

RapidLEI Whitepaper

# Achieving FATF Compliance with the Legal Entity Identifier (LEI)

A practical roadmap for embedding  
trusted legal entity identification  
into FATF-driven controls

# Executive summary

Organisations operating in financial services, virtual assets, legal, and global supply chains are increasingly under pressure to comply with rigorous anti-money laundering (AML) and counter-terrorist financing (CTF) standards. These requirements are shaped by the Financial Action Task Force (FATF), the international authority on AML/CTF regulation.

A recurring theme within FATF Recommendations is the need for reliable, standardised legal entity identification. The Legal Entity Identifier (LEI) provides a globally recognised solution to this challenge. This paper examines how the LEI facilitates compliance with key FATF Recommendations, with particular focus on cross-border payments, beneficial ownership transparency, and Know Your Business (KYB) processes. The analysis underscores the LEI's practical role in enhancing operational integrity and regulatory alignment.



# Section 1: FATF and the relevance of Recommendations 15, 16 and 24

The Financial Action Task Force is an intergovernmental body that develops global standards to combat money laundering, terrorist financing, and proliferation financing. FATF's 40 Recommendations are the foundation of most national AML/CTF regimes, with over 200 jurisdictions committed to their implementation.

Among these Recommendations, three are particularly relevant to legal entity identification:

**Recommendation 15** extends AML/CTF obligations to Virtual Asset Service Providers (VASPs). VASPs are expected to implement risk-based controls, conduct customer due diligence, and ensure appropriate identification of transaction participants.

**Recommendation 16** addresses the need for accurate originator and beneficiary information to accompany payments. Known as the "Travel Rule", it is designed to ensure that financial institutions can

trace payments effectively and reliably. The rule applies to both fiat (government-issued currency) and virtual asset transfers.

**Recommendation 24** focuses on transparency in beneficial ownership of legal persons. It requires countries to ensure that authorities can access adequate, reliable, accurate, and up-to-date information on the beneficial ownership of legal entities. FATF has provided revised guidance to enhance the implementation of this recommendation, accessible [here](#).

Non-compliance with these recommendations may lead to sanctions, increased scrutiny during regulatory examinations, and a loss of access to correspondent banking or virtual asset service relationships. In more severe cases, countries or institutions may be subject to countermeasures or placement on FATF's grey or black lists, which can significantly disrupt international operations.

## Section 2: The LEI as a foundation for trust

The Legal Entity Identifier is the only globally standardised (and regulated) identifier for legal entities. Each LEI is a 20-character alphanumeric string based on the ISO 17442 standard and is issued by GLEIF-accredited Local Operating Units (LOUs), better known as LEI Issuers, following rigorous and verification of reference data against auditable GLEIF standards. Entity reference data is made available under open license and can be used to identify counterparties, augment KYB and generally reduce organisation identity fraud by providing the “one true identity behind every business”. Uniquely the LEI can connect vertical or geographic identifiers as well as identify “who owns whom” through its Level2 relationship mapping.

Ubisecure RapidLEI is one such LEI Issuer after receiving accreditation by the GLEIF in 2018 to issue Legal Entity Identifiers in over 150 jurisdictions.

The LEI enables the unambiguous identification of legal entities and is maintained in the public LEI index by the Global Legal Entity Identifier Foundation (GLEIF). Key components of LEI data include:

- ✓ **Verified legal name, address, and registration details**
- ✓ **Legal form and jurisdiction**
- ✓ **Parent and ultimate parent entity information (Level 2 data)**

The LEI eliminates ambiguity in counterparty identification, enhancing transparency in cross-border and high-risk transactions. According to the GLEIF:

“

**The LEI enables market participants to take the guesswork out of identifying counterparties, thereby improving transparency and reducing operational risks.**

[GLEI Blog](#)

GLEIF’s annual report further reinforces the LEI’s importance in global trade:

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**Broad adoption of the LEI across the public and private sectors will strengthen the integrity of the global financial ecosystem.**

[GLIEF Annual Report](#)

The LEI is already referenced in over 300 regulatory regimes worldwide, including the European Market Infrastructure Regulation (EMIR), the Markets in Financial Instruments Directive II (MiFID II), and the US Commodity Futures Trading Commission (CFTC) swap data rules.

