

## **Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission for the Targeted Consultation Document Establishment of a European Single Access Point (ESAP) for Financial and Non-Financial Information Publicly Closed by Companies**

### **March 2021**

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission for the Targeted Consultation Document Establishment of a European Single Access Point (ESAP) for Financial and Non-Financial Information Publicly Closed 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.

*First, GLEIF would like to respond to Question 7: Should ESAP include information from the hereunder provided list of EU legislations in the financial area? And if so, please specify whether the ESAP should embed this information immediately (as soon as the ESAP starts) or at a later stage (phasing in) (please choose one of the two options for each EU legislation that you agree to include in ESAP). Please explain your position in the text box below providing your arguments, and where appropriate, concrete examples and data to support your answers.*

For the implementation of ESAP, the Commission will need to decide if the preferred approach is ensuring the depth of data for only publicly listed companies versus basic disclosure requirements for a broader range of entities.

Regardless of the preferred approach by the Commission, GLEIF suggests that the ESAP's design should be based on common global standards, especially the use of the LEI for identifying the filing entity or related entities. This will ensure interoperable formats and a harmonized implementation of reporting obligations at the Union level.

The LEI is already referenced in the following regulations and/or their regulatory technical standards for ensuring unique identification of issuers, counterparties or relevant entities: Transparency Directive, Prospectus Regulation, Shareholders Rights Directive, Market Abuse Regulation, Credit Ratings Regulation, Central Securities Depositories Regulation, European Market Infrastructure Regulation (EMIR), Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), Securities Financing Transactions Regulation (SFTR), Solvency II Directive, Directive of Markets in Financial Instruments (MIFID), Regulation on Money Market Funds, Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and the Directive on Alternative Investment Fund Managers (AIFM).

GLEIF suggests that the LEI should be immediately leveraged as the cornerstone for legal entity identity as it is already so widely used in EU legislation and is the only applicable identifier for all EU member state and non-members state legal entities. Already all publicly listed entities in the EU have an LEI due to Transparency Directive. Using the LEI as the primary identifier for legal entities in ESAP rather than regional/national identifiers will render information more easily accessible and therefore more valuable to users. Given the ESAP also aims to include information on entities/investors outside of the Union in

the mid or long-term, adoption of a global standard for entity identification will ensure standardized and consistent data within the ESAP platform.

GLEIF would like to highlight that using any identifier instead of the LEI, for example the EUID, for identification of legal entities would not realize the intended result of the ESAP. The EUID originally was created to facilitate communications between EU business registers participating in Business Registers Interconnection System (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.

This is further supported by the European Systemic Risk Board's (ESRB) [Recommendation](#) of 24 September 2020 on identifying legal entities (ESRB/2020/12). The ESRB invites the Commission to take action to extend the LEI requirement for all legal entities in the EU:

(1) *"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)..." and until then*  
 (2) *"...the relevant authorities require or, where applicable, continue to require, all legal entities involved in financial transactions under their supervisory remit to have an LEI; 2. **the authorities, when drafting, imposing, or amending financial reporting obligations include** or, where applicable, continue to include, in such obligations **an obligation to identify by way of an LEI:** (a) the legal entity subject to the reporting obligation; and (b) any other legal entity about which information must be reported and which has an LEI".*

Therefore, the ESRB Recommendation sets the expectation that until a common Union legal framework governing the identification of legal entities with the LEI is established in the EU, the LEI would be required by the supervisory authorities when drafting, imposing, or amending financial reporting obligations within the Union.

GLEIF would like to respond to Question 8. *In order to improve the digital use and searchability of the information, for which of the hereunder information would you support the use of structured data formats, such as ESEF (XHTML and iXBRL), XML, etc., allowing for machine readability? (Multiple choice allowed).*

The disclosure of data in a machine-readable structured format is crucial for the electronic usability of data. The introduction of requirements under the European Single Electronic Format (ESEF) for financial reports filing in XBRL format is a foundational first step in this direction.

GLEIF suggests that structured data should be prioritized for the initial implementation of the ESAP. Structured data enables downstream benefits, for example enabling the Commission to ensure appropriate security measures are applied. For example, ESMA [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. This report is digitally signed with eIDAS compliant certificates containing the GLEIF LEI. 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 company electronic seals to support identity validation and management.

The document content and the digital signature can be automatically linked via the LEI, therefore providing a proof of the document's authenticity.

