Open Ownership

Consultation response: ISO 20022 harmonisation requirements for enhancing cross-border payments

About our organisation

Open Ownership believes that the disclosure of information on the true owners of companies is an essential part of a well-functioning economy and society. Transparency over company ownership contributes to a better-functioning financial system and economy, both globally and within domestic economies.

Our vision is that governments, businesses, and citizens can readily access and effectively use accurate, complete, and high-quality information on the true owners of companies to achieve their goals, including reducing corruption and tax evasion, improving procurement, and creating a sustainable business environment.

Our mission is to work towards accountable ownership: we want to see a world where beneficial ownership data is available and well used by actors across diverse sectors and societies to improve accountability.

Over 100 countries have committed to beneficial ownership transparency reforms, mainly during the last five years, yet to date, less than a quarter of these countries have fully implemented public beneficial ownership registers.

Since 2017, Open Ownership has worked with almost 40 countries to advance implementation of beneficial ownership reforms, as well as supporting the creation of over 15 new central and sectoral registers. We have developed the world's leading data standard for beneficial ownership information, co-founded the international Beneficial Ownership Leadership Group, and built the world's first transnational public beneficial ownership register.

Analysis of existing public beneficial ownership registers identifies a number of problems concerning the quality of, and access to, data. For beneficial ownership data to be widely used to deliver impact, this implementation gap needs closing, and implementations need to result in higher-quality data than that which is currently available.

Consultation response

Our response to the Committee on Payments and Market Infrastructures' (CPMI) consultative report on ISO 20022 harmonisation requirements for enhancing cross-border payments focuses on questions raised which relate to uniquely identifying organisations, mandating minimum data requirements or identifying persons involved in cross-border payments.

We support these ongoing efforts to mandate higher quality identifiers be published as part of global efforts to make available more structured and interoperable beneficial ownership data especially to improve cross-border payment data and help stakeholders achieve the requirements for "adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons" under the Financial Action Task Force's (FATF) recently updated Recommendation 24.

> **Question 22. Do you agree that uniquely identifying all financial institutions involved in cross-border payments in an internationally recognised and standardised way would enhance cross-border payments? Please explain.**

Requiring all financial institutions to provide identification via the business identifier code (BIC) as defined in the ISO 9362 standard would improve compliance officials and investigators ability to conduct speedy anti-money laundering and counter-terrorist financing (AML/CFT) checks.

Ensuring full compliance with these requirements would significantly simplify the effort required to connect cross-border payments data to other datasets relating to company ownership, beneficial ownership or sanctions where relevant.

Since 2018, the BIC codes for organisations have been mapped to the organisation's Legal Entity Identifier (LEI) via a partnership between the Global Legal Entity Identifier Foundation (GLEIF) and the Society for Worldwide Interbank Financial Telecommunication (SWIFT). GLEIF has also recently announced that they have mapped identifiers from OpenCorporates to LEI data.

At Open Ownership, we help to create globally interconnected beneficial ownership datasets by reconciling data from national beneficial ownership registers with the data provided by OpenCorporates, the "largest open database of companies in the world".

Our Beneficial Ownership Data Standard supports implementers choosing to use tax ID numbers, LEIs or a range of other unique identifiers for individuals or corporate entities disclosed as having beneficial ownership interests. We will soon offer LEIs in our beneficial ownership datasets where organisations appear in both the OpenCorporates and GLEIF databases.

Having more open, public, high-quality company datasets featuring unique identifiers such as the BIC, LEI or OpenCorporates will improve the speed at which such datasets can be utilised or combined as part of processes relating to cross-border payments, especially through linking that data with beneficial ownership data.

These efforts will also be bolstered by other initiatives such as the European Commission's work under its Open Data Directive to mandate a list of high-value datasets - including data on companies and company ownership - which must be made openly available in machine readable formats by 2025.

> **Question 26. Do you agree with the proposed use of structured identifiers such as the LEI, if they exist, to complement the recommended minimum data requirements to identify the legal entities involved in cross-border payments? Should they be required instead?**

We agree that using structured identifiers such as the LEI will improve the speedy identification of legal entities involved in cross-border payments and advocate for the provision of an LEI to be required rather than recommended.

Identifying and verifying customers or the beneficial owners of entities was highlighted as by far the area of work causing the greatest obstacles to speedy cross-border payments, according to FATF's 2021 survey on the implementation of the FATF Standards. Respondents' aggregated feedback made clear that divergent national approaches to identifying and verifying customers or beneficial owners were negatively impacting the cost, speed, access and transparency of AML/CFT checks.

As highlighted by GLEIF, "the ability to verify and validate the originator and beneficiary of a transaction in near real-time is imperative" to helping the CPMI achieve targets set out relating to the improving the cost, speed, access and transparency of cross-border payments to address the concerns raised with FATF as well as leading to better implementation of ISO 20022.

The importance of globally unique identifiers to achieving impactful beneficial ownership transparency is stressed in Open Ownership's Principles for effective beneficial ownership disclosure.

FATF's Guidance on Beneficial Ownership of Legal Persons relating to Recommendation 24 was released in March 2023. This followed a strengthening of the requirements relating to Recommendation 24 announced in March 2022 to remedy problem areas highlighted by the 2021 survey results.

The guidance says that company registers should capture basic information on companies including a "unique identifier such as a tax identification number or equivalent". A footnote goes on to mention the LEI as a good example of a unique identification scheme to consider.

Open Ownership's consultation response to the draft R24 guidance suggested going further urging the FATF to strengthen its guidance around the use and provision of unique identifiers for natural and legal persons.

Our organisation is primarily concerned with helping governments and company registers create high-quality, up-to-date beneficial ownership data linking people and entities via relationships which capture the full range of interests individuals can hold. But we recognise the great value of high-quality corporate ownership datasets being used when assessing AML/CFT risks relating to cross-border payments alongside or as a replacement for situations where detailed beneficial ownership information cannot be easily accessed.

Recent research from the Tax Justice Network found that "the inclusion of beneficial ownership information on payers or payees is required under neither the Financial Action Task Force recommendations nor under European transfer of funds regulations. In this regard, the data on the originators and beneficiaries of payments can refer only to a legal entity".

With beneficial ownership data on natural persons often lacking, Open Ownership has recently undertaken work to map the level 2 "who owns whom" data from GLEIF to the Beneficial Ownership Data Standard and to make this data openly available as well as refreshing it regularly. Although GLEIF's data doesn't identify natural persons at the ends of ownership chains, we have utilised a combination of GLEIF's level 1 data using ISO 17442 standardised information on legal entities with the direct and ultimate parent and exemptions data provided under level 2. The resulting dataset is available to help all parties looking to make sense of global corporate ownership chains even if further investigation or additional data will be required to seek out information on the ultimate beneficial owners.

Additional recent efforts by Open Ownership and our partners at OpenSanctions and Linkurious have shown the value of mapping and combining GLEIF's legal entity data with open sanctions, company and beneficial ownership datasets to build the kind of more detailed understanding of connections between individuals and companies which can help support faster AML/CFT checks.

Conclusion

The introduction and implementation of the ISO 20022 standard offers an opportunity to generate improved structured data on cross-border payments. Requiring the provision of higher quality identifiers on legal entities such as the LEI would further enhance the interoperability and usability of resulting data. We thank the CPMI for the opportunity to submit our response to this important consultation and look forward to following the implementation of ISO 20022.