



Enabling global identity  
Protecting digital trust

# GLEIF's Comments on the Financial Action Task Force's (FATF) proposed revisions to R.1/INR.1/INR.10/INR.15. Public

December 2024



The Global Legal Entity Identifier Foundation (GLEIF) welcomes the opportunity to contribute to FATF's proposed revision to Recommendations R.1, INR.1, INR.10, and INR.15. GLEIF will focus its comments on how incorporating the Legal Entity Identifier (LEI) and its digital counterpart, the verifiable LEI (vLEI), into INR.10 can strengthen FATF's AML/CFT efforts all while promoting financial inclusion.

GLEIF fully supports FATF's ongoing efforts to ensure AML/CFT standards are aligned with financial inclusion goals, all while maintaining a risk-based approach to supervision.

The correct implementation of a risk-based framework is intrinsically linked with measures seeking to enhance market transparency. As financial crime becomes increasingly more digital and global, it is important to make transparency a strategic priority and combat risk by advancing the identifiability of legal entities across global marketplaces. Transparency is a foundational requirement for establishing trust. Environments where trust is lacking mean limited access, or exclusion, for those entities that cannot establish a trusted identity.

The Legal Entity Identifier (LEI), by providing an effective means of digital counterparty identification, can contribute to enhanced transparency in the global business markets. As the only global standard for legal entity identification, the LEI is a 20-character, alpha-numeric code based on the ISO 17442 standard. It connects to key reference information enabling instant, clear and unique identification of legal entities. Additionally, the LEI's ability to correctly identify 'who is who' and 'who owns who' can address instances of identity mismatching or false positive screenings, in turn guaranteeing that the principle of financial inclusion is fully respected.

Across the globe, we have seen different jurisdictions put in place measures that highlight how the LEI can enable transparent counterparty identification.

For example, in the European Union (EU), the new Anti-Money Laundering Regulation (AMLR) will require entities to disclose their LEI as part of the know-your-customer (KYC) process<sup>1</sup>. Further, the EU Transfer of Funds Rule (TFR) was recast to ensure that transfers are accompanied by various data points on the originator and beneficiary, including the LEI (for non-individuals)<sup>2</sup>. Lastly, under the Instant Payments Regulation (IPR), the payer should, subject to existence of the relevant payments message field, have the possibility to disclose their LEI information and the LEI information of the payee to their Payment Service Provider (PSP) when proceeding to a payment<sup>3</sup>.

Other jurisdictions provide notable examples of how market infrastructures allow financial institutions and service providers to leverage the LEI for better account or payee validation:

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<sup>1</sup> Regulation (EU) 2024/1624: <https://eur-lex.europa.eu/eli/reg/2024/1624/oj>

<sup>2</sup> Regulation (EU) 2023/113: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1113>

<sup>3</sup> 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](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:L_202400886)

- UK: The Bank of England published its ‘Policy Statement: Implementing ISO 20022 Enhanced Data in CHAPS’ which confirmed the introduction of the LEI into the CHAPS payment message standard when migrating to ISO 20022.<sup>4</sup>
- India: The Reserve Bank of India (RBI) issued a mandate for the LEI in all payment transactions totalling ₹ 50 crore and more undertaken by entities for Real-Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT). From October 2022, this requirement was extended to cross-border capital or current account transactions.<sup>5</sup>
- Australia: Starting October 21, 2024, Australia implemented the ASIC Derivative Transaction Rules (Reporting) 2024, replacing the 2022 rules, to align with international standards. The updated rules mandate the use of LEIs for identification, replacing AVID and BIC codes. Reporting entities, counterparties, central counterparties, brokers, and other relevant entities will be required to use the LEI for identification purposes.

The FSB’s recently published a progress report “Implementation of the Legal Entity Identifier” provides a comprehensive update on jurisdictions’ actions to implement the LEI in cross-border payments and recommends that relevant standard-setting bodies and international organisations should consider issuing guidance on the role that the LEI and possibly the vLEI might play in assisting entities with due diligence for KYC and sanctions screening, and fraud prevention<sup>6</sup>.

GLEIF also suggests that FATF explore implementing solutions for digital organizational identity, such as the verifiable LEI (vLEI), the LEI’s digital counterpart, to establish digital trust. While the LEI provides the basic information required to establish the customer profile and the metadata necessary to document the validation source(s), the vLEI cryptographically binds the LEI to the legal entity and the persons acting for the legal entity. This simplifies the process of proving legitimacy and accessing financial services. As a globally recognized digital identity credential, the vLEI is globally interoperable. This encourages financial institutions to engage with entities from underserved regions without having to make additional technology investments.

