

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Financial Conduct Authority on the Call for Input: Open finance

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Financial Conduct Authority on the Call for Input: Open finance. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation and would like to provide a response to the *Q14: What functions and common standards are needed to support open finance? How should they be delivered?*.

In the Consultation Paper, the FCA stated that data in open finance must be digital, standardized and interoperable. FCA's advisory group concluded that open finance would require a range of common and agreed standards, including open APIs and authentication and identity management. Therefore, FCA suggests that this would require providers to develop common and open standards to facilitate the sharing of core data and enable transactions.

GLEIF would like to highlight that the Legal Entity Identifier (LEI), is an existing and globally accepted open standard for unique and unambiguous identification of legal entities. Therefore, providers can easily leverage the LEI for entity identification without having to develop new common standards.

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. LEI Issuers are required to upload the list of all LEIs issued to legal entities and related LEI reference data on a daily basis. 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 without limitations.

In 2019, GLEIF provided access to the beta version of its new [GLEIF API](#) to a selected number of users. After receiving and incorporating feedback from our user groups to date, GLEIF is making the API now available as a public beta. This new beta API gives developers access to the full LEI Data search engine functionality, including filters, full-text and single-field searches of legal entity and ownership data, and “fuzzy” matching of relevant data fields such as names and addresses.

For example, through the GLEIF API, any user, including providers, can search for LEIs via entity names, find LEIs by BIC code or investigate corporate structures (search for parent and child relationships).

The FCA also highlights in the Consultation Paper that a digital identity (digital ID) might also assist consumers to authenticate with multiple providers given digital ID solutions could support customer due diligence and know your customer obligations by new providers. The LEI as an international standard enables.

GLEIF believes that an important building block embedded in any trust chain is a unique global identity. GLEIF proposes that improving Customer Due Diligence (CDD) processes and results for legal entity clients starts with the mandated use of the LEI, a global standard to uniquely identify legal entity clients.

This would enable a financial ecosystem based on strong identity and verification processes rather than estimation and human intervention. Specifically, the financial ecosystem should enable that all endpoints are identified and verified at the point of transaction, and privacy and security benefit the entire community.

For being able to identify all endpoints and allow verification by any public user, GLEIF suggests that the LEI can be incorporated to digital certificates and connect the role of the official of an organization with the organization itself.

Here is an example:

- Within [GLEIF's 2018 annual report](#), GLEIF's LEI is 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 regardless of the access point to the document. 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.

GLEIF also contributes to the working group of the International Organization for Standardization (ISO) currently revising the ISO 17442 LEI standard to include details in this standard to embed LEIs and roles in digital certificates in a standard way. The development of a role for standards relates to GLEIF's recent work on the use of the LEI within digital verifiable credentials (DVCs). Such credentials allow for real time access to services or applications. DVCs are interoperable, cryptographically-verifiable and facilitated by distributed ledger or blockchain technology. By leveraging the LEI within digital verifiable credentials, counterparties can more easily accomplish the tasks of identity verification, authentication, and authorization and digitally identify persons able to act officially on behalf of a legal entity. Proofs of concept were conducted for on both the Hyperledger and Ethereum blockchains. These proof of concepts aimed to achieve the same endpoint – a regulatory filing secured via digital verifiable credentials. To get to this endpoint the following requirements were fulfilled:

1. Identify the legal entity associated with the particular filing
2. Authenticate that the legal entity is indeed who it claims to be
3. Confirm that the persons signing and submitting the filing are authorized to do so on the legal entity's behalf.

The proof of concept demonstrates how a regulatory authority can leverage the LEI within DVCs to verify the entire trust chain using the LEI to connect the different parties involved. Specifically, the regulatory authority may verify : the individual submitting the filing is authorized to do so on the legal entity's behalf, the legal entity itself is a valid, operating entity, the LEI Issuer that carried out the legal entity validation is a valid, operating entity, accredited by GLEIF to provide legal entity verification and validation tasks.

GLEIF believes that legal entity identification is a new necessary concept in the discussion on self-sovereign identity. Similar to individuals, legal entities also need a way to assert their identity and the

identities of persons authorized to take action on their behalf. Given, one of the pillars of common and agreed standards suggested by FCA's Advisory Group is authentication and identity management, GLEIF proposes the FCA to leverage the LEI as an existing well-established global standard for entity identification, which supports digital and machine-readable data.

GLEIF also would like to highlight the support of [Bank of England's response to recent public consultation of the Department for Business, Energy and Industrial Strategy \(BEIS\)](#) on smart data: putting consumers in control of their data and enabling innovation.

Bank of England had highlighted in their response that by bringing together a global identity standard, the LEI, and a safe, secure and permissioned method of sharing information, an open platform can be created. This open platform could harness novel data sources and advanced analytics to deliver a portable credit file for SMEs. When SMEs are identified easily through their LEI, they could pull their data together under this single identity, into a portable credit file to shop around for the finance they need. And because of its global recognition, it will help businesses access finance for cross-border trade and better access to productive finance. Therefore, GLEIF suggests that the LEI can help to achieve enhanced credit information which is considered as a potential open finance use case by the FCA.