mappings with identifiers such as the [Business Identifier Code \(BIC\)](#), International Securities Identification Number (ISIN), S&P Global Company ID, Market Identifier Code (MIC), OpenCorporates ID and Open Ownership Register ID. GLEIF is actively expanding these cross-references to include other entity identifiers as well, such as national or local business registration identifiers, through its Accreditation program. For example, the African Export-Import Bank, issuer of the Africa Entity Identifier, is a [candidate](#) to become an accredited LEI Issuer. Mapping is important as it enables interoperability across parallel ID platforms, therefore significantly streamlining entity verification processes and reducing data management costs for data users.

The purpose of GLEIF is to uphold the governance principles established by the Financial Stability Board for the Global LEI System and the ROC Charter. GLEIF must ensure the application of uniform global operational standards and protocols, seamless access to the LEI and LEI reference data, and high quality reference data for users. As such, the [Common Data File Formats](#) of the Global LEI System and the various [free of charge access points to the data](#), including the GLEIF API, are public goods that can be relied upon. These resources make it much easier and more cost efficient for financial institutions to conduct verification, and for entities to identify themselves and their counterparties in cross-border transactions.

FATF rightly recognises that cross-border payments have evolved over the past years and so have the risks pertaining to these activities. In this context, it is important that jurisdictions encourage the use of a global identifier – the LEI - for the originator and beneficiary in global cross-border payments ecosystems. This will strike the right balance between respecting technological neutrality by using an open public standard for identity but also addressing potential risks of fraud and the need for efficient communications across the parties involved in payments to support effective anti-money laundering (AML) and counter terrorist financing (CFT) initiatives across border.

FATF has identified data-sharing and data standardization as key approaches to enable the advanced analytics needed to support effective anti-money laundering (AML) and counter terrorist financing (CFT) initiatives across borders (see FATF [Opportunities and Challenges of new Technologies for AML/CFT](#)). [Project Aurora](#)—an analysis by the Bank for International Settlements’ (BIS) Innovation Hub— also identifies “data quality and standardization of the data identifiers and fields” contained within cross-border payment messages as important factors to improve data consistency and usability. A demonstration of how the LEI can be leveraged to connect the dots to other information important sources needed to support effective AML and CFT is the collaboration between GLEIF and [Open Ownership](#) that has resulted in LEIs being integrated into datasets produced in line with the Beneficial Ownership Data Standard (BODS) for the first time.

Jurisdictions around the world have already put in place measures that highlight how the LEI can contribute to enhancing the identification of counterparties in payments.

For example, the European Union, the reviewed EU rules on Transfer of Funds will permit better information gathering when transferring funds for AML/CFT purposes. The new rules introduce,



subject to the existence of the field in the relevant message format, the possibility for payers to provide their LEI information and the LEI information of the payee to their Payment Service Provider (PSP) when proceeding to a payment.²

The LEI is also introduced in the new EU Instant Payments Regulation³, specifically under its IBAN-name matching provisions. This legislation will enable Payment Service Providers (PSPs) to offer the payer the option to use the LEI of the payee to enhance the matching process with the payment account identifier. The provisions are expected to cover instant and normal credit transfers in euro. This means PSPs will also be able to offer the payer the option to use the LEI for normal credit transfers in euro. The future Payment Service Regulation would extend the IBAN-name matching provisions to all credit transfers in other currencies than the euro that take place in the European Economic Area (EEA).

Lastly, the LEI is referenced in the recently finalized AML Directive⁴ as part of the identity and verification of customers and beneficial owners for legal persons.

India is another example of how market infrastructures can implement the LEI, allowing financial institutions and service providers to leverage the LEI for better account or payee validation (see Reserve Bank of India [Introduction of Legal Entity Identifier for Cross-border Transactions](#)). The RBI's 'Payments Vision 2025' — published In June 2022 — clearly articulates the LEI's role in enabling secure, convenient, and accessible payments. When detailing the ambition to broaden the scope, usage, and relevance of the LEI in all payment activities, the RBI explains that "encouraging the use of the LEI facilitates faster tracking of payments, unique identification of parties involved, ensures greater precision and transparency and helps in the adoption of a single identity for an entity across multiple applications."

