

## Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission eIDAS Open Public Consultation

September 2020

**The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission's eIDAS Open Public Consultation. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the eIDAS framework.**

First, GLEIF would like to provide its comments for the Question: *"Please share any additional statements, documents, position papers concerning eID under the eIDAS framework and the future of digital identity."*

The implementation of digital identity even within the eIDAS framework is fragmented and not harmonized across Member States due to different interpretation of the Regulation. Even Trust Services Providers (TSPs), who are eIDAS compliant, have different procedures and requirements. The result is that the eIDAS certificates are not compatible across different Member States. Therefore, a change of mindset as well as technical implementation is needed to accept all eIDAS qualified tools, such as certificates, signatures, etc.

As cross-border transactions and the digital economy continue to grow, and economic crimes and fraud become more sophisticated, the importance of accurately identifying and verifying counterparties—including business and trading partners—is becoming more evident.

Europe has a unique opportunity to improve the business environment for European companies by mandating the use of the Legal Entity Identifier (LEI) in legal entities' data sets in transactions between eIDAS nodes. By doing so, counterparty identification and verification would be more efficient and effective in many sectors, including—but not limited to—banking, supply chain, e-commerce and many other parts of the digital economy.

The LEI is a global unique identifier based on the ISO standard 17442, with the purpose to uniquely identify legal entities on a global scale. In many jurisdictions around the world, the use of the LEI is already mandated by law for specific situations. In the EU, many regulations mandate the use of the LEI such as EMIR, MiFID II/MiFIR, the Prospectus Directive, ESEF, MAR, CRR, Solvency II, AIFMD, CRAR, CSDR, Transparency Directive and Securitization Regulation. Currently, 1,7 million LEIs are issued worldwide, 67% of which are to companies in the EU. The LEI is overseen by the Global LEI System and the Global LEI Foundation (GLEIF), which operate under the auspices of the [LEI Regulatory Oversight Committee](#), which is made up of [representatives](#) of public authorities from around the globe including 4 EU authorities and more than 19 Member States' authorities.

Making LEI use mandatory in legal entities' data sets in transactions between eIDAS nodes would enable easier counterparty identification and verification for tasks such as opening a bank account, engaging with a new supplier and establishing an account for selling goods online.

- By exchanging the LEI, firms would no longer need to develop business registry specific checks for each country, eliminating a significant operational burden for EU companies;
- Verification could be automated by linking to the open and free data in the Global LEI System;
- Trust in online transactions could be more easily established by providing transparency in who one is conducting business with.

A short overview of the most relevant factors why this would be beneficial for Europe and the eIDAS framework:

- **Global relevance and trust:** rule setting by the EU would be seen as a great example of how the uniqueness of a (digital) unique identity could bring transparency on legal entities a huge step forward; especially in the digital age it is important to think from a global perspective, since the digital space is global by nature;
- **All-encompassing coverage:** The Global LEI System supports registration of all forms of legal entities, including trusts, funds, partnerships, Special Purpose Vehicles (SPVs), individuals acting in a business capacity, or governmental organizations. Currently the EU-ID covers only 45% of all entities registered in the business registries in the European Economic Area (EEA), which means it covers even (much) less of all legal entities in Europe. GLEIF is striving towards a much broader coverage, ideally 100% of all legal entities, including entities which are not in business registries, such as funds;
- **Open & non-proprietary:** The drivers of the LEI initiative, i.e. the G20, the Financial Stability Board (FSB) and many regulators around the world, have emphasized the need to make the LEI a broad public good. The Global LEI Index puts the complete LEI data at the disposal of any interested party,
- **Global interoperability:** By using one unique identifier worldwide, all users (governments, companies, all other parties) can rely on one single standard for entity identification to incorporate in their (IT-)systems;
- **Machine-readability:** LEI data is available via a free application programming interface (API) making the LEI data accessible in real time in fully automated processes;
- **Cost savings:** Faster, more accurate and less burdensome identification of counterparties will save company costs, due to more easily obtained information, but also because there are less risks of doing business with 'wrong' parties;
- **Mapping with other identifiers:** Currently, mapping via the GLEIF Certification of LEI Mapping Service has already been introduced between the LEI and the Business Identifier Code (BIC) of SWIFT and between the LEI and the International Securities Identification Number (ISIN) of Association of National Numbering Agencies (ANNA). Third parties are encouraged to engage with GLEIF for the certification program to provide their customers enhanced interoperability across parallel ID platforms. The LEI would function as the connecting identifier, being the globally unique number with a relation to many already existing national or local numbers, such as the business registry identifier, the VAT number, the BIC etc;
- **Enable greater digitalization of EU companies:** Mandating the LEI in Company Law would permit greater digitalization of EU companies; with the ISO (LEI) and ETSI standards available, eIDAS qualified digital identities for the organization, corporate officers, board members, employees could include the LEI. This would enable recipients of eIDAS signed documents to conduct identity verification, authentication and authorization followed by data aggregation without any human intervention;
- **Improve SME access to the global marketplace:** As the 'international passport', the LEI provides certainty of who one is doing business with thereby helping to reduce fraud within supply chains and online transactions. With an LEI, SMEs can easily prove their identity to consumers around the

