

Press release

As Organizations Prepare to Comply with European Single Electronic Format (ESEF) Requirements, GLEIF Urges Them to Go Beyond: Include LEIs in Financial Report Digital Signatures as ‘Best Practice’

ESEF requires LEI to be embedded within financial reports; GLEIF demonstrates in its newly published annual report that by going one step beyond compliance and using LEIs in digital signatures too, organizations can greatly enhance trust in document integrity

18 August 2021 - Basel – As organizations across Europe prepare to embed their Legal Entity Identifier (LEI) within financial reports in line with new European Single Electronic Format (ESEF)¹ requirements, the Global Legal Entity Identifier Foundation (GLEIF) is urging them to go beyond compliance requirements and additionally include an LEI within the electronic signatures of signing officers, in order to maximize trust in document authenticity and integrity. GLEIF has demonstrated how simple it is to use and benefit from this feature, by embedding its own LEI in the signing officers’ digital signatures within its newly published 2020 annual report.

While the majority of European organizations are still in the process of updating their systems and processes in preparation for ESEF, GLEIF CEO, Stephan Wolf, is urging decision-makers to take additional steps to embed the LEI within the digital signatures of signing officers at the same time. An organizational benefit of doing so is market leader status in the demonstration of best practice beyond compliance. From a collective capital markets perspective, it promotes and facilitates automated trust and transparency across the whole ecosystem. Furthermore, if an auditing company’s LEI is embedded with the auditor’s digital signature within the report, this can enable efficient report production and distribution processes, the elimination of paper and increased certainty and trust.

“We are at the point when many organizations are reviewing and updating their financial reporting systems in preparation for ESEF compliance,” comments Stephan Wolf. “Now is the perfect time to consider making a small additional enhancement beyond compliance requirements to instill even greater trust in financial documents and the integrity of those filing them. The advantages of embedding LEIs in the digital signatures within financial reports are significant. Used in this way, LEIs can verify – automatically and in real-time – that the filed report and the signatories represent the same organization and can further reassure end users that the data is authentic and has not been tampered with. This ‘extra step’ can add compound value to reporting, and when factored into an update of organizational reporting processes that is happening anyway, generates very little disruption.”

For the third consecutive year, GLEIF has published its annual report in early compliance with the impending EU-wide mandate and has taken the additional step it now urges other organizations to implement. GLEIF’s 2020 Annual Report is available in human and machine-readable Inline XBRL and

¹ The European Single Electronic Format (ESEF) sets out a standardized electronic format for financial reports which includes embedded LEIs. It is a requirement defined by the European Securities and Market Authority (ESMA) for issuers with securities listed on European and UK regulated markets. While ESEF became mandatory across Europe for reporting on financial years starting January 2020 in Austria, Czech Republic, Germany and Slovenia, twenty-three other EU members states opted to delay the application of ESEF requirements to financial years starting from 2021. The first phase of the mandate will also apply in the United Kingdom for financial years starting from 2021.

HTML format, with the organization's LEI embedded within the financial information. It also embeds the organization's LEI within the digital certificates of the electronic signatures of the signing officers.

Why ESEF? The Benefits of Embedded LEIs in Financial Reports

ESEF's mandatory inclusion of an LEI within financial reports automatically links the filing entity to its annually verified LEI reference data – such as name, registered address and corporate ownership structure - held within the [Global LEI Index](#), which is free to access online. This empowers market participants who rely on official documents to inform strategic decisions (e.g. traders, investors, regulators) to quickly and easily consolidate and verify information on a filing entity.

There are numerous macro level market advantages of LEI inclusion within financial reports. These include: greater end user trust in the authenticity of financial information; automated access to aggregated data on the filing entity; increased transparency on an entity's ownership structure; and an enhanced ability for regulators to minimize market abuse.

Beyond the ESMA EU-wide mandate, the European Central Bank (ECB) has also recognized the benefits of extending LEI use to cover all future public reporting and financial transactions². As a result, the European Systemic Risk Board has recommended the establishment of an EU legislative framework for greater adoption of LEIs across the EU. One objective of the recommendation is to ensure the systematic and comprehensive use of the LEI for identification of entities in the reporting of financial information³.

To view the [GLEIF Annual Report 2020 in either PDF or XBRL format, please visit here](#). The report was created in collaboration with XBRL and Workiva.

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Full resolution images and logos can be downloaded via this link

<https://www.gleif.org/en/newsroom/gleif-graphics-images>

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Relevant link

<https://www.gleif.org/en>

² [ESCB/European banking supervision response to the European Commission's public consultation on a new digital finance strategy for Europe/FinTech action plan](#)

³ [Recommendation of the European Systemic Risk Board of 24 September 2020 on identifying legal entities](#)

Glossary of terms

Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity's ownership structure, answering the questions of 'who is who' and 'who owns whom'. It provides a universally recognized identifier paired with essential entity data, rigorous verification processes and high data quality.

About the Global Legal Entity Identifier Foundation (GLEIF)

Established by the Financial Stability Board in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is a not-for-profit organization created to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF is headquartered in Basel, Switzerland.

GLEIF services ensure the operational integrity of the Global LEI System. GLEIF also makes available the technical infrastructure to provide, via an open data license, access to the full global LEI repository free of charge to users. GLEIF is overseen by the LEI Regulatory Oversight Committee, which is made up of representatives of public authorities from across the globe. For more information, visit the GLEIF website at <https://www.gleif.org/en>.

Source:

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