

Response of the Global Legal Entity Identifier Foundation (GLEIF) to European Commission on the Report on the Application of the eIDAS Regulation Evaluation Roadmap

October 2019

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission on the Report on the Application of the eIDAS Regulation Evaluation Roadmap. 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 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. The LEI is use case agnostic and can be used in any process of entity identification, from finance to healthcare to verifying all counterparties of businesses supply chain.

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). Different European Union institutions such as European Commission, ESMA, ECB and EIOPA are represented in the LEI ROC. Mr. Gaetano Chionsini from the European Banking Authority represents the European Union in the LEI ROC Executive Committee.

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 code connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions including their ownership structure. Moreover, the LEI provides freely accessible look up (identification) of the parties to transactions. The complete database of LEIs and the associated LEI reference data is available free of any charge or barrier to anyone on the web. GLEIF operates under the Open Data Charter terms, which means the data can be used by all users without limitations.

Knowing precisely who you are doing business with is important for trust in the European digital economy and the EU should assess the need to adopt an EU-wide standard to foster that trust – such as the already existing global standard overseen by regulators, the Legal Entity Identifier.

Within the eIDAS Regulation the LEI is already accepted as an optional attribute for legal entities' data sets in transactions between eIDAS nodes, i.e. interfaces between national eID infrastructures. The LEI can be used within eIDAS-compliant digital certificates as the eIDAS Regulation includes a tag for digital identification tools such as the LEI to be embedded within certificates and seals to support identity validation and management. As a global identifier, the LEI can serve as a bridge between EU Member States connecting their national eID schemes, and therefore facilitating cross-border identification processes within the EU.

Making the use of the LEI as mandatory (as the preferred identifier when available) in legal entities' data sets in transactions between eIDAS nodes would further increase the interoperability of the eIDAS framework, making cross-border electronic transactions more efficient and secure. The use of the LEI allows for a persistent identification code to be present throughout successively issued digital certificates, thus enhancing trust in internet transactions and providing reliable and trustworthy information on the ownership and authenticity of electronic documents and, thereby transactions. Consumers and businesses would benefit from increased transparency in the EU's Digital Single Market.

In partnership with XBRL International, GLEIF has published its 2018 annual report in human and machine-readable Inline XBRL and HTML format, with GLEIF's LEI embedded into the financial information for the first time. It becomes the first official business report globally which automatically links the filing entity to its verified LEI reference data held within the Global LEI Index.

Furthermore, within [GLEIF's 2018 annual report](#), GLEIF's LEI is also embedded within the digital certificates of GLEIF's signing executive officers. These certificates, for the first time, connect the role of the signatory to an organization through the LEI and can therefore be used to verify – automatically, through the shared LEI – that the filed document and the signatories represent the same organization. Incorporating a company's LEI within digital certificates of its executive officers used to sign financial statements provides reassurance on the data's reliability and that the information has not been tampered with, despite permitted access to the filed document via any public server globally. Deploying digital signatures, including that of the auditor, also enables efficient report production and distribution processes, the elimination of paper and increased certainty and trust.

The digital certificates of GLEIF's signing executive officers included with its 2018 annual report are compliant with the eIDAS Regulation.

PSD2 requires that Account Servicing Payment Service Providers (ASPSPs) should design their channels in such a way so that Third Party Providers (TPPs) are able to identify themselves when accessing these channels. For the purpose of identification, ASPSPs and TPPs shall rely on using eIDAS Certificates for electronic seal and/or for website authentication. Identifying themselves is mandatory for all TPPs that wish to get access to ASPSP's sandbox, live API, and/or non-dedicated channel. GLEIF proposes the use of LEI in eIDAS certificates for unambiguously identifying all these participants.

ISO/TC 68/SC 8 is working on the technical standards for the application of the LEI in digital certificates (ISO/WD 17442).

By updating and expanding the use of the LEI within the eIDAS regulation, EU authorities ensure interoperability of the framework and support the 'once-only-principle'.

GLEIF works to simplify the identification for digital age by combining the LEI with digital certificates. This would allow anyone to easily relate all records associated with an entity, determine which are current and clear up any variances. It will also allow business users to easily assess information on who owns whom.

This seemingly minimal addition will significantly reduce the complexity and cost – both people and technology-related – associated with due diligence and validation of customers, partners and suppliers. LEI codes could replace the reference data of a legal entity within an eIDAS compliant digital certificate, as well as the issuer entirely, making certificate handling faster (less payload) and the most current information about the legal entity could be obtained on demand from the Global LEI System via application programming interfaces (APIs). The LEI could become an essential building block for the usage of digital certificates – and digital signatures – in any kind of distributed supply-chain.

GLEIF also is conducting further research on the use of LEIs for digital transactions focusing on the use of the LEI in digital verifiable credentials which can be secured cryptographically. If successful, this research could lead to legal entities having digital identities that could be used in a chain of trust for numerous use cases from regulatory and supervisory filings to business contracts and transactions.