FSB FINANCIAL STABILITY BOARD

Recommendations to Promote Alignment and Interoperability Across Data Frameworks Related to Cross-border Payments: Consultation report

Response to Consultation

Open Ownership

General

1. **Is the proposed scope of the recommendations appropriate for addressing frictions arising from data frameworks in cross-border payments?**

   Yes. By focusing on the urgent need for greater data standardisation and use of standardised global identifiers, the Financial Stability Board recommendations set the scope for a raft of changes which have the potential to reduce friction associated with cross-border payments while increasing their transparency and speed.

2. **What, if any, additional issues related to data frameworks in cross-border payments, beyond those identified in the consultative report, should be addressed to help achieve the G20 Roadmap objectives for faster, cheaper, more accessible and more transparent cross-border payments?**

   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 corporate vehicles to achieve their goals, including reducing corruption and tax evasion, improving procurement, and creating a sustainable business environment.

   To best support the “alignment and interoperability of regulatory and data requirements” relating to AML/CFT checks as emphasised in the consultation documents, Open Ownership has created and maintains the Beneficial Ownership Data Standard, an open standard providing guidance for collecting, sharing and using high-quality data on beneficial ownership.

   The Beneficial Ownership Data Standard has already received endorsements from the OECD, World Bank, Bank for International Settlements, Global Legal Entity Identifier

Foundation and other multilateral organisations, as well as governments including the UK, Canada, Nigeria, Namibia, Botswana and more.

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 a Financial Action Task Force (FATF) 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.

Open Ownership supports ongoing efforts to mandate that higher quality identifiers and more structured data be collected and used as part of global efforts to improve cross-border payment data.

Improvements to payment data will help stakeholders to better connect this information to adequate, accurate and up-to-date information on the beneficial ownership and control of legal persons and legal arrangements mandated under FATF recently updated Recommendations 24 and 25.

3. **Is the proposed role of the Forum (i.e. coordinating implementation work for the final recommendations and addressing existing and newly emerging issues) appropriate?**

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Section 1: Addressing uncertainty about how to balance regulatory and supervisory obligations

4. **Discussions with industry stakeholders highlighted some uncertainties about how to balance AML/CFT data requirements and data privacy and protection rules. Do you experience similar difficulties with other types of "data frameworks" that could be addressed by the Forum? If so, please specify.**

   The goal of having globally adequate, accurate and up-to-date beneficial ownership information as set out by the Financial Action Task Force and the OECD means that there are challenges to addressing policy, technical and contextual interoperability where beneficial ownership information from multiple registers or systems need to be combined, whether those are regional registers or national registers.

   The Beneficial Ownership Data Standard (BODS) from Open Ownership can be used to standardise the fields and formats used for collecting and exchanging beneficial ownership data, even where authorities in federal countries need to abide by different regional laws or regulations when it comes to defining and capturing beneficial ownership information.

   For example, we have been providing support to the federal government of Canada in their goal of bringing together beneficial ownership data from a prospective 14 regional and federal registers. To date, public registers have been launched by the federal government and the regional governments of Quebec and British Columbia. Around 15% of companies in Canada are registered with the federal government, and the Canadian government hopes that provincial governments will also align in using BODS.

Open Ownership has also worked to make sure BODS aligns with international standards relating to dates and identifiers as well as offering guidance on how to represent alternative languages and other aspects of data collection which support internationalisation and the ability to connect data from different registers within or between countries.

In terms of data privacy and protection, all actors with a role to play in achieving the policy aims associated with beneficial ownership transparency, such as countering corruption and tax abuse, need to be able to access and use beneficial ownership data.

Actors such as domestic and foreign law enforcement; officials in tax, procurement, and licensing agencies; companies; civil society organisations; and journalists can help prevent and detect the misuse of corporate vehicles. Ensuring these actors have timely access to beneficial ownership information and its historical records, in conformance with domestic privacy and data protection legislation (but without undue obstacles or barriers), better enables them to use it, creating a less-conducive environment to financial secrecy.

However beneficial ownership information inherently constitutes personal data and is therefore governed by most data protection legislation; moreover, privacy as a legally-protected human right is practically universal, and data protection is increasingly following suit, both in the European Union and beyond.

Our research has found that indiscriminate public access makes it impossible to oversee and ensure that the information is being used for the designated purposes, and to monitor and guard against the potential consequences of misuse. And second, that a key cause of privacy interference includes the opportunity for data to be misused, particularly by actors in national contexts without robust data protection laws regulating and limiting how personal data is processed.

Ultimately, access regimes should depend on what countries are trying to achieve. Public access is the easiest, and can be the most effective, means of providing for a broad base of access because it doesn't distinguish who needs what information when or how you are going to define different groups (e.g. who is a journalist under legitimate interest?). In some countries implementing beneficial ownership transparency for aims such as anti-corruption and procurement transparency, being able to view the information and without going through a process designed by the power you are trying to hold to account is important.

However, it will not be the way forward in all jurisdictions. Some data protection principles are actually enablers of user-centred reforms: users should be able to access what they need to achieve what they want to achieve, and governments should be attentive to their needs. Measures like data minimisation and purpose limitation can be tailored to meet them.

