

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission's Consultation on Supervisory Data Strategy

June 2021

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to comment on the European Commission's Consultation on Supervisory Data Strategy. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation.

First, GLEIF suggests that achieving data consistency and harmonization is vital to reduce the current pain points of supervisory reporting in the EU. As highlighted in the roadmap, reporting entities have to report the same data set in different formats to various authorities. This practice causes redundancy and inconsistency in the regulatory landscape. The LEI, ensuring precision about the reporting legal entity, can help supervisory authorities to reduce inefficiencies and map the entity data across borders within the EU. The alternative, relying on national and multiple identifiers, negatively impacts ensuring efficient and accurate data sharing across EU supervisory authorities.

Therefore, GLEIF suggests that the foundational step to tackle these inefficiencies and establish an efficient supervisory data collection and sharing mechanism starts would be to adopt a unique, global transparent, interoperable, and harmonized identification approach. The Global LEI System is the only supranational solution backed by the regulators. The Global LEI System is open and non-proprietary. The LEI data provides entity reference data in the local language of the entity and the transliterated version (as applicable). This enables data users to capture the data in the official language used to represent the entity and have a roman character representation of the name. And the [GLEIF API](#) is a globally accepted protocol for accessing identity information for legal entities in a digital and machine-readable fashion.

The role of the LEI in EU regulatory landscape has been recognized by the over 50 regulations require the use of the LEI. For closing the gap in the areas where the LEI is not mandated, the European Commission [Fitness Check Report](#) highlighted '*LEIs would be essential to monitor AIFs managed by non-European AIFMs operating under the National Private Placement Regime (NPPR). Non-European AIFMs are mandated to report to NCAs of the jurisdictions in which they are marketing their products. The absence of a unique and universal identifier impedes verifying the consistency and/or duplication of reported information in the ESMA central database, impairing supervision of potentially systemically relevant entities. Accurate treatment of the information reported by entities operating under NPPR requires LEIs.*'

In addition, the Digital Finance Action Plans states' *Building on the outcomes of the fitness check of supervisory reporting requirements, the Commission, together with the ESAs will develop a strategy on supervisory data in 2021 to help ensuring that (i) supervisory reporting requirements (including definitions, formats, and processes) are unambiguous, aligned, harmonized and suitable for automated reporting, (ii) full use is made of available international standards and identifiers including the Legal Entity Identifier, and (iii) supervisory data is reported in machine-readable electronic formats and is easy to combine and process. This will facilitate the use of RegTech tools for reporting and SupTech tools for data analysis by authorities.*'

GLEIF welcomes the recognition of the LEI's indispensable role by the European Commission for establishing an unambiguous, aligned, harmonized and automated supervisory data collection, reporting and data sharing ecosystem.

Setting the LEI as a gold standard in entity identification, the European Securities and Market Authority (ESMA) promoted the use of the LEI in data reporting beyond the European borders, for relevant third country legal entities who are trading with European counterparties under MifID II and more recently under the Securities Financing Transactions Regulation (SFTR) reporting regime.

Moreover, as already highlighted by ESMA in a [recent statement](#), GLEIF works to expand the LEI coverage and reduce cost of the LEI in cooperation with the financial industry and regulators, to the benefit of both parties. Under the [Validation Agent framework](#), financial institutions can liaise with the LEI Issuer on its client's behalf to 'validate' key identity data, such as the legal name and business registry information, thereby confirming that these checks and processes have already been performed. GLEIF announced in October 2020 that the J.P. Morgan has become the [first Validation Agent in the Global LEI System](#). Following this, China Financial Certification Authority (CFCA) has been onboarded as the [second Validation Agent](#) in April 2021.

Moreover, GLEIF would like to update the Commission on its work in the digital innovation space - digital certificates and vLEI (verifiable LEI), which can digitize and automate report submission and verification by supervisory authorities. In the EU eIDAS compliant digital certificates with embedded LEIs can provide an additional layer of trust proof since the LEI is a secure, global mechanism that provides reliable data on organizational identity. Additionally, with the concept of Verifiable Credentials, GLEIF initiated the vLEI project that combines the concepts of the organization's identity represented by the LEI, a person's identity represented by their legal name, and the role that the person plays for the legal entity. vLEI credentials can be issued and become part of organizational wallets. With the digital certificates authenticating the trustworthiness of regulatory filing, and vLEI further proving the organizational roles, supervisory authorities could easily reconcile inconsistent data sharing and exchange, thereby reducing the compliance cost and duplicative efforts.

GLEIF believes that the Commission's intervention is vital for creating a harmonized and efficient supervisory data collection, as single Member States cannot achieve this objective at the national level.

Within this perspective, GLEIF would like to highlight the recent [Recommendation of the European System Risk Board](#) (ESRB) for suggesting creating a union legal framework in promoting LEI coverage *'this Recommendation seeks the introduction of a Union legal framework to uniquely identify legal entities engaged in financial transactions by LEIs and to make the use of the LEI more systematic in respect of supervisory reporting and public disclosure. Taking into account the time frame for the adoption of such a Union framework, the ESRB recommends that relevant authorities pursue and systematize their efforts to promote the adoption and use of the LEI, making use for this purpose of the various regulatory or supervisory powers which they have been granted by national or Union law.'*

In line with the ESRB Recommendation, GLEIF strongly recommends the European Commission to lead a Union legal framework to uniquely identify legal entities with LEIs, which is foundational to establish a harmonized and efficient supervisory data reporting regime within the EU.