

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Commission's Proposal for a Regulation of the European Parliament and of the Council on a Single Market for Digital Services (Digital Services Act) and amending Directive 2000/31/EC

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Commission's Proposal for a Regulation of the European Parliament and of the Council on a Single Market for Digital Services (Digital Services Act) and amending Directive 2000/31/EC. GLEIF will focus its comments on how a clear LEI requirement in Article 22 of the Proposed Regulation can help to set a consistent and standardized legal entity identification of traders in digital platforms and ensure transparency and consumer protection accordingly.

First, GLEIF welcomes the Commission's proposal to bring new requirements on traceability of business users in online marketplaces, obliging intermediary service providers to verify and assess certain information on traders before concluding distance contracts.

In the previous consultations launched by the Commission on the Digital Services Act, stakeholders broadly agreed on the need to upgrade the framework in light of today's challenges by establishing clear obligations for service providers, harmonized across the EU. A majority of respondents, all categories included, indicated that they have encountered both harmful and illegal content, goods or services online, and specifically noted an alarming spike during the Covid-19 pandemic. A large share of respondents who say they have notified illegal content or goods to digital service providers expressed their dissatisfaction with the response and the ineffectiveness of reporting mechanisms after the exposure took place.

There is broad consensus, including among service providers responding to the consultation, on the need for simple, standardized, transparent notice and action obligations, harmonized across the internal market. This is considered as essential to enable rapid responses to illegal content and enhance legal clarity for users of platforms and for small platforms seeking to scale in the internal market. Respondents also agree on the importance of a redress mechanism. Concerning online marketplaces, several stakeholders flagged the need for **more targeted measures such as the identification of sellers**.

GLEIF suggests that the LEI, a global standard for unique identification of legal entities, can help online platforms and consumers to precisely identify whom they are doing business with. Once the seller's identity is verified in an easy, standardized, and consistent manner, the reporting and enforcement mechanism's efficiency also increases. Additionally, EU supervisors have already leveraged the LEI to bring transparency to marketplace transactions. As demonstrated in a recent [study](#) published by the Banque de France, the LEI brings transparency to ownership structures and its use in financial markets regulation such as MiFIR/MiFID II extends this transparency to both EU and non-EU entities involved in EU marketplaces.

In the Commission's Proposal, Article 22 governs the "*traceability of traders*". Where an online platform allows consumers to conclude distance contracts with traders, it shall ensure that traders can only use its services to promote messages on or to offer products or services to consumers located in the Union

if, prior to the use of its services, **the online platform has obtained the following information:** (a) the name, address, telephone number and electronic mail address of the trader; (b) **a copy of the identification document of the trader** or any other electronic identification as defined by Article 3 of Regulation (EU) No 910/2014 of the European Parliament and of the Council. Article 22(e) says “*where the trader is registered in a trade register or similar public register, the trade register in which the trader is registered and its registration number or equivalent means of identification in that register*”.

The Commission Staff Working Document Impact Assessment highlights that a quarter of the online intermediaries responding to the open public consultation said they **did not have policies or identification measures for their business users established outside of the Union**. Such measures are considered best practices to dissuade illicit sellers and to enable the enforcement of sanctions against them. **On-boarding processes for traders differ** for each online marketplace: whereas some are asking for detailed information on the identity of the traders, others require a mere email address. Consumer protection authorities have also often reported their difficulties to enforce the law against rogue traders online due to the lack of information on the identity of such traders, especially when they are not established in the EU.

Therefore, GLEIF suggests that the Commission has a consistent requirement for identity in the Article 22(a) and (e) as follows:

- (a) the name, **the Legal Entity Identifier (LEI – ISO 17742)**, telephone number, and electronic mail address of the trader;
- (e) the **Legal Entity Identifier (LEI- ISO 17742)** of the trader.

Since the Legal Entity Identifier reference data contains the local business registry number, headquarter and legal addresses of an entity, as well as information on the entity parent structure, requesting the LEI would make many data fields unnecessary to collect. It would also ensure that a consistent identity standard is applied to all traders thereby making this information meaningful to users of platforms. The current approach will result in identification information in different languages, specific to local jurisdictional requirements, and result in increased due diligence costs for online marketplaces.

GLEIF suggests that the LEI, the golden standard for entity identification, should be the first foundational step in ensuring that the intermediary service providers perform their Know Your Business Customer (KYBC) requirements on a standardized and consistent manner. It would also ensure that traders can provide the same identity standard to all online platforms therefore making it easier to engage with EU marketplaces for both EU based traders as well as third country traders. The LEI has a global footprint, which is issued in 200+ jurisdictions. Therefore, all entities, regardless of where they are registered, are eligible to obtain the LEI.

With a simple LEI requirement, the Commission can achieve a more transparent and secure digital online services ecosystem, where the European consumers are protected from fake entities and their product offerings.