5. **What are your suggestions about how the Forum, if established, should address uncertainties about how to balance regulatory and supervisory obligations?**

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6. **Are the recommendations sufficiently flexible to accommodate different approaches to implementation while achieving the stated objectives?**

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Section 2: Promoting the alignment and interoperability of regulatory and data requirements related to cross-border payments

7. The FSB and CPMI have looked to increase adoption of standardised legal entity identifiers and harmonised ISO 20022 requirements for enhancing cross-border payments. Are there any additional recommendation/policy incentives that should be considered to encourage increased adoption of standardised legal entity identifiers and the CPMI's harmonised ISO 20022 data requirements?

Open Ownership supports 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 FATF's recently updated Recommendation 24.

We agree that using structured identifiers such as the LEI will improve the speedy identification of legal entities involved in cross-border payments.

As highlighted by the Global Legal Entity Identifier Foundation (GLEIF), "the ability to verify and validate the originator and beneficiary of a transaction in near real-time is imperative" to helping 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.

This is a view echoed by the Bank for International Settlements (BIS) in its report on corporate digital identity which states that the LEI is "a sounder starting point for corporate ID as it is global, unique and widely recognised". On beneficial ownership, BIS goes on to say that reliable identifiers help identify ultimate beneficial owners and that "for legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer".

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.

With beneficial ownership data on natural persons often lacking, Open Ownership has undertaken work to map the level 2 “who owns whom” data from GLEIF to our 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.

8. **Recommendation 4 calls for the consistent implementation of AML/CFT data requirements, on the basis of the FATF standards (FATF Recommendation 16 in particular) and related guidance. It also calls for the use of global data standards if and when national authorities are requiring additional information. Do you have any additional suggestions on AML/CFT data-related issues? If so, please specify.**

Open Ownership’s Beneficial Ownership Data Standard is a global open standard providing guidance for collecting, sharing and using high-quality data on beneficial ownership.

In its report ‘Beneficial Ownership Registers: Implementation Insights and Emerging Frontiers’, the World Bank stressed that “standardised data formats, such as the Beneficial Ownership Data Standard (BODS), play a pivotal role in ensuring consistency and facilitating data exchange across different registers”.

Project Aurora from the Bank for International Settlements noted “the Beneficial Ownership Data Standard provides a structured format and standard for how such data should be collected, shared and used [and that] the standard could help beneficial ownership information to be clearly identified and tracked over time”.

After finding that 50% of the 112 jurisdictions recently assessed by the OECD Global Forum have severe deficiencies in their legal framework and/or in the effective implementation of their beneficial ownership framework, the OECD submitted a report to G20 Finance Ministers and Central Bank Governors in July 2024 stating that “the current momentum [relating to the Beneficial Ownership Data Standard] could therefore be used to seek to ensure that beneficial ownership registers increasingly contain a commonly structured and electronically searchable data set”.

Urging implementers across the world to embrace a global data standard such as the Beneficial Ownership Data Standard will reduce the friction involved with cross-border payments when it comes to conducting robust AML/CFT checks into the natural persons acting as the beneficial owners behind corporate vehicles.

Having unique, persistent and recognisable identifiers present in payment messages will also help swiftly identify entities involved in cross-border payments, enabling jurisdictions to best ensure they "identify and take reasonable measures to verify the identity of the beneficial owner of the originator or beneficiary [of payments]" as emphasised in FATF's 2023 guidance on Recommendation 24.

Requiring all financial institutions to provide identification via the business identifier code (BIC) as defined in the ISO 9362 standard would improve the ability of oversight bodies and financial intelligence units to conduct speedy anti-money laundering and counter-terrorist financing (AML/CFT) checks into financial institutions as well as helping to identify any links to sanctioned entities in their networks.

The BIC has been mapped to the Legal Entity Identifier (LEI) as defined in the ISO 17442 standard, thanks to a partnership between the Global Legal Entity Identifier Foundation (GLEIF) which oversees the management of the LEI and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) which is the registration authority for ISO 9362 appointed by ISO.

Open Ownership has partnered with GLEIF and created a mapping linking data on entities with an LEI to the high-quality beneficial ownership data produced in line with the Beneficial Ownership Data Standard. A further mapping allows data users to rely on the LEI to link an entity to its securities which have an International Securities Identification Numbering (ISIN) code as defined in the ISO 6166 standard.

If calls are heeded from a growing number of organisations such as the Wolfsberg Group recommending the use of LEIs in payment messages to improve harmonisation under the ISO 20022 standard for cross-border payments, oversight bodies will be able to routinely use GLEIF's level 2 data on who owns whom and map it to beneficial ownership data produced in line with the Beneficial Ownership Data Standard to understand and inspect the corporate ownership networks.

9. **Industry feedback highlights that uneven regulatory expectations for sanctions compliance create significant frictions in cross-border payments affecting the Roadmap objectives. What actions should be considered to address this issue?**

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10. **Do the recommendations sufficiently balance policy objectives related to the protection of individuals' data privacy and the safety and efficiency of cross-border payments?**

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Section 3: Mitigating restrictions on the flow of data related to payments across borders

11. **The FSB understands that fraud is an increasing challenge in cross-border payments. Do the recommendations sufficiently support the development of data transfer tools that specifically address fraud?**

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12. **Is there any specific sectoral- or jurisdiction-specific example that you would suggest the FSB to consider with respect to regulation of cross-border data flows?**

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Section 4: Reducing barriers to innovation

13. **How can the public sector best promote innovation in data-sharing technologies to facilitate the reduction of related frictions and contribute to meeting the targets on cross-border payments in 2027?**

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14. **Do you have any further feedback not captured by the questions above?**

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