



LEI

GLOBAL  
LEGAL  
ENTITY  
IDENTIFIER  
FOUNDATION

# Welcome to the Global Legal Entity Identifier Foundation (GLEIF) Webinar

**Connect the Corporate Dots Globally  
with the Legal Entity Identifier (LEI)**

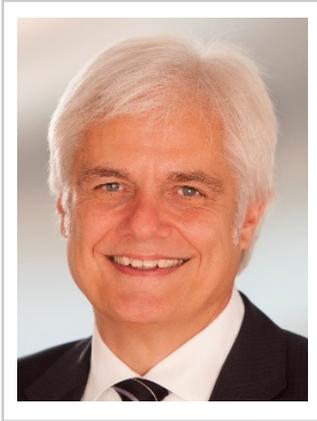
**7 December 2016, 15.00 CET (no audio until this time)**

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Webinar attendees will remain muted to reduce background noise

**#GLEIFlive**

# Introducing Presenters



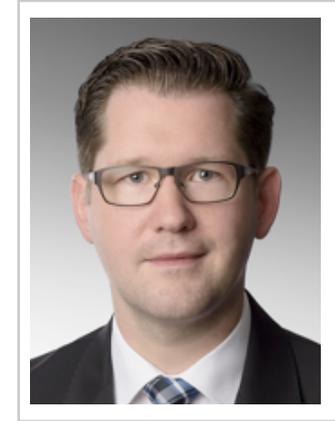
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## 1. GLEIF: Who we are

- Mission and Vision
- Services

## 2. Recap: The Legal Entity Identifier (LEI) and the Global LEI System

- Global LEI Index: Creating transparency in financial markets
- Information available today: Data on ‘who is who’

## 3. Next step: Data on ‘who owns whom’

- GLEIF prototype exercise with ‘first mover’ LEI issuers

## 4. GLEIF 2017: Outlook

- Helping the industry get ready for MiFID II
- XBRL and GLEIF address legal identity in digital business reporting
- Continued focus on data quality
- Encourage businesses to embrace LEI

## GLEIF: Who We Are

### Global Legal Entity Identifier Foundation (GLEIF)

- Established by the Financial Stability Board in June 2014
- Supports implementation and use of the Legal Entity Identifier (LEI)
- Backed and overseen by LEI Regulatory Oversight Committee (LEI ROC), representing public authorities from around the globe
- Supra-national, not-for-profit organization tasked to manage the only global, open and non-proprietary legal entity identification system designed as a public good
- GLEIF is, by its statutes, agnostic to any particular commercial or political interests
- GLEIF services ensure the operational integrity of the Global LEI System



## GLEIF mission

GLEIF manages a network of partners, the LEI issuing organizations, to provide trusted services and open, reliable data for unique legal entity identification worldwide



## GLEIF vision

- Ultimately, there should be one identity behind every business
- Having an LEI will help to achieve this objective

<b>Accreditation of LEI issuers</b>	<b>Access to LEI data free of charge to users</b>	<b>Ensure highest data quality</b>
<p>In its role as accreditation agency, GLEIF evaluates the suitability of organizations seeking to operate as issuers of LEIs. Accreditation is a rigorous evaluation process carried out by GLEIF.</p>	<p>Backed by the LEI Regulatory Oversight Committee, our Global LEI Index is the only online source with the potential to capture any entity engaging in financial transactions globally, regardless of who generates them.</p>	<p>Only LEI data is subject to regular third party validation and a public challenge process. In addition, the data must meet our strict requirements to continuously optimize the usability and reliability of the LEI data pool.</p>
<b>Restoring trust in entity identification management</b>	<b>Commitment to open data principles</b>	<b>Offering a central portal for information on LEI</b>
<p>We provide expertise and reliability throughout our organization and management of the system. In partnership with the LEI issuing organizations, we make available in-depth knowledge of local markets.</p>	<p>We are committed to fostering greater coherence and collaboration to promote the increased adoption of shared open data principles, standards and good practice across multiple sectors around the world.</p>	<p>Throughout its website, blog and social media channels, GLEIF offers comprehensive information on the LEI and the Global LEI System as well as timely updates on related global developments.</p>

## **What Does that Mean in Practice?**

We enable smarter, less costly and more reliable decisions about who to do business with.

