



Enabling global identity
Protecting digital trust

Response of the Global Legal Entity Identifier Foundation (GLEIF) to HM Treasury on improving the effectiveness of the Money Laundering Regulations

June 2024

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the HM Treasury on the improvement of the effectiveness of the Money Laundering Regulations. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in HM Treasury's proposed initiatives for digital identity verification in the context of combating financial crime.

First, GLEIF would like to respond to Question 4: *“What information would you like to see included in published digital identity guidance, focused on the use of digital identities in meeting MLR requirements? Please include reference to the level of detail, sources or types of information to support your answer.”*

GLEIF proposes that the published digital identity guidance recognises the ISO 17442 [Legal Entity Identifier](#) (LEI) as one of the identifiers used to verify the identity of 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. Such solutions should provide a digitally secure means of identifying counterparties in a simplified and efficient manner.

Digital identification tools, such as the as the global, interoperable standard (ISO 17442), can serve as an efficient means to map out ‘who is who’ and ‘who owns who’ in the business landscape.

Money laundering poses serious challenges for complying with customer due diligence requirements, specifically for verifying the identity of businesses when operating in a cross-border context. Such considerations are reflected in the most recent draft revisions to the Financial Action Task Force's (FATF) Recommendation 16 of the Travel Rule, which requires businesses to disclose their LEI when partaking in a cross-border transfer of funds¹.

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.

¹ See FATF proposed revisions to Recommendation 16: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/R16-public-consultation-Feb24.html>

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



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Furthermore, the lack of high-quality global data on complex business structures is one of the leading causes of friction during Anti-Money Laundering (AML) / Counter Financing of Terrorist (CFT) checks carried out, 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, the recently finalized AML Directive³ references the LEI as part of the identity and verification of customers and beneficial owners for legal persons. Additionally, 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)⁴. Lastly, the regulation on instant credit transfers in Euros enables PSPs to allow users to use the LEI for the verification of payee⁵.

It should be highlighted 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. GLEIF therefore suggests that the HM Treasury should consider including in its proposed digital identity guidance concrete examples of standards and identifiers already being used by businesses for identity verification purposes, such as the LEI.

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 HM Treasury 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.

Secondly, GLEIF would like to respond to Question 6: *“Do you think the government should go further than issuing guidance on this issue? If so, what should we do?”*

GLEIF proposes that UK legislators consider introducing the ISO 17442 Legal Entity Identifier (LEI) as a reference point to be disclosed as part of the customer due diligence checks under the existing Money Laundering regulations (Regulation 28).

The introduction of the LEI would enhance supervisors’ ability to monitor suspicious business activities without creating additional hurdles to businesses, as outlined in our response to Question 4.

³ https://www.europarl.europa.eu/doceo/document/A-9-2023-0151-AM-329-329_EN.pdf

⁴ 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/>

⁵ 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



Furthermore, the interoperable nature of the LEI can also strengthen the global AML regulatory framework by facilitating information sharing between the UK supervisors and authorities from other jurisdictions. As mentioned in Question 4, other jurisdictions, such as the European Union (i.e. the EU AML reform package) also give the option for businesses to disclose an LEI as part of such due diligence checks.

GLEIF believes that such step would be in line with the recommendations currently under development by international standard setting bodies, such as the Financial Action Task Force (FATF), e.g., Recommendation 16.