



Enabling global identity  
Protecting digital trust

## **Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission Call for Evidence for the Public procurement – EU rules on electronic invoicing in public procurement**

April 14<sup>th</sup>, 2023

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission Call for Evidence for the Public procurement – EU rules on electronic invoicing in public procurement. GLEIF will focus its comments on how leveraging the Legal Entity Identifier (LEI), a machine-readable digital standard for entity identification within the semantics of the European standard on eInvoicing, can help to address cross-border and transnational frictions and simplify business processes of economic operators when supplying goods, works and services to a public administration.

GLEIF suggests that fragmentation of data space and single market for data among the Member States is a major risk for creating an EU fit for digital age and digital transformation. This fragmentation affects the usability of data and the value generation through data, which also impacts the broader use of the eInvoices by the economic operators.

While GLEIF welcomes the European Commission's call for evidence to review the effects of the Directive on the single market and on the uptake of eInvoicing in public procurement and promote digital integration between businesses within the digital single market, GLEIF would like to emphasize that the usability of data will depend on its interoperability and standardization. When it comes to these two fundamental principles, GLEIF suggests that a critical question for EU authorities will be how to securely standardize the identification of entities looking to access/share data from/with other entities. A role for public authorities in that standardization is needed. The [report](#) on shaping the digital transformation in Europe highlights a lack of common standards for data and interoperability contributes to a lag in next-generation digital infrastructure. Secondly, regulation pertaining to the digital sector is not fully harmonized across the Member States (especially for emerging, high-impact technologies), which risks hindering the Digital Single Market in the EU.

Adding the LEI in the core data set of the semantics of the European standard for eInvoicing will boost interoperability within the Digital Single Market. Whenever the question of identifying securely a third party arises, the LEI plays a useful role as EU authorities reflect on their future data strategy. The LEI, as a global ISO standard (ISO 17442) for unique, unambiguous legal entity identification, offers a supra-sectoral and supra-EU solution. It also ensures interoperability across member states as well as firms participating in EU solutions from third countries given the EU prides itself on the openness of its public procurement market. The EU-wide publication of tenders creates opportunities for companies across the EU and the world. Third country bidders can be easily and unambiguously identified if the LEI is added as a mandatory data element within the semantics of the European standard for eInvoicing. As a universally unique identifier based on an international

standard, the LEI can be considered a relevant attribute in many applications where authenticated transactions are relevant. LEI is a quality-controlled unique identifier supported by a transparent infrastructure of local identity validation and a centralized open data challenge service and provides standardized reference data, which shows any eligible entity in a network of ownership and other relationships.

The LEI is already included on the EU Electronic Address Scheme (EAS) code list.

### What is the LEI ?

- The LEI is a 20-character, alpha-numeric code, based on the ISO 17442 standard, is used for uniquely and unambiguously identifying legal entities globally. Each LEI contains information about an entity's ownership structure and thus answers the questions of '[who is who](#)' and '[who owns whom](#)'. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.
- Following the financial crisis of 2008, financial supervisors were unable to reconcile positions and dependencies across financial marketplaces easily. Supervisory authorities can now identify parties to financial transactions across markets, products, and regions for regulatory reporting and supervision in a consistent and systematic way with the introduction of the LEI.
- The private sector, particularly financial institutions, use the LEI as part of their data-driven approaches to client management procedures. The LEI is used to identify their clients in a standardized way thereby connecting internal and external databases through the LEI; so as to speak the same language in entity identification and verification.
- The Global LEI System is overseen by over 71 public authorities (including DG FISMA representing the European Commission, the European Central Bank, the EU supervisory authorities, and 16 member state authorities) participating in the [Regulatory Oversight Committee](#).
- In the European Union, the LEI is already required in regulatory reporting for entities subject to over 80+ Regulations such as EMIR, MIFID II, MAR, CRR, SFTR, Solvency II, AIFMD, CRAR, CSDR, Transparency Directive, Securitization Regulation, Prospectus Regulation and SFTR. At the global level, more than 200 rules are referring to the LEI in Financial Stability Board jurisdictions<sup>1</sup>.