GLEIF would therefore like to suggest the following **wording amendments** with the aim of ensuring that identifiers used for originator and beneficiary identification allow for the data-sharing and data standardization necessary to support effective support effective anti-money laundering (AML) and counter terrorist financing (CFT) initiatives across borders.

FATF draft recommendation 16 proposal	GLEIF's suggestion
<p>C. CROSS-BORDER QUALIFYING WIRE PAYMENTS AND VALUE TRANSFERS</p> <p>Option 1 – limited mandatory elements for both originator and beneficiary and additional elements for originator, with optionality</p> <p>7.</p>	<p>GLEIF suggests introducing a clarification to section (e) of paragraph 7 that the connected BIC or LEI should be referenced when available. GLEIF suggests introducing a new paragraph 8 that describes how alternative identifiers to global structured identifiers must allow for data sharing</p>

² Regulation (EU) 2023/113: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1113>
³ Regulation (EU) 2024 (https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202400886)
⁴ https://www.europarl.europa.eu/doceo/document/A-9-2023-0151-AM-329-329_EN.pdf



<p>(...)</p> <p>(e) <u>where the originator and/or beneficiary is a legal person, the connected business identifier code (BIC), or the Legal Entity Identifier (LEI)(*). If not available, or the unique official identifier of the originator and/or beneficiary.</u></p> <p><u>8. Unique official identifiers should be common non-proprietary identifiers that: are available under an open licence; render data fully searchable and machine-readable; are a standard developed and maintained by voluntary consensus standard bodies; enable high quality data through schemas.</u></p>	<p>via data standardization and quality controls. These criteria are in line with the US Financial Data Transparency Act⁵.</p>
<p>C. CROSS-BORDER QUALIFYING WIRE PAYMENTS AND VALUE TRANSFERS</p> <p>Option 2 – full alignment in mandatory elements between originator and beneficiary</p> <p>7.</p> <p>(...)</p> <p>(e) <u>where the originator and/or beneficiary is a legal person, the connected business identifier code (BIC), or the Legal Entity Identifier (LEI). If not available, or the unique official identifier of the originator and/or beneficiary.</u></p> <p><u>8. Unique official identifiers should be common non-proprietary identifiers that: are available under an open licence; render data fully searchable and machine-readable; are a standard developed and maintained by voluntary consensus standard bodies; enable high quality data through schemas.</u></p>	<p>GLEIF suggests the same change as for Option 1 above.</p>
<p><u>Legal Entity Identifier refers to a unique alphanumeric reference code based on the ISO 17442 standard assigned to an entity by the Global LEI System. The LEI shall</u></p>	<p>GLEIF suggests an add-on to the definition of the LEI to ensure that data of legal entities is fully conforming to</p>

⁵ The US Financial Data Transparency Act of 2023: <https://www.congress.gov/bill/117th-congress/house-bill/7776/text>



<p>conform with Regulatory Oversight Committee (ROC) Policy.</p>	<p>Regulatory Oversight Committee policies, thereby ensuring international consistency in the application of the LEI.</p>
<p>Glossary of specific terms used in this Recommendation</p> <p>Merchant refers to parties that 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 (trust, partnership, contractual)) for any business, professional, non-profit organisation, or public sector entity associated with the regular provision of goods and services, which was onboarded by the relevant financial institution as such, following the required CDD in respect of such activity. This excludes consumers. It includes governmental organizations, supranational, individuals when acting in a business capacity but excludes natural persons.</p>	<p>GLEIF suggest a definition of merchant that leverages the definition of legal entity as set out under the ISO 17442 standard.</p>

GLEIF remains at your disposal to further discuss and support FATF in your work. Do not hesitate to engage us in discussions and questions related to the LEI in future rules.

