

6th February 2023

Payments Policy and Strategy Unit
Financial System Division
Treasury
Langton Cres
Parkes ACT 2600

<email: paymentsconsultation@treasury.gov.au>

Dear Sir, Madam

APIR Systems (APIR) welcomes the opportunity to provide feedback on Treasury's Strategic Plan for the Payments System: Consultation Paper. Our submission leverages off APIR's expertise with entity and product identifiers, in particular, the Legal Entity Identifiers (LEI) – a global entity identification framework established by the G20 and overseen by the Financial Stability Board (FSB).

In short, APIR strongly believes that the inclusion of an LEI in the payment system will enhance its resilience and harmonise with other global systems, thereby delivering security, integrity and interoperability across systems and jurisdictions.

APIR would also welcome the opportunity to introduce ourselves to Treasury and discuss our submission with directly. Please feel free to reach out to me if you would like to do so.

We trust this submission is of assistance.

Yours sincerely

Chris Donohoe

Chief Executive Officer
APIR Systems Limited

1.0 Introduction

APIR is an independent, privately owned utility that provides a critical component of the Australian wealth management industry's infrastructure. Since 1993, APIR has been identifying, coding and managing reference data for unlisted financial products and the issuers of those products. During that time, we have identified over 30,000 unlisted financial products of which nearly 15,000 are actively trading in today's market. The "APIR Code" is universal across the Australian wealth management industry, servicing approximately 400 product issuers and being used by all the distribution platforms, custodians and fund administrators. Our supporting data services are used by leading research houses, data houses, major software developers and financial planning desktops.

APIR is also the issuer of International Securities Identification Numbers (ISIN) for unlisted managed investment schemes and superannuation funds in Australia.

Additionally, in partnership with RapidLEI, the world's fastest growing issuer of Legal Entity Identifiers (LEIs), APIR is the leading Australian based Registration Agent approved by the Global Legal Entity Identifier Foundation (GLEIF). Through our partnership we have assisted over 5,000 Australian companies, SMSFs, trusts and funds efficiently register, renew and maintain their LEI and reference data.

APIR is not a direct participant in Australia's payment ecosystem however the APIR, SPIN and ISIN identifiers are regularly contained in payment messages and hence APIR had limited its submission to Questions 1 and 2 set out in the *Consultation Paper: A Strategic Plan for the Payments System*.

2.0 Responses

APIR agrees with the proposed key principles outlined in the Consultation Paper. APIR strongly encourages Treasury to include the LEI as one of the data elements in future payments infrastructure. The rationale for our recommendations is summarised below:

Enhanced system resilience

APIR believes that the LEI will enhance the resilience of Australia's payment system by leveraging off an established global entity identification framework that provides counterparty identification in a range of functions including derivative trade reporting.

The key function of an LEI is to uniquely identify a legally distinct entity that engages in financial transactions. Clear and unambiguous counterparty identification is a core goal of any payment system as it reduces the likelihood fraud, error and malevolent cyber activity. Further, in many jurisdictions, the LEI is required to be 'duly renewed' on an annual basis; this includes the need to affirm or update entity reference data stored on the GLEIF register.

A strong example (and somewhat analogous example) of the application of the LEI framework is embedding of the LEI into digital certificates via ISO 17442-2; Digital certificates are widely used by technology platforms to authenticate web identity. The LEI adds further authentication power to the digital certificate and therefore enhanced trust between parties. Further, GLEIF believes *that digital certificates with embedded LEIs are an important enabler of digital transformation. This is because the qualified digital certificate by itself guarantees the identity of the signer and its signature guarantees document integrity and frames it in time, using qualified time stamps. Incorporating LEIs into digital certificates and document e-signature processes therefore can provide an additional layer*

of trust proof, since the LEI is a global secure mechanism that provides reliable data on organizational identity¹.

APIR believes that the inclusion of an LEI in Australia's payment infrastructure would 'tap into' an extremely powerful entity identification framework and ensures alignment with the broader digital economy transformation.

Global harmonisation

Many other jurisdictions have or in the process of upgrading their payment systems to leverage off the LEI infrastructure; GLEIF notes the following: *The [Reserve Bank of India \(RBI\) decided](#) that all payment transactions above 5 million EUR shall include the originator's and beneficiary's LEI in the payment message. The RBI could consider lowering the threshold in parallel to the developments of the LEI in cross-border payments landscape and the FSB work. Similarly, the [Bank of England adopted the LEI](#) in its transition to the Real Time Gross Settlement (RTGS) system and requires all direct participant financial institutions to obtain an LEI by 2024. The Bank of England highlighted that it can mandate the LEI for all payment participants, depending on the volumes of the LEI in the future.*

A strong example of Australia's regulatory drive for global harmonisation has been the Australian Security & Investment Commission's (ASIC), recent *Proposed changes to simplify the ASIC Derivative Transaction Rules (Reporting)*. The LEI is a key component of derivative reporting and the proposed amendments to the rules with respect to LEIs have been designed to harmonise with a range of global standards.

APIR believes that global harmonisation of our regulatory and operating environment will facilitate better interoperability and efficiency between jurisdictions and systems.

3.0 Other – LEIs in Australia

The LEI is well accepted and supported in Australia. As mentioned above over 25,000 have been issued to Australian entities of which 5,000 are supported by APIR in conjunction with our partner RapidLEI. The LEI is already incorporated in regulations in Australia and therefore well understood by the banks and financial institutions.

As noted above, ASIC has recently proposed not only the adoption of ISO 20022 as the messaging standard to be used, but also that the LEI be used as the primary identifier for most legal entities that will be reported under the regulatory framework. APIR believes that the application of the LEI within Australia will continue to expand in line both domestic and global drivers.

¹<https://www.gleif.org/en/about-lei/iso-17442-the-lei-code-structure/the-lei-in-digital-certificates>