# Section 3: Use cases in key regulated sectors

## Virtual assets and VASPs

**FATF's Travel Rule extends to virtual asset transfers and requires Virtual Asset Service Providers to collect, verify and transmit originator and beneficiary information for covered transactions. Compliance with these obligations depends on unambiguous, machine-readable entity identification. The Legal Entity Identifier provides a globally recognised and standardised identifier that materially reduces ambiguity in corporate VASP identity, supports automated matching and reconciliation, and strengthens the integrity of Travel Rule messaging. See [FATF Updated Guidance for Risk-Based Approach](#).**

Interoperability efforts have been developed to operationalise the Travel Rule while preserving privacy and minimising disruption to the underlying blockchain infrastructure. The OpenVASP Association's Travel Rule Protocol (TRP) defines a standard for permissionless, secure sharing of required transaction participant data between VASPs, explicitly designed to meet FATF expectations for originator and beneficiary information.

In this ecosystem, the LEI acts as the reliable "who is who" anchor for VASP legal identity. Embedding LEIs into Travel Rule message payloads or counterparty registries ensures that the receiving VASP and downstream compliance systems can immediately correlate a counterparty with verified reference data, reducing manual entity resolution, false positives, and the

need for iterative clarification. The LEI's value in this context has been highlighted in practitioner guidance, which note that LEIs improve the quality of originator/beneficiary data, support cross-border transaction traceability, and harmonise VASP onboarding across jurisdictions.

Complementing these infrastructure developments, market participants have created specialised identity services that integrate LEIs directly into VASP compliance stacks. VerifyVASP's appointment as a GLEIF Validation Agent via a partnership with RapidLEI for crypto and digital asset trading entities is a case in point. Through that role, VerifyVASP facilitates LEI issuance for VASPs and embeds verified LEI data into decentralised messaging services, strengthening the fidelity of counterparty identification in Travel Rule exchanges.

Together, these elements create a more resilient compliance posture for VASPs. Adoption of the LEI in this context reduces operational friction, accelerates counterparty onboarding, and makes automated transaction screening more reliable, while supporting supervisory and audit trails required by regulators.

## Section 3: Use cases in key regulated sectors (cont.)

### Banking and financial institutions

**Legal Entity Identifiers are already embedded in critical banking infrastructure, including correspondent banking, trade finance and payment messaging, because they reduce ambiguity in counterparty identity, improve the accuracy of risk scoring, and accelerate onboarding for complex corporate structures. Correspondent banking relationships, which facilitate cross-border access to financial services, depend on clear and consistent identification to manage risk and preserve financial inclusion; the BIS/CPMI has emphasised that stronger identifier hygiene, including wider LEI adoption, is a key enabler of safe and efficient cross-border correspondent flows. The broader Financial Stability Board and BIS workstreams have similarly highlighted the LEI as a foundational tool to improve transparency and resilience in cross-border payments and supervisory oversight.**

A leading concrete example of systemic adoption is the Bank of England's enhancement of CHAPS. The CHAPS renewal programme, aligned with the migration to ISO 20022, has progressively integrated the LEI into its payment data requirements to strengthen entity-level transparency and reduce fraud and operational risk. From February 2023 the inclusion of LEIs (and purpose codes) in CHAPS ISO 20022 messages was made available and encouraged for direct

participants, initially on an optional basis while industry readiness was assessed. Beginning 1 May 2025, the Bank of England will require the use of LEIs and purpose codes for CHAPS payments between financial institutions, with a stated vision to broaden the requirement over time to all CHAPS traffic.

These initiatives create a virtuous cycle: as major payment rails like CHAPS standardise on the LEI, downstream participant banks, custodians and platforms increasingly incorporate LEI-based verification in onboarding, screening and intra-bank reconciliation, reinforcing compliance with international expectations and improving data quality.



