

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Australian Securities and Investments Commission (ASIC) Consultation Paper (CP 381) for guidance on digital assets and related products

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The Global Legal Entity Identifier Foundation (GLEIF) welcomes the opportunity to provide feedback to the Australian Securities and Investments Commission (ASIC) Consultation Paper (CP 381) for guidance on digital assets and related products.

GLEIF fully supports the ASIC's initiative to update regulatory guidance on digital assets and financial services. As digital asset markets continue to evolve, there is a critical need for standardized and interoperable organizational identity frameworks. The Legal Entity Identifier (LEI) and verifiable LEI (vLEI) can play a pivotal role in supporting ASIC's regulatory objectives by enhancing transparency, compliance, and risk management in the digital asset ecosystem.

First, GLEIF would like to provide some background on GLEIF and the LEI.

Established by the [Financial Stability Board](#) in June 2014, the [Global Legal Entity Identifier Foundation \(GLEIF\)](#) is tasked to support the implementation and use of the [Legal Entity Identifier \(LEI\)](#). GLEIF is a supra-national not-for-profit organization headquartered in Basel, Switzerland. The Global LEI System is overseen by over 71 public authorities (including Australian Securities and Investments Commission) participating in the [Regulatory Oversight Committee](#).

The LEI is a 20-digit, alpha-numeric code based on ISO17442 standard. It is a global and machine-readable standard for the unique legal identification of legal entities worldwide. Each LEI contains information about an entity's basic reference data and its 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). Each legal entity is assigned a unique LEI. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace. Today, the LEI is widely used in reporting regimes globally, as demonstrated by the adoption of the LEI in more than 200 rules/regulations across the globe. More details of these regulations please see [here](#).

Below is an example LEI of an Australian entity:

ZODIA CUSTODY AUSTRALIA PTY LTD: <https://search.gleif.org/#/record/213800I4DCO7RFFKW966>

The [verifiable LEI \(vLEI\)](#) is the LEI's digital counterpart. The vLEI is a digitally signed credential that allows an LEI to be instantly and securely verified when presented in digital form. This enables digital interactions using the vLEI to maintain a high level of assurance about the identity of the actors (both

official and functional representatives) and the organizations they represent, while also fulfilling zero trust architecture requirements.

In Australia, the ASIC has recently mandated the use of the LEI for reporting over-the-counter (OTC) derivatives transactions through the [ASIC Derivative Transaction Rules \(Reporting\) 2024](#) to align with international reporting standards. This requirement reinforces the importance of standardized entity identification in financial markets to enhance transparency, regulatory oversight, and systemic risk management. By extending this mandate to digital asset service providers, ASIC can ensure consistent and reliable entity identification across both traditional and emerging financial sectors. The integration of LEI/vLEI in digital asset regulatory frameworks would align with ASIC's ongoing efforts to strengthen financial market infrastructure and regulatory reporting compliance.

Further, GLEIF would like to focus its comments on the use of the LEI/vLEI in the proposed guidance to support the ASIC's efforts:

ASIC's proposed licensing requirements for digital asset service providers (AFS licenses, market licenses, and custodial services) necessitate robust identification and verification mechanisms. GLEIF thinks that the LEI can serve as a standardized identifier for licensed firms, ensuring regulatory oversight and reducing counterparty risk. The LEI helps regulators to capture the relationship data of the (to-be) licensed firm, especially for registered foreign companies. The vLEI, through its cryptographic verifiability, can further enhance the security and reliability of identity attestations in decentralized finance (DeFi) and tokenized markets.

Additionally, the ASIC emphasizes compliance with financial services regulations, including anti-money laundering (AML) and know-your-customer (KYC) obligations. GLEIF believes that the LEI/vLEI can facilitate efficient compliance by providing a globally recognized, interoperable identity framework for regulated entities. By requiring LEI/vLEI for financial product issuers, custodians, and depository service providers, ASIC can ensure improved transparency and risk management in digital asset transactions.

Furthermore, the ASIC's considerations for stablecoin and wrapped token regulations highlight the importance of issuer transparency and regulatory oversight. Implementing LEI/vLEI for stablecoin issuers would provide a clear, verifiable link to the responsible entity, mitigating risks related to reserve backing and financial stability. This aligns with the ASIC's goal of fostering integrity in digital asset markets.

Custodians play a vital role in safeguarding digital assets. LEI/vLEI can enhance trust and accountability by ensuring that custodians and their clients have verifiable digital identities. This would streamline compliance processes and reduce counterparty risk in custodial arrangements, aligning with ASIC's objective of maintaining secure and transparent financial services.

Last but not least, it should be highlighted that ASIC's regulatory approach aligns with relevant frameworks in other regions, such as [Markets in Crypto-Assets Regulation \(MiCA\) \(EU\)](#). LEI/vLEI, as a globally recognized identifier, can serve as a foundation for cross-jurisdictional regulatory compliance.

This would enhance market integrity and facilitate seamless financial transactions across different regulatory environments.

GLEIF remains at the ASIC's disposal to discuss and support its work. Please do not hesitate to engage us in discussions and questions related to the LEI and/or the vLEI in current and future consultations.