## Recap: The Legal Entity Identifier (LEI)



**LEI is the linchpin that connects the dots across the universe of entity identification in the digital age**

- 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO)
- Connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions
- As of December 2016, more than 470,000 LEIs have been issued globally to entities based primarily in the U.S. and Europe where regulations require the use of LEIs to uniquely identify counterparties to transactions in regulatory reporting
- We expect that, by 2020, we will look at an LEI population of about 1.5 million as a result of regulation
- Today, public authorities in many jurisdictions rely on the LEI to evaluate risks, conduct market surveillance and take corrective steps, if required

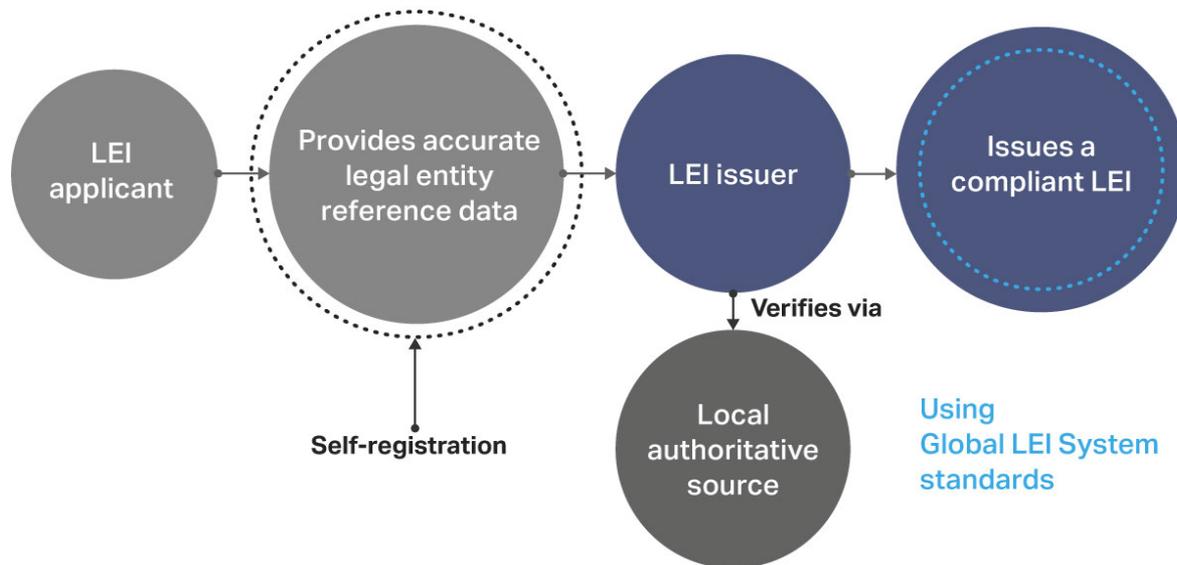
# Recap: The Global LEI System



**The Financial Stability Board (FSB) and the Group of Twenty (G20) have endorsed the LEI, Global LEI System and GLEIF.**

## Recap: The Role of the LEI Issuers

LEI issuers – also referred to as Local Operating Units (LOUs) – supply registration, renewal and other services, and act as the primary interface for legal entities wishing to obtain an LEI.



