

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Insurance and Occupational Pensions Authority (EIOPA) on the Consultation Paper on the Proposal for Revised Guidelines on the Use of Legal Entity Identifier (LEI)

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Insurance and Occupational Pensions Authority (EIOPA) on the Consultation Paper on the Proposal for Revised Guidelines on the Use of Legal Entity Identifier (LEI). GLEIF welcomes the EIOPA's decision to revise the LEI Guidelines and supports would like to support EIOPA's proposed Policy option 2 under "Policy issue 1" and Policy Option 1 under "Policy issue 2".

First, GLEIF would like to respond to **Q2. Do you agree with the scope of the legal entities that should have LEI as specified in the revised Guideline 1?**

GLEIF agrees with the scope of entities provided under 1.10(a) in the Consultation, which fall within the scope of Directive 2009/138/EC (Solvency II).

That being said, GLEIF does not understand how EIOPA's proportionality principle for the legal entities outlined under 1.10(b) for institutions for occupational retirement provisions ('IORPs') registered or authorized under the Directive (EU) 2016/234, by excluding mid and small-sized IORPs from the LEI requirement, supports EIOPA's objectives in the area of financial stability, oversight, and supervision, as well as consumer protection. All IORPs, small or big, should get an LEI. Harmonizing identification through an explicit LEI requirement for all legal entities in this domain is the only way to establish consistent, efficient, and effective supervisory practices and ensure high-quality, reliable, and comparable data.

GLEIF would like to comment on **Q4. In the context of proportionality approach to IORPs what is your view on the proposal under revised Guideline 1?**

From the very start of the Global LEI System, GLEIF has maintained a very close dialogue with all three European Supervisory Agencies to support the use of the LEI in the reporting regimes under their remit. Today, the LEI is already required in the 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.

GLEIF strongly believes that extending the LEI requirement for all insurance undertakings, institutions for occupational retirement provisions (IORPs), and related entities would strengthen supervisory bodies' risk assessments. As mentioned in the consultation paper, while there is already high coverage (around 90%) of the insurance undertakings with LEI codes, there is still an LEI information gap in IORPs. It also happens that while many pension funds may have LEIs, those are not being reported to EIOPA.

Therefore, GLEIF suggests that a clear LEI requirement for all IORPs will enhance the transparency of IORPs vis-à-vis pension scheme members and beneficiaries as well as facilitate cross-border activities of IORPs and insurance undertakings by enabling these entities with a standardized, consistent, and recognized global identifier at a low cost.

The Recital 12 of the IORP II Directive states: *“In particular, facilitating the cross-border activity of IORPs and the cross-border transfer of pension schemes by clarifying the relevant procedures and removing unnecessary obstacles could have a positive impact on the undertakings concerned and their employees, in whichever Member State they work, through the centralisation of the management of the retirement services provided”*.

GLEIF suggests that requiring the LEI for IORPs could facilitate the cross-border activity of these entities and reduce unnecessary document collection and red tape, given the supervisory authorities, in whichever Member State they work, can verify and validate the identity of the IORP in question.

Moreover, as also highlighted in the Consultation published by the EIOPA, GLEIF thrives on implementing the [LEI Recommendation of the European Systemic Risk Board \(ESRB\)](#). The ESRB recommended the European Commission to propose that Union legislation incorporates a common Union legal framework governing the identification of legal entities established in the Union involved in financial transactions by the LEI. In line with the ESRB report and harmonization efforts by the European Supervisory Authorities, the LEI reporting requirement would be greatly beneficial if mandatory for all IORPs under the draft Revised EIOPA’s Guidelines, regardless of the number of members of IORP. Requiring the LEI passes the proportionality principle as its inclusion enables numerous benefits for supervisors and entities involved in the transaction, access to the LEI and its reference data is easy and free of charge, and attribution of the LEI is low cost. Furthermore, there are operating models, such as the [Validation Agent model](#), where eligible entities can easily participate in the Global LEI System and realize greater cost reductions for the attribution of LEIs to their clients.

GLEIF would like to comment on **Q5. In the context of proportionality approach to intermediaries what is your view on the proposal under revised Guideline 1? Please include also views on the ancillary intermediaries.**

GLEIF retains the same position as it does for IORPs (please see GLEIF’s response to Q4) in terms of the proportionality approach to intermediaries. The supervisory regime governing insurance intermediaries and insurers is not so clear from the consumer’s point of view. Mandating the LEI for all intermediaries, regardless of a proportionality approach, could strengthen consumer protection. In a globalized digital economy, verifying the identity of legal entities such as customers, partners and suppliers is becoming increasingly complex, prone to error, and costly. Thanks to the LEI and the free Global LEI Repository, consumers can easily and seamlessly perform due diligence on intermediaries.

Lastly, GLEIF would like to comment to **Q6. Do you have any comments in relation to the impact assessment as presented in the Annex I?**

GLEIF supports EIOPA’s proposed Policy Option 2 **“Revise EIOPA Guidelines on LEI to provide clarity on scope and simplify and update the existing text”** under “Policy issue 1” and Policy Option 1 **“Policy option 1: No proportionality”** under “Policy issue 2” in the impact assessment as presented in the Annex I.

For a number of entities who do not have an LEI despite over 50+ EU regulatory frameworks, GLEIF works with financial institutions for reducing the cost of the LEI and shifting the responsibility of obtaining and maintaining an LEI from registrants to financial institutions, to the benefit of both parties. Today, the lowest cost of obtaining an LEI is 40 Euros. Under the [Validation Agent framework](#), GLEIF pilots an operating model where financial institutions issue an LEI for each onboarded client through partnering with accredited LEI Issuing Organizations (LOUs) for free or a reduced cost.

The Validation Agent Framework empowers both sell-side and buy-side financial institutions to leverage their KYC, AML and other regulated business-as-usual onboarding processes, to obtain a LEI for their customers during initial onboarding or a standard client refresh update. Financial institutions acting as Validation Agents can liaise with LOUs on its client's behalf to 'validate' key identity data, such as the legal name and business registry information, confirming that these checks and processes have already been performed. GLEIF [announced](#) that J.P. Morgan, one of the largest global banks, has become the first Validation Agent in the Global LEI System.

Lastly, GLEIF would like to remind that in [its response](#) to the European Commission's Digital Finance Strategy, EIOPA responded that future standardization must be built on what has already been achieved. Innovation and digitalization could also benefit from a wider adoption of existing standards, for example, the LEI. EIOPA has been supporting standardized approaches to data and IT for several years now. Those include (i) an XBRL based taxonomy for both (re)insurance and occupational pensions reporting requirements and (ii) the LEI application in both sectors.