

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission's Feedback Request for Financial Transparency – Single EU Access Point for Company Information January 2021

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission's Initiative titled *Proposal for a Directive/Regulation of the European Parliament and of the Council for a European single access point for financial and non-financial information publicly disclosed by companies*. GLEIF will focus its comments to show how a mandatory use of the Legal Entity Identifier (LEI) in ESAP can ensure that the entity information can be easily accessible, interlinked and cross-referenced by investors.

GLEIF agrees that today the collection and dissemination of data is fragmented within the European Union. The relevant EU legislations requiring data reporting rarely prescribe specific dissemination channels. Data regarding both listed and non-listed entities is mainly found on the entity's own website or in national registers where the annual financial report of a listed entity is published. While scattered information is a challenge for many investors as they cannot find data in a single place, thereby hindering their comparison abilities, the format for the public disclosure of information is not always prescribed in EU legislations. Different formats of information and language barriers prevent interoperability and usability of data.

Therefore, GLEIF suggests that the design of the ESAP should address these challenges by making sure that the data is machine readable, easily accessible and open for all users. Currently, listed companies shall submit their Annual Reports in a machine-readable format according to European Single Electronic Format (ESEF) requirements in XBRL Taxonomy. For demonstrating the value of embedding an organization's LEI within an ESEF financial report, ESMA has [published the Global LEI Foundation's 2019 annual report](#) on its website to provide a best practice example of a report published in the ESEF format, which other preparers can reference. LEI reference data includes business card information on an entity, including name and registered address, together with relationship data which confirms if the entity owns, or is owned by, other entities. This increased transparency relative to an entity's ownership structure means that relationship networks between LEIs can be quickly and automatically established, since the LEIs of the filing entity, its affiliates, subsidiaries and parent companies are all provided in the new machine-readable ESEF format. Usefully, because the reference data is reverified annually by GLEIF accredited LEI issuers, data users can see the last update date of data reverification. The net result is a substantially more useful document for end users, which is also verifiably trustworthy, authentic and integral. By simply leveraging the LEI, regulators, investors, traders and other financial stakeholders, can consolidate and verify information on the filing entity faster and more conveniently than ever before.

On the other hand, non-listed companies, the group of companies who need more access to capital and hence visibility vis-à-vis investors, currently are not required to disclose their information in any specific format. ESAP could be a game changer for all these companies and reaching out to the objectives of the Capitals Market Union. As a first step, GLEIF suggests that the Commission should consider harmonization of financial and non-financial disclosure information for all legal entities which will be displayed on ESAP. The LEI, a globally recognized unique identifier, can help all companies, especially SMEs, easily to identify themselves vis-à-vis investors within the EU; but equally important to investors

and parties from third countries. Another advantage that the LEI presents is that it is a globally recognized digital identifier and can be integrated seamlessly into both centralized and decentralized digital identity management systems. It has already been recognized in eIDAS-compliant digital certificates that are already harmonizing the use of e-signature technologies across the EU.

The LEI, as a machine-readable global standard for unique, unambiguous legal entity identification, is a supra-sectoral solution. 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 all users can use the data without limitations. With the LEI, the Commission can avoid fragmented, inconsistent entity identification formats, language barriers and establish a homogenous reporting obligation, where all legal entities are identified with the LEI in ESAP. Bringing the LEI mandate would also be a significant step towards responding to the European Systemic Risk Board's [Recommendation](#) of 24 September 2020 on identifying legal entities (ESRB/2020/12):

"The Commission is recommended to propose that Union legislation incorporates a common Union legal framework governing the identification of legal entities established in the Union that are involved in financial transactions by way of a legal entity identifier (LEI)..."

Identifying all legal entities, whether listed or non-listed, with the LEI can make data usage and comparability optimal in the Union. GLEIF would like to highlight that using any identifier instead of the LEI, for example the EUID, for identification of legal entities would not bring the intended result of the ESAP. The EUID was originally created to facilitate communications between EU business registers participating in BRIS. The EUID covers a very limited amount of legal entities within the EU and has never been used to facilitate any regulatory initiative or private sector communications on legal entities. Therefore, GLEIF invites the Commission to consider grounding ESAP on a global and all-encompassing solution, instead of a regional and narrow approach.

Today, the LEI is already required in EU regulatory reporting regime for entities subject to the EMIR, MIFID II, MAR, CRR, SFTR, Solvency II, AIFMD, CRAR, CSDR, Transparency Directive, Securitization Regulation, and Prospectus Regulation. Therefore, as intended by the Commission, new ESAP architecture using the LEI can easily build on the existing data reporting channels and infrastructure.

DG FISMA EFTG Project "[Regulatory framework analysis for potential integration into the EEAP](#)" has already identified the LEI among "semi-regulated data", which are used in different reporting requirements and useful to have with other information on a product or entity. In this publication, it is seen that the LEI, along with ISIN, is the mostly used data element in EU regulatory frameworks. GLEIF also welcomes that the LEI is already recommended by the High-Level Forum (HLF) as one of the technical standards to develop the data fields and formats of the ESAP to ensure the information easily can be interlinked and cross-referenced.

Therefore, while a broader LEI requirement would bring minimal administrative burden for legal entities in the EU, it has the potential to contribute to the harmonization and standardization of formats of information that companies disclose to the public, making such information easier to find, access, compare and analyze.