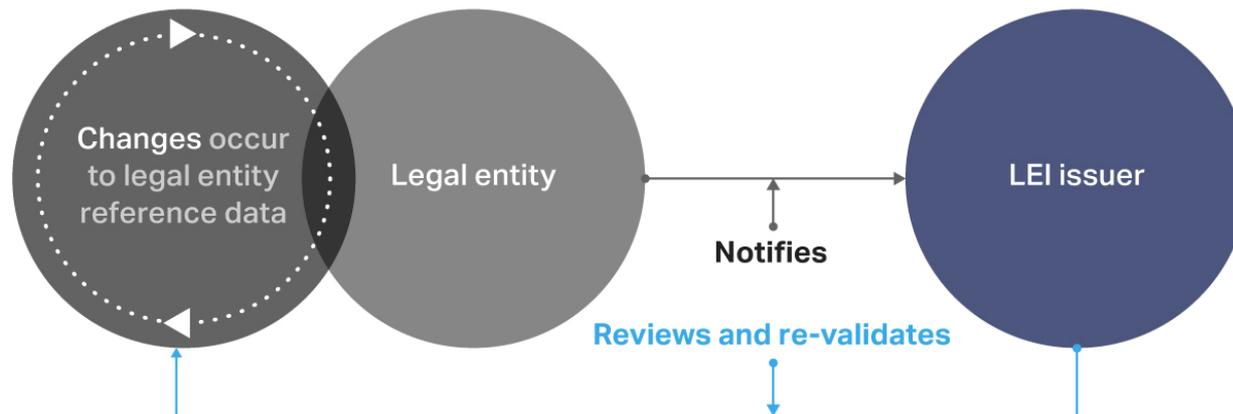
## Global LEI Index available on the GLEIF website

- Only global free online source that provides open, standardized and high quality legal entity reference data
- Consists of a golden copy of all past and current LEI records including related reference data in one repository
- All LEI records can be easily found and accessed using the LEI search tool developed by GLEIF
- Publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace

## Level 1 data: Information on 'who is who'

- The information available with the LEI reference data to date is referred to as 'Level 1' data
- It provides the answer to the question of 'who is who'

### Annual Renewal Process



# Sample LEI Record: European Central Bank



## Search LEI record in Global LEI Index:

Country	LegalName	LEI	EntityStatus	RegistrationStatus
Germany	European Central Bank	549300DTUYXVMJXZNY75	ACTIVE	ISSUED <input type="checkbox"/>

## Excerpt of information identifiable with LEI record to date:

Addresses	
LEGAL	HEADQUARTERS
Sonnemannstrasse 20 60314 Frankfurt Germany	Sonnemannstrasse 20 60314 Frankfurt Germany
Registration details	
INITIAL REGISTRATION DATE	2013-04-18 02:08:10+02:00
LAST UPDATE DATE	2016-05-03 12:16:18+02:00
REGISTRATION STATUS	ISSUED
NEXT RENEWAL DATE	2017-03-07 09:16:56+01:00

## Next Step: Data on ‘Who Owns Whom’ (1)

In a next step, the LEI data pool will be enhanced to include information on ‘who owns whom’.

This allows the identification of direct and ultimate parents of a legal entity and, vice versa, so that the entities owned by individual companies can be researched.

“With every data scrape, or use of an LEI, the picture of global corporate activity is becoming slightly less opaque thanks to the work of a hidden army of geeks”