world;

- **Establish a common language for the trade community and customs organizations:** Improve data quality and more clearly define supply chain participants so as to allow governments to better target risk assessments and enforcement; allow industry participants in import/export businesses to more easily verify partner's membership in trusted trader programs; streamline import/export processes and declarations for companies and European customs organizations. While this step will certainly require some change in business registry processes, given five EU business registries and one EU statistical office already manage and issue LEIs within the Global LEI System there is already a proven path for business registries to provide LEI services. Issuing LEIs to all entities through the official registries would mean a huge cost saving for the entities involved. In the 27 EU countries, approximately 30 million entities are registered in business registries. Not all registries register all available types of entities, so the total amount of entities is even larger. Currently, the average annual fee to have an LEI is around € 70. If the LEI would be issued in bulk via the registries, it is estimated that the annual fee for the businesses could drop to around € 0. This would mean a total savings of € 70 million annually, just for the approximately 1 million European entities that have an LEI already now. This would grow considerably when an LEI is issued to all entities in European business registries.
- In summary, the mandatory use of the LEI would contribute greatly to many European objectives, such as **Anti Money Laundering (AML)**, given identification and transparency about participants in (financial) transactions would be greatly enhanced;
- **Onboarding of customers and suppliers would be made much easier**, which would enhance the transparency in the supply chain;
- Also organizations like customs, other (governmental) parties and industry participants in **import and export transactions** would benefit from this;
- The use of (governmental) data as Open Data would be stimulated, since all data in the Global LEI System are available free of charge.

Lastly, GLEIF would like to submit its comments for the Question: *"Please share any additional statement, document, position paper regarding trust services and eIDAS."*

Making the use of **the LEI as mandatory** in legal entities' data sets in transactions between eIDAS nodes would improve the current and future trust services features.

### LEI inclusion into Digital Certificates

Currently within the eIDAS framework digital certificates are used in many ways, considering that standards and technology platforms are mature and are audited, while products and services are widely available. Many policy makers have embedded digital certificates at the core of their digital signature legislation.

GLEIF does not seek to become a Certificate Authority (CA) nor does GLEIF envision that existing LEI issuers will become issuers of digital certificates. In order to foster the use of LEIs in digital certificates, **GLEIF plans to approach CAs, TSPs identification service providers, downstream application providers as well as the private sector and policy makers.** It is our goal to encourage organizations to embed LEIs whenever certificates and seals are issued in a business context. This would apply to company seals as

well as certificates for persons acting on behalf of a business, resulting in LEI issuance for the legal entity if the legal entity has not already obtained one.