## Section 3: Use cases in key regulated sectors (cont.)

### KYB and RegTech platforms

**Know Your Business service providers are increasingly embedding the Legal Entity Identifier as a foundational, persistent legal identity to streamline entity verification, map ownership structures, and automate decisioning in real time. The LEI anchors disparate reference data, including names, addresses, registration numbers and corporate structures, so that global KYC/KYB workflows can resolve entities unambiguously across jurisdictions, reducing the need for manual reconciliation and eliminating duplication. This standardised identity key materially reduces false positives in screening processes by providing a consistent “who is who” reference, enabling more precise matching and lowering the operational burden on compliance teams.**

Integration of the LEI into RegTech platforms allows for automated beneficial ownership tracing and ongoing monitoring. Corporate structure and relationship data (Level 2) supports the identification of ultimate and intermediate parents, improving visibility into complex ownership chains and enhancing the effectiveness of risk-based due diligence. Embedding LEI lookups into onboarding via APIs enables real-time verification, faster client acceptance decisions, and consistent cross-border interoperability, as the LEI serves as the shared connector across internal systems and external organisation identity schemes.

The business case for broad LEI adoption in client lifecycle management has been quantified in joint industry research. A [McKinsey](#) and [GLEIF](#) study found that widespread use of the LEI could eliminate at least 10 percent of operating costs in onboarding and trade processing, and could unlock between two and four billion US dollars in value across the global banking sector by reducing friction, improving data quality, and accelerating compliance workflows.

RegTech platforms treat entity resolution and identity graphing as core capabilities and may layer LEI data into composite verification services to help solve regulatory complexity for clients.

Together, these elements create a more resilient KYB posture. The LEI's integration into RegTech platforms improves onboarding speed, increases the fidelity of beneficial ownership analysis, reduces false positives, and provides consistent, audit-ready identity evidence that supports both internal compliance governance and external supervisory scrutiny.

## Section 4: Adoption pathway for compliance teams

Adopting the LEI into compliance workflows can be approached through several methods depending on the organisation's risk exposure, transaction volume, and existing infrastructure.

**Manual verification** - organisations can manually search and verify LEI data through the GLEIF search tool or an LEI Issuer's search tool like <https://search.rapidlei.com>, suitable for low-volume or ad-hoc verification needs.

**API-based integration** - both the GLEIF and RapidLEI offer robust APIs that enables real-time validation and monitoring of LEIs, which can be integrated directly into onboarding, monitoring, or transaction screening systems. Full API documentation is available in the Developers section of the RapidLEI website.

**Third-party compliance platforms** - many RegTech, AML, and onboarding platforms now embed LEI registration, verification and lookup functionality, allowing institutions to incorporate LEI validation into broader compliance processes without custom development.

### Recommended implementation steps

- Incorporate LEIs into AML and KYB policies and procedures
- Update compliance training to include LEI validation practices
- Encourage clients to obtain LEIs at onboarding or renewal
- Use GLEIS (Global LEI System) relationship data to track beneficial ownership and corporate hierarchies
- Establish LEI expiration monitoring processes via a tool like RapidLEI to avoid reliance on outdated records