Financial Times

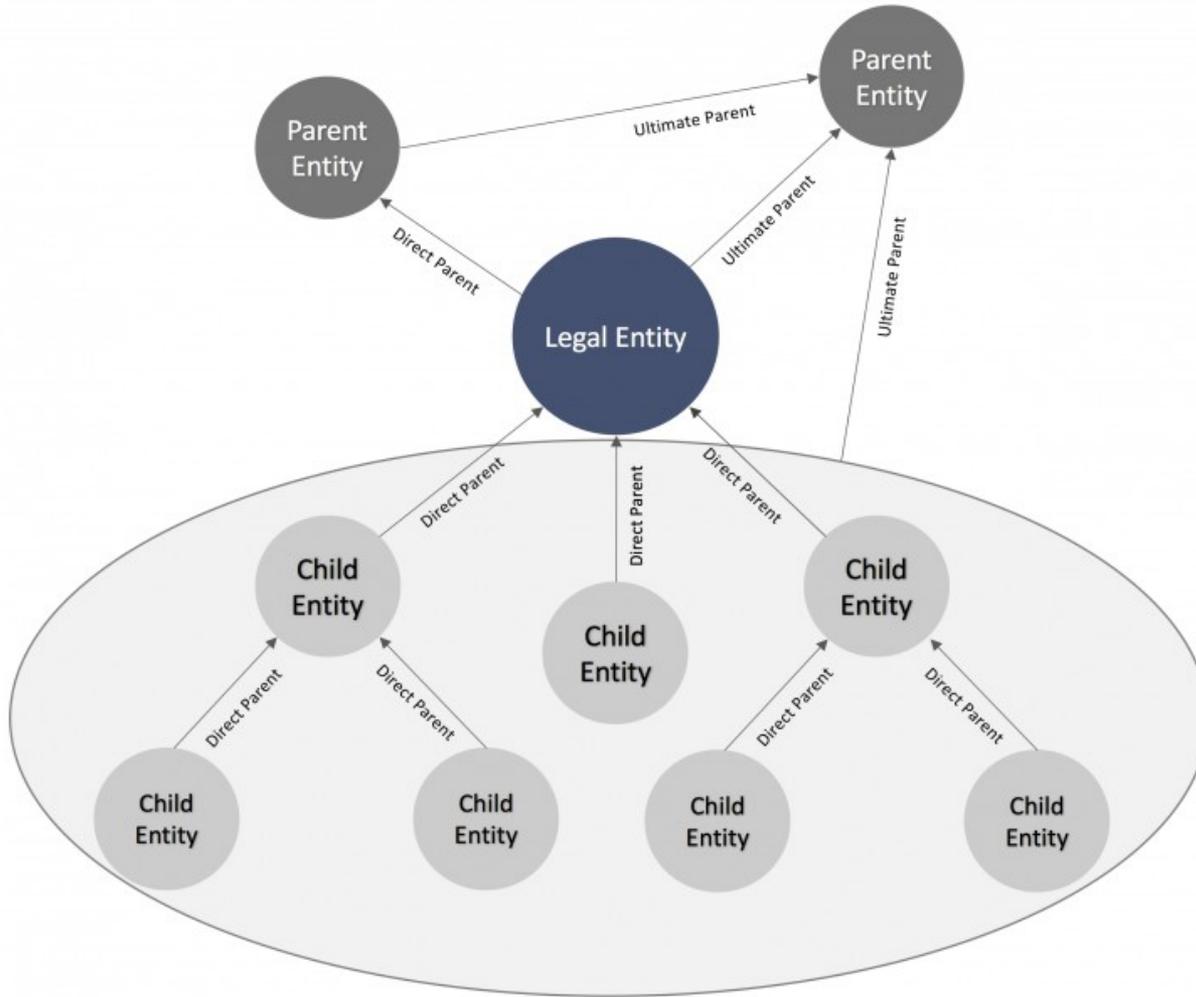
## Next Step: Data on ‘Who Owns Whom’ (2)



### Level 2 data: Information on ‘who owns whom’

- In March 2016, the LEI Regulatory Oversight Committee (LEI ROC) published the document ‘Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1’.
- GLEIF is responsible for carrying out the project management and developing the organizational and technical standards required by the LEI issuing organizations to collect the parent information.

