

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Department of Commerce, U.S., with regard to the Request for Comments on the Cross-Agency Priority Goal: Leveraging Data as a Strategic Asset

July 2018

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Department of Commerce Request for Comments on the Cross-Agency Priority Goal: Leveraging Data as a Strategic Asset. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI).

The LEI itself is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI code connects to key reference information that enables clear and unique identification of legal entities by means of an internationally unique identifier. GLEIF makes available the [Global LEI Index](#), which is the only global online source that provides open, standardized and high quality legal entity reference data. Each LEI contains information about an entity's ownership structure, answering the questions of '[who is who](#)' and '[who owns whom](#)'.

The development of a system to uniquely identify legal entities globally had its beginnings in the 2008 financial crisis. Regulators worldwide acknowledged their inability to identify parties to transactions across markets, products, and regions for regulatory reporting and supervision. This hindered the ability to evaluate systemic and emerging risk, to identify trends, and to take corrective steps. Recognizing this gap, authorities, working with the private sector, have developed the framework of a Global LEI System (GLEIS) that will, through the issuance of unique LEIs, unambiguously identify legal entities engaged in financial transactions.

The LEI initiative is driven by the Financial Stability Board (FSB) on behalf of the finance ministers and governors of central banks represented in the Group of Twenty (G20). In 2011, the G20 called on the FSB to take the lead in developing recommendations for a global LEI and a supporting governance structure. The related FSB recommendations endorsed by the G20 in 2012 led to the development of the Global LEI System that provides unique identification of legal entities participating in financial transactions across the globe and the subsequent establishment of the GLEIF by the FSB in 2014.

The GLEIS includes a regulatory oversight committee (the LEI ROC), which is made up of representatives of public authorities from around the globe including for the US, the Board of Governors of the Federal Reserve System, Department of the Treasury, Commodity Futures Trading Commission, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Securities and Exchange Commission, and Consumer Financial Protection Bureau.

A representative of the Department of Treasury Office of Financial Research (OFR) served as the inaugural chair of the LEI ROC. The LEI ROC coordinates and oversees the worldwide framework of legal entity identification that is the Global LEI System. Its members sign the LEI ROC Charter and commit to support the introduction of the Global LEI System for official or international identification purposes.

Although the initial introduction of the LEI was for financial regulatory purposes, the usefulness of the LEI can be leveraged for any purpose in identity management for legal entities both by the public and private sectors spanning all industries and sectors.

GLEIF would like to propose that the Data Strategy for Leveraging Data as a Strategic Asset, in the foundational area of identifying legal entities, that the Department consider incorporating the LEI. The LEI fulfills the requirement of being an internationally unique identifier for companies and other legal entity types. The LEI already is part of an established system of validation, registration, assignment, distribution and online access to LEIs and their associated data records. The LEI could act as a key to connect complementary data sources within the government within and across departments and agencies.

Inclusion of the LEI in the Federal Data Strategy supports two of the four pillars of the data strategy, namely, Access, Use, and Augmentation and Commercialization, Innovation, and Public Use.

For the pillar of Access, Use, and Augmentation, the use of the LEI will support the policy and best practice of enabling interested parties to effectively and efficiently access and use data assets by maximizing the amount of non-sensitive data shared with the public. Use of the LEI will allow the data across agencies about the same legal entity to be accessed and linked for use both by the private sector and across agencies. The use of the LEI also will allow the private sector and the agencies to leverage the open, standardized, additional reference data for each legal entity stored in the LEI Repository, free of charge to all users. To give just one example of the difficulties created based on the use of multiple identification systems, the Employer Data Matching Workgroup convened by the Office of Management and Budget (OMB), after surveying the landscape of entity identification systems used to track U.S. employers, concluded:

The greatest barrier to matching data on employers across data sets is the lack of a common, or universal, business identifier. Eliminating this obstacle by developing a Federal system to create and manage a universal identifier could result in cost savings in matching but would require a major investment of time and Federal resources to create and maintain such an infrastructure. Assuming that the identifier could be created, it would be a challenge to enforce consistent use of such an identifier by all employers on the domestic and international fronts. This identifier would need to capture various corporate/industry levels and change over time (in other words,

it should change with firm births, deaths, mergers, acquisitions, etc.), and no Federal entity has the authority, staff, or resources to collect and manage such information ... Given that the creation and use of a universal identifier is in the interest of businesses and taxpayers, it would be worth exploring whether a voluntary means of adoption of a universal identifier is viable.¹