### Why should the LEI be one of the building blocks of the EU data strategy and eInvoicing standard specifically?

- Trust is the main pillar of any financial transaction. It matters more than ever in a digital and globalized economy – as the number of legal entities one transacts/interacts with is only increasing and will continue to do so. This new environment makes identity verification by

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<sup>1</sup> [Financial Stability Board's Thematic Review on Implementation of the Legal Entity Identifier Peer Review Report](#)



citizens, businesses, and authorities more important but also more challenging to do accurately.

- Covid-19 showed the urgent need for digitization; but also the loopholes in the related governance frameworks. For instance, in the EU, the European Anti-Fraud Office (OLAF) has opened an inquiry concerning the imports of fake COVID-19 related products. OLAF announced that approximately 20,000 businesses have been set up on e-commerce platforms that allow the selling of medical equipment without checking and verifying their identity. GLEIF would like to reiterate the importance of leveraging a global standard for verification of entities considering the global nature of cross border trade and suppliers.
- [European Systemic Risk Board's Recommendation](#) to the Commission of 24 September 2020 on identifying legal entities (ESRB/2020/12) calls on the Commission to adopt the LEI for all legal entities in the EU:  
*"The Commission is **recommended to propose that Union legislation incorporates a common Union legal framework** governing the identification of legal entities established in the Union that are involved in financial transactions by way of a legal entity identifier (LEI)..."* and until then  
*"...the relevant authorities require or, where applicable, continue to require, all legal entities involved in financial transactions under their supervisory remit to have an LEI; 2. **the authorities, when drafting, imposing, or amending financial reporting obligations include or, where applicable, continue to include, in such obligations an obligation to identify by way of an LEI: (a) the legal entity subject to the reporting obligation; and (b) any other legal entity about which information must be reported and which has an LEI"**.*
- The G20 roadmap to enhance cross-border payments promotes the use of common message formats and data exchange protocols. To address data handling issues and improve compliance processes, it examines the scope for a global unique identifier that links to the account information in payment transactions so as to facilitate straight through processing, reduce costs, enhance accuracy and increase speed in transactions. Exploring enhanced use of the LEI as that global unique identifier for legal entities in cross-border payments is one of the [priority items of the roadmap](#).
- Data interoperability, harmonization, and standardization of entity data can be achieved by making the LEI as part of the core data set of the European standard for eInvoicing for public procurement and other purposes, where B2B/B2G/G2B interactions are expected:

**Open & non-proprietary** - The complete database of LEIs and the associated reference data is available free of any charge or barrier to anyone on the web. GLEIF operates under the Open Data Charter terms, which means all users can use the data without limitations.

**Machine-readable** – The LEI serves as an important element of interoperability. All LEI reference data is available as open data, easily accessible via web search, full file download or API. The API, developed by the GLEIF, responds to the market needs of multiple LEI stakeholders, including financial institutions, regulators, fintech companies, and analysts

seeking to include LEI data in their automated processes. The use of the API is free of charge and does not require registration.

**Mapping with other identifiers** - GLEIF has established a free of charge certification process – the GLEIF Certification of LEI Mapping service - to ensure that organizations that map the LEI to their own identifiers use state of the art methodologies to do so accurately. Data vendors engaging in the GLEIF Certification of LEI Mapping service provide their customers enhanced interoperability across parallel ID platforms, streamlined entity verification processes, and reduced data management costs for data users. With the launch of the open-source Business Identifier Code (BIC)-to-LEI relationship files in 2018, GLEIF and SWIFT pioneered a cooperation model that, for the first time, enabled market participants to link and cross-reference key entity identifiers free of charge. In April 2019, GLEIF and the Association of National Numbering Agencies (ANNA) piloted the first daily open-source International Securities Identification Number (ISIN)-to-LEI relationship files that link newly issued ISINs and LEIs. The Certification of Mapping service also supports the Global LEI System's integrity by ensuring that quality controls associated with mapping identifiers to the LEI meet or exceed requirements defined by GLEIF. Lastly, the LEI was mapped to Standard and Poors (S&P) Global Company ID.