Regarding searchability, GLEIF would like to share an interesting finding from the European Financial Transparency Gateway (ETFG) Project. The current investor portal in the ETFG allows users to search based on the name, company's home country, Legal identifier (the LEI as well as national identifiers), disclosure date and document type. GLEIF would like to show how and why requiring the LEI of a company is significant in improving the searchability of the information. For example, we select the [LEI 54930049DU744D2U7M63 from the ETFG database](#) and it brings us the result of quarterly financial and audit reports of "Aperam" based in Luxembourg. Instead of selecting/typing the LEI, search for information by simply typing "Aperam" for name and "Luxembourg" for company's home country in the search facility would bring 22 [results](#) according to the Global LEI Repository, of which four results were from Luxembourg (APERAM HoldCo S.à r.l., APERAM Sourcing SCA, APERAM Treasury SCA and Aperam). Therefore, the ESAP must satisfy any data user's priority, which is an easy, unambiguous, fast and standardized data access. Leveraging the LEI can greatly help to fulfill this mission of ESAP.

The Final Report of the High-Level Forum (HLF) on the Capital Markets Union makes a specific reference to the LEI under the recommendation of creation of an EU Single Access Point (ESAP) under the cluster "A. Creating a vibrant and competitive business environment. In the recently [published Digital Finance Strategy for the EU](#), it is decided that by 2024, the EU aims to put in place the necessary conditions to enable the use of innovative technologies, including RegTech and SupTech tools, for supervisory reporting by regulated entities and supervision by authorities. The Commission will make full use of available international standards and identifiers, including the LEI. The use of international ISO standards consistently will facilitate the use of RegTech tools for reporting and SupTech tools for data analysis by authorities in a digital environment.

Therefore, GLEIF reiterates that considering the ongoing digital transformation initiatives at the EU level, the LEI, providing basic business card and corporate structure of the legal entity in a structured data format, is necessary to achieve the intended digital use and searchability of the information on ESAP.

*GLEIF also would like to comment on Question 14. Should the integrity of the information and the credibility of the source of data used be ensured, when it is made accessible in ESAP?*

GLEIF believes that the integrity of the information and credibility of the source of the data is of high importance for users of the ESAP. GLEIF would like to provide information on its data quality program to demonstrate the benefits of using the LEI as the primary identifier for all filing or reported entities in the ESAP.

GLEIF is responsible for monitoring and ensuring high LEI data quality. In cooperation with its partners, which includes 7 business registry LEI Issuers in the European Economic Area, GLEIF focuses on further optimizing the quality, reliability and usability of LEI data empowering market participants to benefit from the wealth of information available with the LEI population.

The process of ensuring LEI data quality starts with the registering entity. Through self-registration, the registering entity must provide accurate legal entity reference data. It is then the responsibility of

the [LEI issuing organization](#) to verify the legal entity reference data with the local authoritative source, e.g. a Business Register, and issue an LEI compliant with the LEI standards.

Data quality is also ensured via the annual LEI renewal process. While the legal entity is required to notify the managing LEI issuing organization when changes occur to its legal entity reference data, the annual renewal process ensures that, at a minimum, the legal entity and the LEI issuing organization review and re-validate the legal entity reference data at least once annually.

Additionally, the data user can see the “corroboration level” for each LEI record. This is particularly important for legal entities that are not registered in a business registry; such as funds or trusts; where the LEI is provided after verification of the documents (e.g., fund agreement or a trust deed) submitted by the legal entity.

GLEIF also invites public users of the LEI data to provide feedback on possible quality issues via a centralized challenge facility which offers an easy and convenient means to trigger the verification and, where required, speedy update of LEI records including related reference data. The GLEIF data challenge facility provides any user of LEI data with the opportunity to substantiate doubts regarding the referential integrity between LEI records, or the accuracy and completeness of the related reference data. It also allows the indication of possible duplicate entries or any lack of timely inclusion of corporate actions.

As noted in the GLEIF response to Question 8, the filed content can be secured via digital signing. The LEI plays an important role in connecting the digital signature or network credential to the filed content. This enables basic verification that the submitted content is associated with the filing firm or with entities authorized by the filing firm to act on its behalf.

Lastly, GLEIF would like to comment on the *Question 27. What would be the main benefits for entities with no access to capital markets to disclose this information publicly in ESAP? (Multiple choice allowed)*

Non-listed companies often lack access to capital and hence visibility vis-à-vis investors. Generally, they are not required to disclose information in any specific format. ESAP could be a game changer for companies seeking access to investor capital thereby enabling 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 in 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. Furthermore, the LEI can help overcome the difficulties of finding information in local languages as the LEI connects to reference data in the local authoritative language and transliterations of this information.

A Bank of England report provides an example of how the ESAP could enable entities with no access to capital markets to publicly disclose relevant information to investors. The Bank of England [suggests](#) that through an open data platform the SMEs could create a portable credit file under a unique identifier – the LEI. Thanks to the global recognition of the LEI, these SMEs could even shop for finance across borders. The Bank says that the use of LEIs could replicate the benefits of a digital identity by enabling fast, accurate and unique identification of businesses, both domestically and globally. Adding the LEI into ESAP for all legal entities would be the first foundational step to fulfill the Capital Markets Union's

goals and increase visibility and searchability of all entities published on ESAP to investors from third countries.