From banking to supply chain management, industries everywhere are adjusting to the digitization of processes and transactions. There is a fundamental principle which often hinders development: Trust. From this perspective, the process of establishing a stakeholder's legal identity digitally has become a foundational requirement as it enables the determination of 'who is who' within a digital community. As more processes and interactions become digital, stakeholders must work harder than ever to mitigate doubt. Identity management, therefore, sits at the heart of all digital transformation, which presents a unique opportunity for the Global LEI System to step in and play an important role, as it can enable the digital transformation in a way that is truly interoperable, preventing user lock-in for vendors and consumers alike.

We must consider how most businesses use certificates to enable digital transformation. Specifically, businesses use certificates for all corporate digital transactions and workflows (e.g. e-invoicing, ordering, contracting, etc.) and for dealing with public administrations digitally (e.g. taxes, hiring, etc.). In summary, all regular day to day digital operations that imply a signature will be done using certificates - whether a digital business stamp, whether a personal digital certificate as company legal representative.

The qualified digital certificate by itself guarantees the identity of the signer and its signature guarantees document integrity and frames it into a concrete timing, using qualified time stamps in combination. Therefore, adding LEIs into digital certificates and incorporating the LEI into the document signature process brings an additional proof of trust, as the LEI is a global secure mechanism that provides reliable data for company identity. The company's data can be checked in an automated way, consistently and regardless of which country the company is located in, in the same way certificates validation is done. Furthermore, digital certificates with embedded LEIs provide a direct link to the regularly updated LEI reference data and would enable more automated monitoring for revocation. The result is a strong and reliable validation of companies' data and people's identity acting on behalf of the company.

Note that it is possible to have a **two-level digital identification**. The LEI identifies the company and the digital certificate could also contain a reference to the company legal representative. So the digital certificates could have the two pieces of information – the LEI and the role of the person acting on behalf of the legal entity, which is significantly important as both entities (company and legal representatives) are dynamically linked under the same LEI code. The LEI ISO standard 17442 recognizes this possibility.

In the same way, including LEIs into Secure Sockets Layer (SSL) certificates, provides the same level of verification automation and strengthens the company image on the internet as a secure and reliable business, more so than only using regular extended validation (EV) web certificates.

**General Value Proposition:** LEI inclusion into digital certificates for CA/TSP

**CAs, TSPs identification service providers, downstream application providers as well as the private sector and policy makers** can realize several key advantages by including the LEI into the mentioned digital certificates types:

- The LEI code is recognized globally.
- The GLEIF is endorsed by the LEI ROC, a group of 71 public authorities and 19 observers from more than 50 countries, operating under the auspices of the FSB.
- Easier cross-border trade verification:
  - Avoiding the developing business registry specific checks for each country;
  - Enabling verification automation;
  - **Life cycle** of the company: it can be implemented with automated checks.
- Standard means of incorporating the LEI as mandated by regulation or industry practices:
  - Standards to include the LEI into digital certificates: ISO and ETSI.
- The LEI is already being used for Know Your Customer (KYC) practices in the finance sector.
- Companies can enhance security and credibility of their operations:
  - LEI in SSL certificates – provides a reliable and accessible company image to the internet in EV certificates;
  - Business Case examples: e-invoicing, e-trade, e-purchases, etc.
- **LEI connects to key reference information** that enables clear and unique identification of legal entities participating in financial transactions. GLEIF makes the historical and current LEI records available via the Global LEI Index. It is the only global online source that provides open, standardized and high-quality legal entity reference data. Any interested party can easily access and search the complete LEI data pool free of charge on the GLEIF website using the web-based LEI search tool developed by GLEIF or access records in bulk via full file download or Application Programming Interface (API).
- Improve trust online by this more complete set of data freely accessible to the public.
- LEI code will also be used by numerous other applications.
  - Enhance security and brand protection.

These key features mentioned above are the values brought to the CA/TSPs that are also the assets that certificate consumers can benefit from the LEI usage.