

## **Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Singapore Accounting and Corporate Regulatory Authority for the Proposed Legislative Amendments Relating to the Companies Act January 2022**

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to share its comment with the Accounting and Corporate Regulatory Authority (ACRA) for the Proposed Legislative Amendments Relating to the Companies Act. GLEIF will focus its comments on the proposed amendments in Annex B.

In Annex B, ACRA proposes that the maximum fine for the offenses is commensurate with the importance of keeping accurate and up-to-date beneficial ownership information. ACRA aims to align Singapore's beneficial ownership regime with the standards of the Financial Action Task Force (FATF) and the Global Forum on Transparency and Exchange of Information for Tax Purposes.

GLEIF suggests that the LEI, a globally recognized open standard for legal entity identification, can establish the first foundational step for the beneficial ownership data collection and facilitate an efficient data collection, aggregation and exchange by ACRA.

### **Background information on the LEI and GLEIF**

Established by the Financial Stability Board in June 2014, the GLEIF is tasked to support the implementation and use of the LEI. Even though the primary and initial usage and adoption of the LEI is around financial market and financial instruments, the LEI has demonstrated several benefits for users under various scenarios with the development over the last a few years. The Global LEI System endorses the International Open Data Charter, which means the LEI data is to be freely used, reused, and redistributed by anyone, anytime, anywhere. Besides, the LEI data provides entity reference data in the native local language of the entity and in the transliterated version (as applicable). This enables users to understand the language used to represent the entity and also 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 LEI itself is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI uniquely identifies legal entities that engage in financial transactions, thereby helping to create greater transparency in the marketplace. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' (business card information) and 'who owns whom' (corporate structure showing subsidiaries with an LEI).

Because of the many possibilities it offers to trade, around the world, industry bodies, regulators and policymakers are working to promote adoption of the LEI. In its recent roadmap for digitally connecting and facilitating interoperation among existing trade finance networks, the International Chamber of Commerce (ICC) explicitly identified the LEI as a "digital trade enabler". GLEIF has a very close dialogue with the Singapore-based ICC Digital Standard Initiative and GLEIF CEO Stephan Wolf is a Member of the ICC DSI Industry Advisory Board. In November 2021, GLEIF partnered with Singapore-based Contour, a global network of banks, corporates and trade partners working together to revolutionize the trade

finance industry by removing barriers to entry. The partnership enables the use of LEIs within Contour's platform and puts digital identity at the heart of its proposition. With an LEI, a company's legal reference data is available electronically to anyone, anywhere, for free - it can be universally validated. When used in international trade and trade finance, this creates greater confidence amongst trading parties resulting in more transparent and efficient cross-border exchanges of goods and data. In addition, the LEI will also lower data reconciliation costs, reduce transaction discrepancies and improve risk management for all clients.

### **Why should the LEI reference data be considered as the first foundational step for beneficial ownership collection?**

GLEIF would like to give [Goldman Sachs Group Inc.](#) as an example. According to the Global LEI Repository, Goldman Sachs Group Inc. has 41 direct children and 2180 ultimate children captured by Global LEI System. The relationship information is collected on the basis of accounting consolidation. At first glance, there seems no connection between "Goldman Sachs Group Inc." and the "[HH ASIA LTD](#)" registered in the Cayman Islands. However, the LEI data shows that Goldman Sachs Group Inc consolidates HH Asia Ltd.

While accounting consolidation parent information is not equivalent to beneficial ownership information, GLEIF provides this example to demonstrate the power of assigning a global open identifier to corporate structures. By requiring the LEI as the foundational first step for the beneficial ownership standard to be developed, users can quickly establish beneficial ownership networks and complement this with the company and ownership reference data available in the Global LEI System. In total, this makes for a powerful tool for data analysis and monitoring.

A recent [blog](#) published by the Banque de France highlights that the LEI can be quite instrumental to monitor groups' ownership structure of large entities in offshore financial centres, which offer a high degree of financial secrecy and thereby facilitate tax evasion and the financing of illicit activities. The same applies for companies located in tax havens.

Moreover, recently GLEIF launched its [Verifiable LEI Initiative \(vLEI\)](#), which will give government organizations, companies and other legal entities worldwide the capacity to use non-repudiable identification data pertaining to their legal status, ownership structure and authorized representatives in a growing number of digital business activities, such as approving business transactions and contracts, onboarding customers, transacting within import/export and supply chain business networks and submitting regulatory filings and reports. By combining three concepts – 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. Further standards work undertaken with the international Organization for Standardization for identifying official organizational roles that is planned to be used within these credentials to clearly state the roles of persons acting on behalf of legal entities is expected to be published shortly. GLEIF suggests that the beneficial ownership information collected at the business registry level could be considered as an organizational role. The vLEI can make the link between the company and the individual(s) having the role of beneficial owner. Moreover, leveraging the vLEI can address data privacy and protection concerns that are highlighted in Annex A of the public consultation.

In the European Union, adding the LEI of reporting entity in annual financial reports is mandatory with the European GLEIF demonstrates in its annual report that by going one step beyond compliance and using LEIs in digital signatures too, organizations can greatly enhance trust in document integrity. GLEIF's 2020 Annual Report is available in human and machine-readable Inline XBRL and 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.

ESMA had [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. The report is published in human and machine-readable Inline XBRL and HTML formats, with LEIs embedded within both the annual report and the digital certificates of the report's signing executive officers. The combination of these two features provides something completely unprecedented and sets a best practice: instantly available, digitally verifiable features that confirm both the authenticity of the document and the key individuals responsible for its content.

GLEIF would be interested in dialogue with ACRA to further discuss the role of the LEI in digital corporate reporting and vLEI in promoting transparency and strengthening data collection, aggregation, and exchange by ACRA. Lastly, GLEIF would like to highlight that GLEIF will open a local office in Singapore for supporting the promotion of the LEI and will be pleased to keep updating ACRA on the developments pertaining to the LEI going forward.