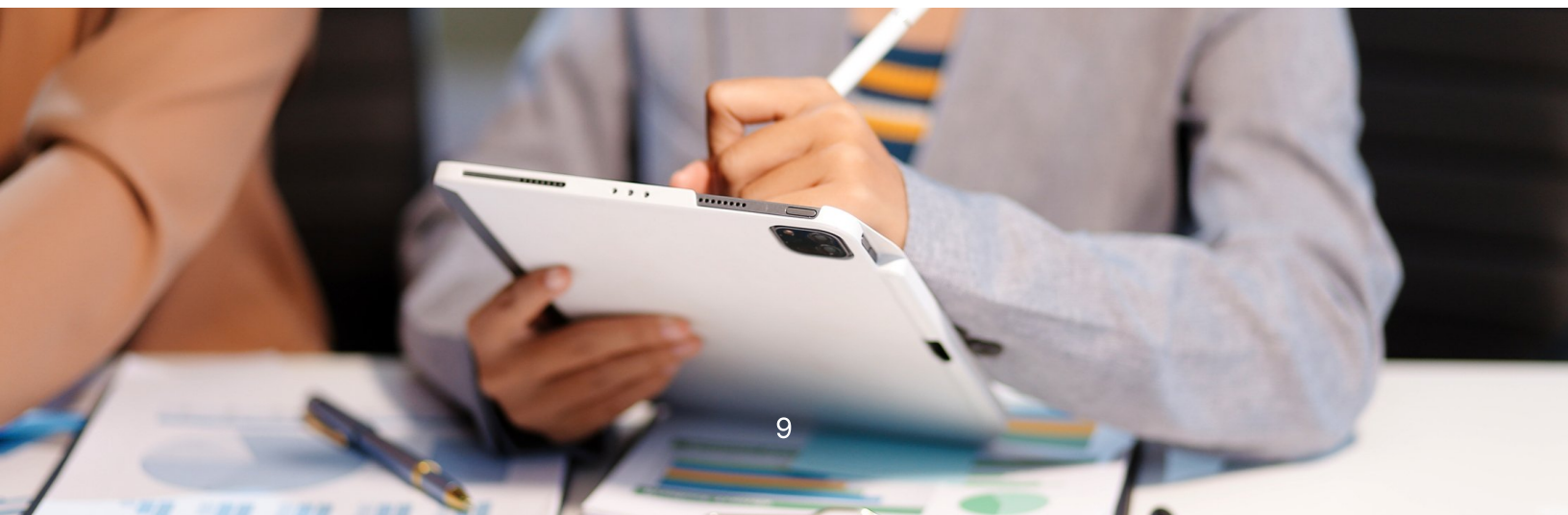




## Section 5: Compliance readiness assessment

Compliance teams may use the following checklist to assess alignment with FATF and LEI best practices:

Requirement	
Are originator and beneficiary details verified for cross-border transactions?	<input type="checkbox"/>
Is legal entity identification standardised and auditable across systems?	<input type="checkbox"/>
Can beneficial ownership be identified and traced across group structures?	<input type="checkbox"/>
Has a globally recognised identifier such as the LEI used consistently?	<input type="checkbox"/>
Has LEI validation been integrated into onboarding, screening, or transaction monitoring workflows?	<input type="checkbox"/>
Are AML and KYB procedures updated to reflect FATF Recommendations 15, 16, and 24?	<input type="checkbox"/>



# Conclusion

In a regulatory landscape shaped by FATF standards, the ability to verify legal entities accurately and consistently is a critical pillar of AML/CTF compliance. The Legal Entity Identifier offers a mature, globally accepted solution that enhances transparency, reduces complexity, and supports alignment with both domestic regulations and international obligations.

For compliance professionals, integrating the LEI into AML and KYB programmes is not merely a best practice; it is an operational imperative that supports resilient compliance frameworks and facilitates trust in a globalised financial ecosystem.

Organisations that invest in LEI adoption today are better equipped to respond to emerging regulatory requirements and to lead in the shift toward digital, interoperable compliance infrastructures.

# Next steps

Assess your current legal entity identification framework and integrate the LEI as the standardised identifier across your AML/KYB processes. As a RegTech partner to many organisations around the world, we recommend you start with a gap analysis, update policies, and pilot LEI-enriched transaction monitoring to demonstrate improved transparency and reduced risk.

Contact RapidLEI today to schedule a readiness review to accelerate your path to demonstrable compliance.

Talk to RapidLEI:

[rapidlei.com](https://rapidlei.com)

[sales@rapidlei.com](mailto:sales@rapidlei.com)



## Glossary of acronyms and terms

Term / acronym	Definition
AML	Anti-money laundering. Controls and processes to prevent proceeds of crime from entering the financial system.
CTF	Counter-terrorist financing. Measures to prevent financial support for terrorism.
FATF	Financial Action Task Force. International standard-setting body for AML/CTF policy.
LEI	GLEIF Global Legal Entity Identifier Foundation. The not-for-profit organisation that manages the global LEI system and publishes the LEI reference data.
GLEIS	Global Legal Entity Identifier System. The international framework of governance, issuing organisations, and open reference data that delivers the LEI.
LOU	Local Operating Unit. An accredited organisation authorised to issue and maintain LEIs. Also known as an LEI Issuer.
KYB	Know Your Business. Due diligence process for verifying corporate clients.
VASP	Virtual asset service provider. Entity engaged in exchange, transfer, custody, or other services related to virtual assets; subject to FATF Recommendation 15.
Travel Rule	FATF Recommendation 16 requirement that originator and beneficiary information accompany transfers, including virtual assets.
Beneficial Ownership	The natural person(s) who ultimately own or control a legal entity, even if the ownership is exercised through layers of intermediaries.
ISO 17442	International standard defining the structure and governance of the Legal Entity Identifier.