For the pillar of Commercialization, Innovation, and Public Use, leveraging the LEI as an internationally standardized and unique identifier will satisfy the requirements of facilitating the use of Federal Government data by interested parties to enhance the accessibility and usefulness of the data through commercial ventures, or innovation, or for additional public uses, and can promote data use by the private sector and scientific and research communities and by state and local governments for public policy purposes. GLEIF is currently drafting a research paper in collaboration with the Data Foundation which explores the different entity identification systems used by the U.S. federal government. After surveying 36 federal agencies, preliminary results indicate that the U.S. federal government uses fifty distinct entity identification systems – all separate and incompatible with one another. With entity identification systems siloed in this way, agencies cannot easily verify reported information using third-party sources, enforce laws or rules based on external information, communicate with other agencies about particular entities, or enable meaningful data access for the public.

Inclusion of the LEI in the Federal Data Strategy also will support several principles for a comprehensive data strategy. Already there are several regulations in the United States and internationally which require a firm to have an LEI for regulatory reporting purposes (see <https://www.gleif.org/en/lei-solutions/regulatory-use-of-the-lei> for full details). It is costly and cumbersome for firms to obtain and maintain yet another entity identifier. Having to obtain different local and regional entity identifiers is particularly burdensome for small and medium-sized enterprises.

Additionally, widespread adoption of the LEI across the Federal Government would trigger private sector participants to focus on incorporation of the LEI into their systems, thereby enabling firms to realize significant cost savings by reducing friction in the processes of identifying customers in customer relationship onboarding and financial transactions. A report published by McKinsey & Company demonstrates that the cost savings from implementing the LEI more broadly within the investment banking industry alone would be over USD 150 million annually and an additional USD 500 million for banks in trade financing.²

¹ Employer Data Matching Workgroup White Paper, *supra* note 6, at 3, 13.

² The Legal Entity Identifier: The Value of the Unique Counterparty ID, McKinsey&Company and Global Legal Entity Identifier Foundation (GLEIF), October 2017.

For the principle of Stewardship, the LEI would support the requirement to Promote Transparency by incorporating an identity management key from an online source for data users. Additionally, the LEI is a non-proprietary and freely reusable identifier. Leveraging the LEI as a public good avoids government lock-in to proprietary systems and ensures costs are minimized for users. For example, a review of the DUNS Number by the Government Accountability Office found that relying on a proprietary ID has led to higher costs for the federal government, limited data access for agencies and the public, and reduced ability to introduce new competition into the market for identification services.³

For the principle of Quality, the LEI would support the requirement to Integrate Intentionally by allowing linkages and reuse of the data regarding legal entities and would insure interoperability among data sets and interagency use from the start, as well as the principle to Ensure Relevance as the data in the Global LEI System is of high quality ensured by a comprehensive data quality program, useful, and is available on a 24/7, 365 days per year basis.

For the principle of Continuous Improvement, GLEIF operations themselves are based on the principle of continuous improvement to refine and improve the processes to validate, register, assign, distribute and allow online access to LEIs and their associated data records.

GLEIF sees broader opportunity for the use of the LEI past the inclusion of the LEI in the post-crisis regulatory reporting of the capital markets for the CFTC, the SEC and the CFPB. GLEIF responded to requests for information from the General Services Administration (GSA) proposing the LEI as a solution for government-wide entity identification and validation services. GLEIF suggests a first step is to identify pilot projects for mapping a specific identifier used by a Federal department or agency to the LEI. GLEIF has found the mapping approach useful to link the LEI to identifiers used in some existing business processes of the private sector to integrate legal entity data in a value-added, low impact manner. The LEI was implemented as a broad public good and its implementation and continued operations align with the US Government's vision of effectively stewarding taxpayer dollars on behalf of the American people.

³ Government is Analyzing Alternatives for Contractor Identification Numbers, Government Accountability Office, June 12, 2012, <https://www.gao.gov/products/GAO-12-715R> (accessed May 31, 2018).