The vLEI can strengthen FATF’s efforts to mitigate the risks associated with non-face-to-face business relationships or transactions by providing robust identity management solutions. The European Banking Authority’s assessment of the vLEI in collaboration with Gartner demonstrates that this ecosystem is robust. Based on a preliminary assessment, the EBA concluded that the vLEI could serve as a scalable and secure solution to authenticate and bind cryptographically the legal entity, an authorized representative, and this representative’s authority to submit EBA Pillar 3 Data on the EUCLID platform efficiently. The key points from Gartner’s analysis, after scanning the market, have been that there are no comparably efficient alternative solutions globally. For more information,

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<sup>4</sup>Bank of England, 2023, Policy Statement: Implementing ISO 20022 Enhanced Data in CHAPS, available at: <https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgs-renewal-programme/iso-20022/policy-statement-implementing-iso-20022-enhanced-data-in-chaps-january-2022.pdf>

<sup>5</sup> GLEIF, 2022, #7 in the LEI Lightbulb Blog Series - Spotlight on India: A Rise in LEI Mandates Offers MSMEs a Springboard for Growth, available at: <https://www.gleif.org/en/newsroom/blog/number-7-in-the-lei-lightbulb-blog-series-spotlight-on-india-a-rise-in-lei-mandates-offers-msmes-a-springboard-for-growth>

<sup>6</sup> Implementation of the Legal Entity Identifier: Progress report: <https://www.fsb.org/2024/10/implementation-of-the-legal-entity-identifier-progress-report/>

please see section 6 in the document [PILLAR 3 DATA HUB PROCESSES AND POSSIBLE PRACTICAL IMPLICATIONS](#).

In summary, the lack of trust and transparency in cross-border dealings limits financial inclusion for entities in emerging markets. The LEI and vLEI are important digital tools to provide secure, trusted, and globally recognized digital identity.

With the aim of leveraging the benefits of standardized, globally interoperable, digital identifiers, GLEIF provides below proposed revisions to the draft text:

FATF draft proposal	GLEIF's suggestion
<p><b>RECCOMENDATION 10</b></p> <p><b>Higher Risks</b></p> <p>15.</p> <p>(...)</p> <p>c) Product, service, transaction or delivery channel risk factors</p> <ul style="list-style-type: none"><li>• Non-face-to-face business relationships or transactions <b>unless appropriate risk mitigation measures have been implemented</b>. <u>Risk mitigation measures could include using globally interoperable, digital identity standards such as the Legal Entity Identifier (LEI), and its digital counterpart, the verifiable Legal Entity Identifier (vLEI).</u></li></ul>	<p>The proposed qualification regarding non-face-to-face transactions is an important step to reflect advancements in digital identity systems. GLEIF believes that integrating solutions for digital organizational identity, such as the verifiable LEI (vLEI), the LEI's digital counterpart, can further enhance risk mitigation in such scenarios.</p> <p>Encouraging the adoption of the LEI and the vLEI across digital platforms aligns with FATF's objectives of modernizing AML/CFT standards to reflect technological advancements all while ensuring global interoperability.</p>
<p><b>RECCOMENDATION 10</b></p> <p><b>Simplified CDD measures</b></p> <p>21. Where the risks of money laundering or terrorist financing are lower, financial institutions <b>should be allowed and encouraged <del>could be allowed</del> to implement <del>conduct</del></b> simplified CDD measures, which should take into account the nature of the lower risk. The simplified measures should <b>be proportionate to <del>commensurate with</del></b> the lower risk factors (e.g. the simplified measures could relate only to</p>	<p>GLEIF believes that it is important to highlight that legal entities should be able to leverage the LEI for verifying their identity as part of the simplified CDD procedures.</p> <p>Such step would address potential ambiguities and align with already existing measures in place in jurisdictions such as the European Union (EU)<sup>7</sup>.</p>

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<sup>7</sup> As an extension of the above, the AML regulation EU (2023/1624) allows obliged entities to disclose their LEI also for instances of simplified due diligence.

customer acceptance measures, aspects of ongoing monitoring, **or both**). Examples of possible measures are:

- Verifying the identity of the customer and the beneficial owner after the establishment of the business relationship (e.g. if account transactions rise above a defined monetary threshold). As part of the CDD process, legal entities should be allowed to disclose their Legal Entity Identifier (LEI) to efficiently and accurately verify their identity and that of their beneficial owners.

GLEIF remains at FATF's disposal to discuss and support its work. Please do not hesitate to engage us in discussions and questions related to the LEI and/or the vLEI in current and future consultations.