**All-encompassing coverage** - the Global LEI System supports all forms of legal entities, including trusts, funds, partnerships, SPVs, NGOs, individuals acting in a business capacity, or governmental organizations. Therefore, the LEI goes beyond the coverage of the EUID. The EUID is a good instrument for the goal it was designed for: create a EU-wide unique identifier for business registries to be able to communicate through Business Registry Interconnection System (BRIS) in a digital way between themselves on cross border mergers in the EU and on branches in other Member States. It was never designed to be used outside these goals. According to research done by the European Commission around the time of the implementation of the BRIS Directive, the number of entities covered by the Company Law Directive (and thus having an EUID) was around 45% of the total number of entities in the business registers in the Member States. And that figure included the United Kingdom, where the registry only contains companies, which means that the percentage for the current EU is even lower.

**Globally relevant** – Digital ecosystems are global by nature. That is why any standard adopted in digital ecosystems should be able to respond to that global nature. Considering the LEI as the standard for legal entity identification in digital transactions would mean the EU is adopting a globally recognized and well-received standard for its digital ecosystems. As proven by many EU rules in other sectors, this can only help the rest of the world follow the EU set standards as a best practice.

### **Further background on the LEI and digital initiatives**

Additionally, the LEI has potential in a variety of other initiatives when it comes to digital innovation and building the EU's digital infrastructure and capacity.

## LEI, eSeals & eIDAS

The LEI plays an important role in extending the interoperability and usefulness of the EU's eIDAS scheme. GLEIF demonstrated in 2019 how an eIDAS compliant certificate can be linked to a company's annual financial reporting in a completely machine-readable fashion via the LEI<sup>2</sup>. This allows any interested party to quickly and easily consolidate and verify information on a filing entity. All the while benefiting from the trust environment established by eIDAS. Last year, GLEIF and its partners from Japan and the European Union [conducted a proof of concept](#) understanding the role of the LEI in facilitating mutual confirmation of the origin of electronic documents exchanged between international companies. Beyond eIDAS regulations and the European Union members states they apply to, there is no international uniformity in eSeal format or requirements. eSeals are electronic signatures associated with legal entities. As a result, there is no mutually recognized way for an eSeal recipient to verify the authenticity of a sender's identity beyond national borders. Yet there is a growing requirement for harmonization in cross-border trust services to support an ever-increasing level of international trade and commerce taking place across digital platforms. The recently completed proof-of-concept involved an electronic invoice being digitally sealed by the sender using an eSeal with the sender's LEI embedded and a timestamp. This enabled the authenticity of the sender and the time of the sealing to be confirmed. The process was undertaken reciprocally, with the digitally sealed invoice issued by the Japanese organization to the European organization and vice versa. The authenticity of the eSeal could be confirmed, thanks to the proof-of-concept framework, which was mutually recognized by both regions.