## Next Step: Data on 'Who Owns Whom' (3)



# Data on Who Owns Whom: The LEI ROC Policy (1)



## Entities that have or acquire an LEI will report

- Their 'ultimate accounting consolidating parent': Defined as the highest level legal entity preparing consolidated financial statements
- Their 'direct accounting consolidating parent': Defined as the lowest level legal entity that prepares consolidated financial statements that consolidate the entity

In both cases, identification of the parent would be based on the accounting definition of consolidation applying to this parent

- IFRS (International Financial Reporting Standards) and US GAAP (United States Generally Accepted Accounting Principles)

## Accounting definitions were chosen as a starting point

- Applicable to both financial and non-financial companies
- Their international comparability has increased
- Widely used, publicly available and their implementation is periodically reviewed by external auditors

## Data on Who Owns Whom: The LEI ROC Policy (2)



**Information on parents will be part of the information that must be provided in order for an LEI to be issued or renewed.**

The LEI Regulatory Oversight Committee (LEI ROC) report specifies the following options to decline providing parent information

- There is no parent according to the definition used
- Legal obstacles prevent providing or publishing this information
- The disclosure of this information would be detrimental to the legal entity or the relevant parent. This will include reasons generally accepted by public authorities in similar circumstances, based on a declaration by the entity

### Entities will report relationship information to the LEI issuing organizations of the Global LEI System

- LEI issuing organization will verify the relationship information based on public documents if available, or other sources

The information collected will be published in the Global LEI System and therefore freely available for public authorities and market participants

- At this stage, the Global LEI System will only record relationship data that can be made public, in accordance with the applicable legal framework
- Distinct procedures apply regarding direct and ultimate parents with and without an LEI

# Data on Who Owns Whom: Prototype Exercise (1)



On 7 December 2016, GLEIF successfully concluded a prototype exercise with five 'first mover' LEI issuers to demonstrate the end-to-end process of Level 2 data collection and validation



## Data on Who Owns Whom: Prototype Exercise (2)



**Successful prototype exercise with participating LEI issuers concluded in the first week of December 2016.**

### **Actions performed by participating LEI issuers during prototype exercise**

- Worked with selected actual legal entities that have obtained an LEI (their clients) to collect parent information
- Received accounting documents from the legal entities to validate parent information
- Created data records using technical documentation developed by GLEIF
- Uploaded these data records via an interface provided by GLEIF, using an encrypted transfer protocol, and electronically signed the files to ensure authenticity

### **Actions performed by GLEIF during prototype exercise**

- Received the files including parent information from the ‘first mover’ LEI issuers
- Checked files to ensure compliance with relevant technical documentation and business rules
- Created sample files including parent information

## Data on Who Owns Whom: Prototype Exercise (3)



**Prototype exercise was carried out based on technical documentation developed by GLEIF**

### **Relationship Record Common Data File (RR-CDF) Format**

- Technical format which specifies how Level 2 data, i.e. relationship records, is stored and transferred between LEI issuing organizations and GLEIF

### **State Transition Rules for the Relationship Record Common Data File Format (Incl. Validation Rules)**

- General business rules to be observed by LEI issuers collecting Level 2 data and provides specific instructions on how to apply the 'Relationship Record Common Data File Format'

### **Parent Reference Data Format**

- Technical format which specifies how reference data for parent entities without an LEI is stored and transferred between LEI issuers and GLEIF

## Data on Who Owns Whom: Publication (1)

**Once parent information for the entire LEI population is available, GLEIF will provide a unique and free data source that allows corporate dots to be connected globally based on open, standardized and high quality LEI data.**

To date, LEI data records are published with the daily updated 'GLEIF Concatenated File'.

- This file contains the content of the individual files, published by the LEI issuing organizations, which list all LEIs issued to legal entities and related LEI reference data, i.e. Level 1 data on who is who

Level 2 data on who owns whom will be published with a separate file on the GLEIF website.

