

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission Consultation Document Targeted Consultation on Open Finance Framework and Data Sharing in the Financial Sector

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission Consultation Document Targeted Consultation on Open Finance Framework and Data Sharing in the Financial Sector.

GLEIF would like to respond to Question 11: *“What other conditions are required to ensure the potential of open finance is maximised while minimizing its risks?”*.

The identification, authentication and authorization of who has access to the account holder's data should be at the core of the open finance data management framework. Failure to authenticate properly leads to unauthorized data sharing and unauthorized transactions.

According to PSD2, API Providers are obliged to allow access to Authorized API Users and block unauthorized access to the account holders. With the open finance framework, we will enter a new universe with new API users – financial institutions, insurance companies, and pension funds. The open finance use cases will go beyond what is being offered under open banking today, ranging from credit scoring to Know-Your-Customer checks, from creating consumer spending profiles to e-commerce checkouts.

In the open finance framework, it is not very clear who is allowed access to APIs and who should decide for it. This creates the risk of fraud, unauthorized access and compliance risks for API providers. A standards-led approach allowing competent authorities to define who is allowed to access APIs and making this list available to API providers shall reduce data verification and authentication costs for individual API providers.

Moreover, given that the consumer, be it an individual or a corporate/SME, is at the heart of these use-cases, consumer awareness and protection should be considered an essential feature of open finance governance frameworks. Consumers must know precisely with whom they agree to share their data. Similarly, API Providers shall know if they grant API access to the right parties. And this is not possible without a consistent and standardized identification and data aggregation methodology. Therefore, GLEIF suggests that all API users are identified with their LEI. The LEI will empower consumers to verify and validate the legal entities to whom they entrust data without any barriers and increase transparency.

GLEIF would like to respond to Question 21: *“In your opinion, what digital tools can strengthen a customer’s ability to grant, track and withdraw consent?”*.

GLEIF agrees that digital identity solutions could help identify a customer online and authenticate consent.

By embedding the LEI in different authentication mechanisms (certificates, verifiable credentials, etc.) the corroborated digital identity of the legal entities involved can be checked real time, in an automated way, thereby providing an extra layer of security.

Using the LEI as a data attribute in such digital applications would:

- Avoid developing business registry specific checks for each country
- Automate checks for daily operations.
- Contribute to a common legal framework for digital transactions.

GLEIF would like to respond to Question 49. *“Should the EU take further measures to promote market adoption of standardised data formats?”*.

Standardizing core data fields is crucial to ensure harmonization and avoid regulatory interpretation that might cause fragmentation at the EU level.

API Providers might make different choices that are not covered within the standards and these different choices can result in confusion and varying implementations.

Therefore, GLEIF suggests that the standardization of metadata, including identification attributes, is crucial for ensuring a harmonized open finance architecture and preventing different interpretations of the same regulatory framework. The LEI, as a supra-European, digitally-enabled, machine-readable and regulatory-backed entity identification solution is well placed to be considered as **the** legal entity identifier in the metadata.

Based on its experience with other regulatory frameworks, GLEIF would like to highlight that allowing multiple data formats for a certain data field as “if available”, “optional” basis eliminates the value of the standardization and harmonization.

Additionally, given that not all these new actors in the open finance landscape are regulated parties it is important to have a consistent and global approach to identification. Otherwise, supervisors’ ability to conduct oversight and understand how legal entities interact with each other and across competent authorities will be limited. GLEIF suggests the LEI is an important attribute that enables precise identification and aggregation of related activities. Additionally, the LEI connects to reference data that contains many additional data points that are referenced in the exchange - legal name, legal address, headquarter address and local registration number of the entity. Thereby multiplying the value for open finance by linking to a global open register published according to a specified common data file format.

GLEIF would like to provide its comments for Question 50. *“Should the EU take further measures to promote market adoption of standardised APIs?”*

GLEIF agrees that the EU legislation on payments should include a common API standard. Harmonization of data attributes in the process of developing an API standard across the EU, requires using a neutral, yet globally recognized identifier. The persistent use of the LEI can ensure technical interoperability and decrease the compliance costs for API providers.

GLEIF would like to provide its comments for Question 51. *“Who is best placed to develop common standards for APIs?”*

GLEIF has no specific preference on who is best placed to develop common standards for APIs. But based on its dialogue with industry stakeholders, GLEIF is aware of the work of the Berlin Group. In Berlin Group’s Open Finance API V2, to be published by the end of 2022, the LEI is included to identify the debtor and originator. However, Berlin Group’s inclusion of the LEI does not mean that financial institutions will have to use it. Therefore, GLEIF suggests that in the Commission’s newly developed Open Finance framework, a more prescriptive approach and standardization of core data elements would be crucial to ensure a maximum level of harmonization and create a common understanding across various industry initiatives.

Lastly, GLEIF would like to provide its comments for Question 85. *What steps would be necessary to harmonise data formats and access conditions to ensure adequate quality of SME data (accurate, reliable, complete, etc.)?*

Today, SMEs represent 99% of businesses in Europe and open finance applications such as credit worthiness assessment can improve SME financing in the EU. Improving access to basic information about SMEs can reduce the amount of documentation that SMEs need to submit before the application for financing.

Although SMEs are registered in national business registries and SME identification can be performed via business registries, neither is the access to business registry information within the EU is harmonized nor is the information available. For example, some registries keep the entire data behind a pay wall (e.g., Spain), others provide just some basic information and for additional documents there is again a fee (e.g., Italy); in some cases, all data are available free of charge (e.g., Belgium, Bulgaria) and some of the registries provide an API free of charge (e.g., Ireland). And of course each of these registries make access and general information available in the local language. Furthermore, there may be more than one registry per member state and information is not provided in a standardized technical way. Based on GLEIF’s [Registration Authorities List](#), GLEIF would like to provide the example of “Germany”. In Germany, there are 176 official business registers as legal entities have to register their business in local courts. Although Handelregister makes the company information accessible, it is not easy to understand the parent, child company structures and entity forms associated with the entity in questions.

Global LEI Repository is a barrier-free, open source for legal entity identifying information. It can be leveraged to identify legal entities, including SMEs, without any restrictions. Given The LEI is a 20-digit alpha-numeric code based on the ISO Standard 17442, the reference data is highly standardized. In addition, the LEI provides insights about the corporate structure of an organization by displaying the direct and ultimate parent-child relationships based on accounting consolidation. Through the established mapping program, the LEI is already linked to additional identifier such as the BIC and ISIN numbers. The local business registry or other registration authority number is an element of the LEI reference data. Thus, the LEI serves as a linchpin between different data sources and helps for further standardization and harmonization of heterogeneous data during data integration processes.

Thereby, when SMEs are identified easily through their LEI, they could pull their data together under this single identity, into a portable credit file to shop around for the finance they need. And because of its global recognition, it will help SMEs, access trade finance and benefit from open finance applications as highlighted in the [Bank of England’s report](#).