

## Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission (EC) Fitness Check on the EU Framework for Public Reporting by Companies Consultation

July 2018

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission (EC) Fitness Check on the EU Framework for Public Reporting by Companies Consultation. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation.

GLEIF would like to provide a response to the following questions:

9. To what extent do you think that the following differences, because they affect public reporting by companies, are significant impediments to cross-border establishment in the EU?

17. Is there any other information that you would find useful but which is not currently published by companies?

30. Should anything be done to improve public reporting by listed companies (documents, information, frequency, access, harmonisation, simplification)?

63. Digitalisation facilitates the widespread dissemination and circulation of information. Besides, the same corporate reporting information may be available from different sources, such as a company's website, and OAM (Officially Appointed Mechanism), a business register, a data aggregator or other sources. In a digitalized economy, do you consider that electronic reporting should be secured by the reporting company with electronic signatures, electronic seals and/or other trust services?

66. Should the EU strive to ensure that labels and concepts contained in the public reporting by companies are standardised and aligned with those used for supervisory purposes?

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**GLEIF response to 9:** To what extent do you think that the following differences, because they affect public reporting by companies, are significant impediments to cross-border establishment in the EU?

'Other, please specify';

The specified impediment is the differences in national registration and identification of legal entities across jurisdictions;

Rating 5 – totally agree, to indicate that this impediment is significant.

GLEIF views the differences in national registration and identification of legal entities across jurisdictions

in the EU as a significant impediment to efficient and effective public reporting by companies, banks and insurance companies. GLEIF proposes that the mandating and adoption of LEI, a result of the G20 Financial Regulatory Reform, would be a foundational prerequisite necessary to ensure interoperability to facilitate public reporting in the EU.

First, use of the LEI can cover cross-sectoral and cross-cutting issues stemming from the interaction and combined effects of the reporting frameworks. Use of a standard international authoritative identifier, the LEI as the identity management key, especially is relevant in the case of identifying entities that report across different agencies and across national borders within the EU. GLEIF recommends the use of the LEI as an important foundation to support these requirements. Using the LEI will insure consistency for entity identification of the reporting entities under all relevant reporting frameworks within the EU.

Usage of the LEI will result in a high degree of quality of data for both for regulators and reporting entities. Supported by requirements in EU reporting frameworks to keep both LEI entity and relationship data current through the LEI renewal process, the overall coverage and data quality of the Global LEI System will benefit. The LEI enables interchangeability with other national or proprietary identifiers, thus allows comparison and analysis of older data sets as well.

**GLEIF response to 17:** Is there any other information that you would find useful but which is not currently published by companies?

Yes, providing the LEI with the content of financial reporting by companies would be useful. The LEI should be considered when addressing data and information requirements of public reporting. The LEI is a foundational tool for aggregation and analysis and could help to identify issues and trends as well as facilitate aggregation across home and host countries reporting.

The XBRL standard (eXtensive Business Reporting Language) is the standard used primarily in the publication of individual and consolidated financial statements in accordance with national GAAP (Generally Accepted Accounting Principles) and International Financial Reporting Standard (IFRS) adopted by the EU. GLEIF has undertaken work with the XBRL International Best Practices Board to create consistency in referencing legal identity within XBRL documents. This work makes a standard rendering of the LEI available for inclusion in any XBRL taxonomy used for financial reporting, insuring consistent use of LEIs within any XBRL taxonomy and instance document.

Similar benefits would result from including the LEI of banking parents and branches in reporting under the Bank Accounting Directive and well as for reporting under the Insurance Accounting Directive by listed insurance groups, and for reporting of non-financial information) by large companies, banks or insurers.

GLEIF proposes that the LEI would be effective in any potential consideration of a move to integrated reporting in the EU, which would integrate financial, non-financial, and other related reports.

**GLEIF response to 30:** Should anything be done to improve public reporting by listed companies (documents, information, frequency, access, harmonisation, simplification)?

Including the LEIs of listed companies in public reporting could aid investors in accessing information about listed companies which is published and present in many sources, supporting investor protection, contributing to integrated EU capital markets and facilitating cross border investment.

Further, the European Single Electronic Format (ESEF) as part of the Transparency Directive which introduces a structured electronic reporting for Annual Financial Reports would benefit from the inclusion of the LEI.

**GLEIF response to 63:** Digitalisation facilitate the widespread dissemination and circulation of information. Besides, the same corporate reporting information may be available from different sources, such as a company's website, and OAM (Officially Appointed Mechanism), a business register, a data aggregator or other sources. In a digitalized economy, do you consider that electronic reporting should be secured by the reporting company with electronic signatures, electronic seals and/or other trust services?

GLEIF thinks that electronic reporting should be secured by the reporting company with electronic signatures, electronic seals and/or other trust services.

The rise of digital technology will lead to improvements in identification if implemented effectively. The use of the LEI as the standard international authoritative identifier of legal entities should be leveraged in electronic structural reporting in the EU. Specifically, the LEI could be embedded in a standard way in digital certificates to serve as the authoritative identity management key.

Using the LEI in digital certificates as a persistent identifier will ensure that the identity management key sustains even as digital certificates expire and are renewed.

**GLEIF response to 66:** Should the EU strive to ensure that labels and concepts contained in the public reporting by companies are standardised and aligned with those used for supervisory purposes?

Yes, GLEIF thinks that the EU should strive to ensure that labels and concepts of public reporting by companies and reporting used for supervisory purposes to be standardised and aligned.

GLEIF responded to the Fitness Check on supervisory reporting frameworks proposing that the LEI is a necessary prerequisite for introducing greater interoperability between reporting frameworks and/or receiving entities. GLEIF also is aware and supportive of the Financial Data Standardisation (FDS) project and its aim for a 'common financial data language' across the board for supervisory purposes.

GLEIF views the adoption and use of the LEI is a prerequisite and foundational element that should be used broadly across all EU public reporting and supervisory frameworks.