- This avoids any disruption to the established use of Level 1 data by market participants

## Data on Who Owns Whom: Publication (2)



### Distinct procedures apply regarding direct and ultimate parents with and without an LEI

If direct and / or ultimate parent of an LEI registrant

**has obtained an LEI**, the following applies:

- Child legal entity will be obliged to **provide the LEI code**, respectively, of its direct and ultimate parent to the LEI issuing organization
- The separate file to be published on the GLEIF website providing parent information will contain the LEI of the child entity as well as the LEIs, respectively, of the direct and ultimate parent

## Data on Who Owns Whom: Publication (3)

If direct and / or ultimate parent of an LEI registrant does not have an LEI, the following applies:

- Child legal entity will be obliged to **report reference data** on its direct and ultimate parents to the LEI issuing organization (parent meta data)
- During an initial phase, the reference data reported by a child entity for its direct and ultimate parents will not be published
- For as long as metadata on parents will not be published, this data will only be accessible to GLEIF and LEI ROC members

## Data on Who Owns Whom: Timelines



### Early 2017:

GLEIF will start publishing Level 2 data collected by the LEI issuers participating in the prototype exercise

### 1 May 2017:

Collection, validation and publication of parent information commences.

All LEI issuers are expected to have the capability to register and renew LEIs including Level 2 data

### Early 2018:

Level 2 data for the majority of the LEI population will be available

# GLEIF 2017: Outlook

**3 January 2018: Market participants must comply with the revised Markets in Financial Instruments Directive (MiFID II).**

**“No LEI, no trade”**

- European Securities and Markets Authority (ESMA)

**Call to action**

- The earlier firms register, the better
- We hope there will not be any delays, but this is completely in the hands of the industry
- The later they register, the bigger the chance that there will be a delay
- We cannot guarantee that everyone who comes late to the registration process will get an LEI in time for the regulation to kick in

**Registration Agents**

- To further streamline LEI issuance, GLEIF has introduced the concept of the ‘Registration Agent’. A Registration Agent assists legal entities to access the network of LEI issuing organizations
- More information is available on GLEIF website

### XBRL International formed joint working group with GLEIF to address legal identity in digital business reporting.

- XBRL is the international standard for digital reporting of financial, performance, risk and compliance information, although it is also used for many other types of reporting
- Working group will develop a white paper or briefing note that introduces the use of LEIs within the XBRL framework and describes ways that the output of the WG can be adopted

“The LEI framework is expected, over time, to become the primary identity mechanism in use around the world, so this effort is an interoperability initiative between XBRL International and GLEIF. This is likely to be of particular assistance to financial regulators, securities regulators and business registrars, but could also help other groups using the XBRL standard in both the regulatory and enterprise spheres.”

XBRL International

## GLEIF 2017: Continued Focus on Data Quality (1)



**GLEIF focuses on further optimizing the quality, reliability and usability of LEI data empowering market participants to benefit from the wealth of information available with the LEI population.**