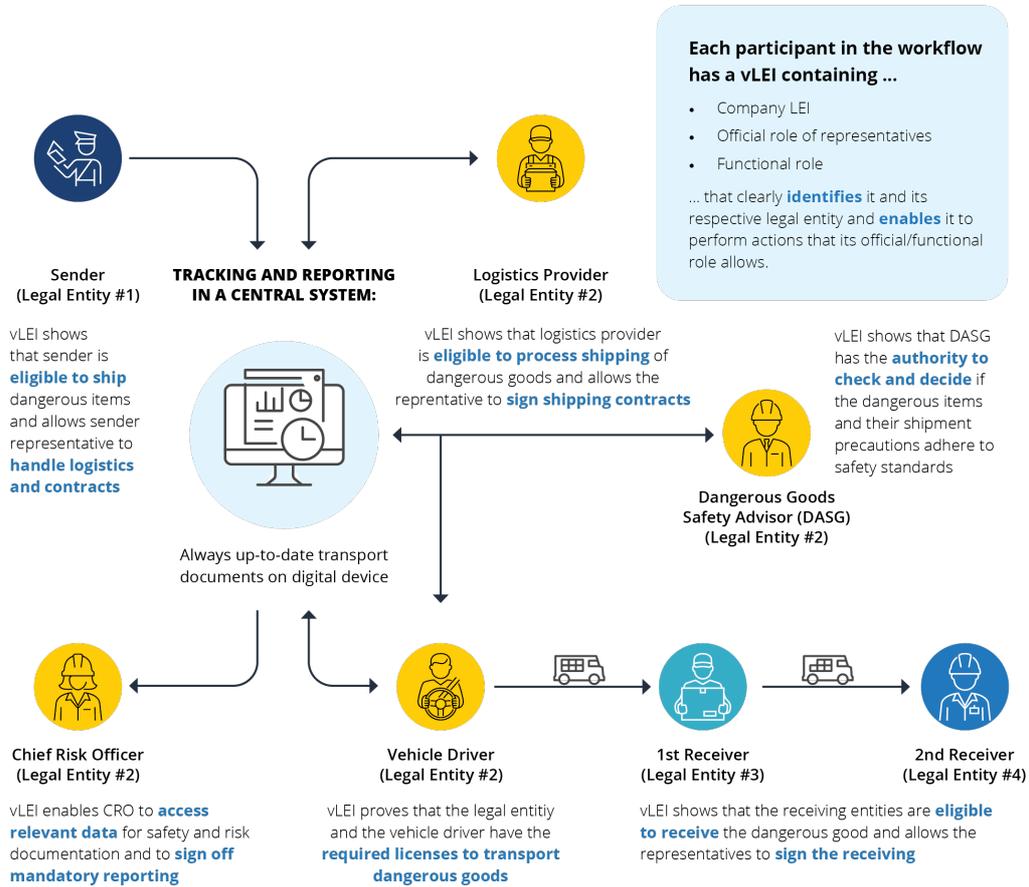
## Verifiable LEI (vLEI) in zero trust architecture

More than 200 financial markets regulators worldwide have now mandated the LEI in regulatory reporting. The system is now expanding beyond regulated use and re-focusing on helping organizations use the LEI to bring greater trust, efficiencies, and transparency to trade of all kinds. In doing so, GLEIF has developed a new model of decentralized business identity, the verifiable LEI (vLEI), that enables businesses everywhere to use the Global LEI System to identify themselves and verify the authenticity of counterparty organizations digitally. The vLEI conforms to the popular "never trust, always verify" mantra, embodied by the counterintuitively labeled "Zero Trust Architecture" movement, which is rapidly growing within the cybersecurity industry. It provides a new, verifiable digital trust layer that sits beneath the conventional information exchanged between supply chain organizations and public authorities.

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<sup>2</sup> See for further detail : <https://www.gleif.org/en/about/governance/annual-report>

Use Case: LEI and vLEI in Supply Chain Management for Compliance, Efficiency, and Innovation



Source: IDC Technology Spotlight "Driving Business with Trust: The Sustaining Role of Secure and Reliable Identities", March 2023

Figure 1: Use Case - LEI and vLEI in Supply Chain Management for Compliance, Efficiency, and Innovation

The LEI and vLEI system can foster dramatic improvements in trading dynamics among those using it, streamlining Know Your Customer and other supplier onboarding due diligence checks, improving risk management, and instilling greater confidence amongst trading parties resulting in more transparent and efficient cross-border exchanges of goods and data.

Submitted by:

Stephan Wolf, CEO GLEIF

[Stephan.Wolf@gleif.org](mailto:Stephan.Wolf@gleif.org)