

Response of the Global Legal Entity Identifier Foundation (GLEIF) to European Commission on the Evaluation of Regulation on Mutual Assistance in Customs Matters

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Evaluation of Regulation on Mutual Assistance in Customs Matters. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation.

First some background on the LEI.

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. 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.

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 GLEIF is overseen by a committee of currently 71 global regulators and 18 observers, known as the LEI Regulatory Oversight Committee (LEI ROC).

Use of the LEI is fit for purpose to support the digital identification needs for legal entities of the trade, supply chain and trade finance as the LEI offers market participants a one-stop approach to identifying legal entities based on open, high quality and standardized reference data. The LEI acts as a “bridging identifier” between databases/platforms. It requires no special access arrangements to use the LEI data and no concern to expose any confidential information. Broad LEI adoption, therefore, has the potential to take the complexity out of business transactions. Integrating the LEI into entity verification methods,

including solutions based on digital certificates and blockchain technology, will allow anyone to easily connect to the GLEIS data records associated with an organization, and identify who owns whom.

Therefore, GLEIF would like to suggest European Commission consider LEI to be used as a mandatory data field for exporter/importer legal entities in the database maintained and exchanged between Custom Authorities of Member States and third countries' authorities. Custom authorities can verify the trade documents and parties to the transaction easily as entity information is transparent and publicly available. The process is fast, secure and transparent thanks to the data integrity. LEI plays an integral role through the life-cycle of trade transaction, connecting the physical goods process with the financing and payment of these goods, and allows different organizations to communicate through the same data language, which provides the basis for cooperation.

GLEIF would like to provide a simple hypothetical scenario, which displays how LEI can be practically leveraged in the life-cycle of a trade transaction and add value to the customs clearing process:

- **German beer producer Bitburger Braugruppe GmbH is a registered business in Germany has the LEI code 5299002600DU0Q932411.**

The company is a registered business in the Local Court Wittlich, which is among the Registration Authorities List maintained by GLEIF under global regulatory oversight that covers 722 registration authorities worldwide. In the LEI data record for this entity, any user can see basic business card information of this entity (legal name, where it was registered, business registration number, entity legal form, legal and headquarter address, if the entity is active and the LEI reference data is up-to-date (ISSUED registration status)) and ownership structure through parent company (direct and ultimate parent) information.

- **Bitburger Braugruppe GmbH (LEI: 5299002600DU0Q932411) imports barley from one of the world's biggest malt producers MALTERIES SOUFFLET registered in France with the LEI code 969500TT7F14MK07XZ64.**

MALTERIES SOUFFLET is registered in the Sirene (Institut National de la Statistique et des Études Économiques), which is among the Registration Authorities List maintained by GLEIF. Bitburger Braugruppe GmbH and MALTERIES SOUFFLET sign a smart contract, where the proof of delivery from the logistics carrier triggers automatically digital invoicing. Bitburger Braugruppe GmbH signs the e-invoice digitally with the LEI of Bitburger Braugruppe GmbH embedded in its digital certificate, using an inter-ledger notary protocol, verifying the identity of the company preparing and sending the invoice as one of the foundations of trust. Similarly, MALTERIES SOUFFLET accepts/approves the invoice using its digital certificate with its embedded LEI using an inter-ledger notary protocol.

- **Bitburger Braugruppe GmbH exports 100.000 bottles of beer to Chinese company 上海市糖业烟酒（集团）有限公司 with the LEI code 300300DPRL4XLDD9JT95.**

In the GLEIF database, any user can see the transliterated name of this importer Chinese company, which is SHANGHAI TANGJIU (GROUP) CO., LTD. Bitburger Braugruppe GmbH informs the container ID to SHANGHAI TANGJIU (GROUP) CO., LTD signed with its digital certificate with its embedded LEI. SHANGHAI TANGJIU (GROUP) CO., LTD subscribes to the container data feed by using its digital

certificate with its embedded LEI to verify its identity to the container data feed platform.

- **SHANGHAI TANGJIU (GROUP) CO., LTD clears 100.000 bottles of beer from the Port of Shanghai**
China Customs verifies the trade documents and parties to the transaction easily as all information is transparent and publicly available. The process is fast, secure and transparent thanks to the data integrity and the integral role that LEI plays.

GLEIF also would like to highlight that LEI is already requested by China Customs for identifying the shipper or consignee for imports from a number of countries, including Japan. The Border Interagency Executive Council (BIEC), an interagency policy body managed by the United States Customs and Border Protection, has established a working group to explore the use of a Global Business Identifier (GBI) to record foreign business entities. The LEI is envisioned as a possible identifier of shippers, sellers, and manufacturers of goods that enter the United States.