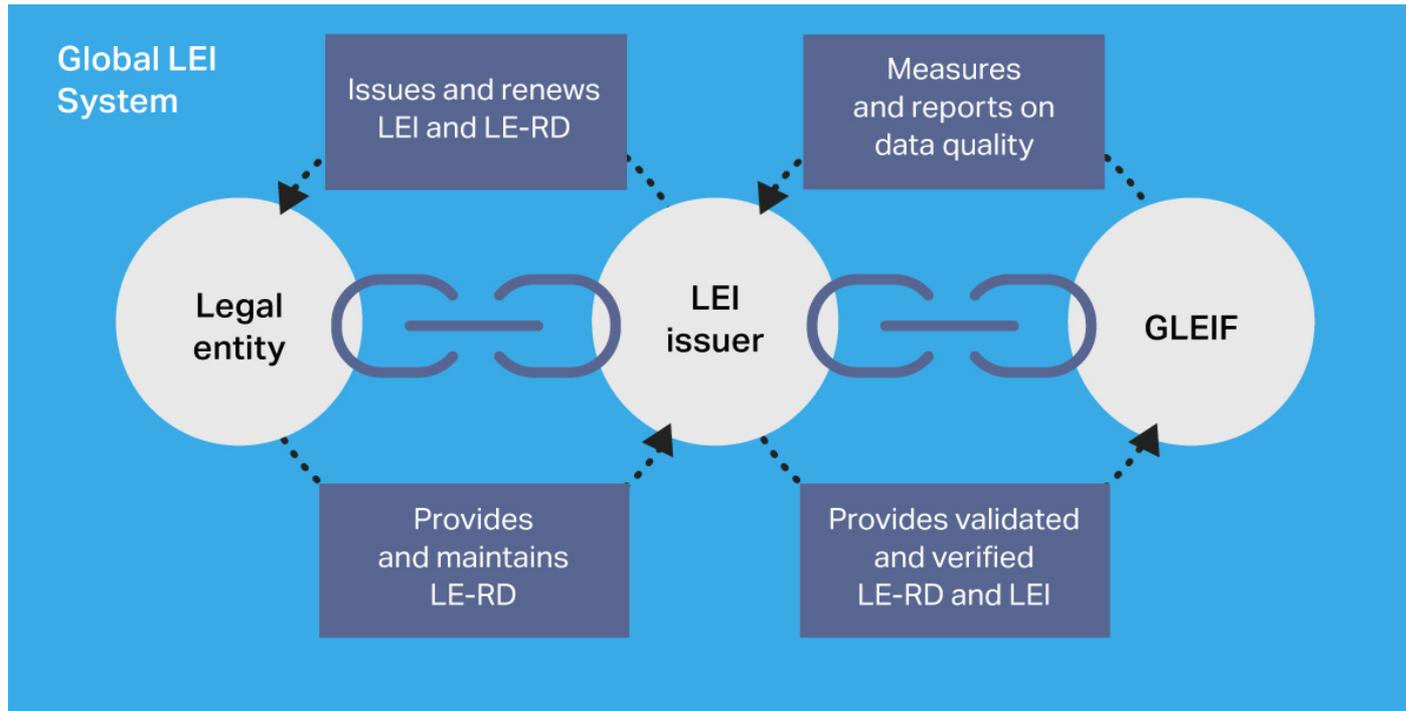
To clarify the concept of data quality with regard to the LEI population, GLEIF has defined a set of measurable quality criteria using standards developed by ISO.

GLEIF makes available:

- Monthly data quality reports
- Central challenge facility that extends ability to trigger updates of LEI data to all interested parties
- Central duplicate check facility to the LEI issuers to ensure that any organization, which has applied for an LEI, has only one LEI and that any LEI code is only issued once

Going forward, the GLEIF data quality management program will continue to evolve by gradually implementing previously defined quality criteria and corresponding controls.

## GLEIF 2017: Continued Focus on Data Quality (2)



### Legal entity

- ▶ Responsible for LE-RD (Legal entity reference data)

### LEI issuer

- ▶ Responsible for validating and verifying LE-RD

### GLEIF

- ▶ Responsible for monitoring, assessing and optimizing data quality

# GLEIF 2017: Encourage Businesses to Embrace LEI



Identifying and verifying legal entities in a financial transaction is often a time-consuming, costly and complex task for organizations

- Up until now, legal entity reference data within financial markets has been proprietary, siloed and non-standardized
- Gathering and maintaining related data requires replicating efforts across the market tying up resources that could be spent more productively elsewhere

Once fully deployed by market participants, the Global LEI Index empowers the wider business community to

- Cut costs
- Simplify and accelerate operations
- Gain deeper insight into the global market place

Benefits to be generated with the Global LEI Index grow in line with the rate of LEI adoption.

**Get an LEI.**

**Any questions?**

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**We enable smarter, less costly and more reliable decisions about who to do business with**



For more information and regular updates on GLEIF activities and LEI developments, visit the GLEIF website which is available in 14 languages at [www.gleif.org](http://www.gleif.org)

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