



Response of the Global Legal Entity Identifier Foundation (GLEIF) to the House of Commons Public Bill Committee

November 11th, 2022

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the U.K. House of Commons Public Bill Committee on economic crime and corporate transparency Bill (Bill).

First, GLEIF would like to provide background on the Foundation and the role of the Legal Entity Identifier in supporting the practical implementation of the Bill.

The Legal Entity Identifier (LEI) itself is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The code connects to key reference information that enables transparency and unique identification of legal entities participating in financial transactions including their ownership structure. The LEI is the only global standard for legal entity identification and its associated reference data are accessible to all as open, public data. The complete database of LEIs and the associated LEI 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 the data can be accessed and used by all users without limitations. GLEIF makes the LEI and LEI reference data available via full file download, webpage search and API. Today, the LEI is widely used in reporting regimes globally, as demonstrated by the adoption of the LEI in 233 regulations and 61 policy recommendations across the globe.

The development of a system to uniquely identify legal entities globally had its beginnings in the 2008 financial crisis. Regulators worldwide acknowledged their inability to identify parties to financial transactions across markets, products, and regions for regulatory reporting and supervision. This hindered the ability to evaluate systemic and emerging risk, to identify trends, and to take corrective steps. Recognizing this gap, public authorities, working with the private sector, have developed the Global LEI System with a global governance framework to enable the unambiguous identification of legal entities engaged in financial transactions. The LEI is use case agnostic and can be used in any process of entity identification, from finance to healthcare to verifying all counterparties of a business supply chain.

The LEI initiative is driven by the Financial Stability Board (FSB) on behalf of the finance ministers and governors of central banks represented in the Group of Twenty (G20). In 2011, the G20 called on the FSB to take the lead in developing recommendations for a global LEI and a supporting governance structure. The related FSB recommendations endorsed by the G20 in 2012 led to the development of the Global LEI System as a broad public good and the subsequent establishment of the GLEIF by the FSB in 2014. As outlined in the GLEIF's Statutes, the Global LEI System is designed and developed to be used by the (i) public authorities and (ii) by the private sector to support improved risk management, increased operational efficiency, more accurate calculation of exposures and other needs. The GLEIF, a supra-national not-for-profit organization, is overseen by a committee of more than 65 financial markets regulators and other public authorities and 19 observers from more than

50 countries, known as the [Regulatory Oversight Committee \(ROC\)](#), where the Financial Conduct Authority and the Bank of England are members.

GLEIF suggests that Parliament could consider adding a requirement to add the LEI under Article 66 Allocation of unique identifiers of the Bill. The LEI is relevant and should be adopted as a common standard in any area where there is a need for standardized, consistent and reliable identification for legal entities. The LEI is the only globally unique identifier for legal entities. This is demonstrated in the Bank of England's progressive approach towards ensuring interoperable entity identification management via the LEI as documented in its response to the Huw van Steenis review on the Future of Finance and in its roadmap for the UK's modern payments architecture.

The [UK National Audit Office has warned](#) that up to 60% of businesses may fail to pay back the loans because of minimal credit checks and fraudulent applications at the aftermath of Covid-19 pandemic. This corresponds to the drain of public sources up to £26 billion. In the UK, 1.3 million firms have applied for these loans. Considering that this high volume of applications must be processed in a fast and efficient manner to enable SMEs to access funding in case of an emergency, only a standardized and machine-readable data standard could have enabled this objective. That is why many reports highlight that if unique identifiers, such as the LEI, would be used in processing these applications, fraudsters' application would be easily rejected, as well as the Government would have avoided double payment.

In its response to the Corporate Transparency and Register Reform Consultation, the U.K. Government confirmed the usefulness of the LEI and highlighted that it will consider the benefits and practicalities of requiring LEI on exempt publicly listed companies and relevant legal entities. GLEIF would like to highlight further that if all jurisdictions independently use their own national identifiers, data cannot be compared or shared across jurisdictions and illicit actors will continue to prevail. The LEI is the only entity level identifier that can harmonize regulators globally to combat money laundering, terrorist financing and other financial crimes.

GLEIF would like to provide an update on the recent global support for the use of the LEI in cross border payments.

The FSB has put its full weight behind a landmark recommendation that the LEI should be widely adopted across the global payments ecosystem. FSB called global standards-setting bodies and international organizations with authority in the financial, banking, and payments space to drive forward LEI references in their work. The report also recommends guidance and further outreach on the use of the LEI as a standardized identifier for sanctions lists and as the primary means of identification for legal entity customers or beneficiaries, with specific reference to customer due diligence and wire transfers.

A primary near-term goal of the FSB's report, published as part of the G20 Roadmap for Enhancing Cross-Border Payments, is to stimulate LEI to use initially in cross-border payment transactions. By helping to make these transactions faster, cheaper, more transparent, and more inclusive, while maintaining their safety and security, the LEI has been deemed by the FSB to support the goals of the G20 roadmap.

Bulding on the FSB’s recommendation, recently the International Chamber of Commerce U.K. published “Shutting fraudsters out of trade”. The report recommendations specific to banks, trade associations, governments and regulators to leverage the power of technology and the current market infrastructure to further enhance investments into shutting fraudsters out of trade. The report makes cites on several occasions the G20’s roadmap recommendation to use the LEI in cross-boarder payments.

The Bank of England (BoE) has already introduced LEIs into ISO 20022 standard CHAPS payment messages from February 2023 initaly for all CHAPS Direct Participants (DPs). BoE will then monitor the use of LEIs in payments with a greater vision to incorporating the LEI more broadly thereafter. Being aware of the importance of the broad adoption and usage of the LEI in UK for preventing fraud, illicit financial flows and bringing more transparency, Bank of England had recommended that Companies House registers an LEI along with the Companies House ID for each registered business. Expanding the LEI requirement for all legal entities, including SMEs, on the company overview page would contribute to the broader digital agenda of the UK government. The LEI makes it easier for UK companies to participate in global financial transactions. The mapping of the LEI should happen at the source, Companies House level, in order to avoid false positives and negatives. The Bank of England has suggested that businesses could pull their data together under a single identity, the LEI, and create a portable credit file to shop around for their financing needs. And because of its global recognition, the LEI will help businesses access finance for cross-border trade. This is only one example of how the SMEs can use data, their own data, effectively and how Companies House can serve to its core purpose, making the data in the register easily available for everyone to use, give a greater usability because of its use of a globally unique identifier and have a register as complete and accurate as possible.

Therefore, GLEIF suggests that Parliament considers an explicit LEI requirement within the Bill, as appropriate.

Furthermore, GLEIF is working directly with financial institutions (FIs) within its [Validation Agent operating model](#) (VA) to issue LEIs for their clients, counterparties and funds, in cooperation with LEI Issuer organizations officially accredited by GLEIF, by leveraging their business as usual client identification procedures in Know Your Customer (KYC) and client onboarding processes. This model, triggering LEI growth beyond regulatory mandates, would help to make the financial ecosystem more transparent and accessible for all parties. J.P. Morgan Chase and Citibank, both of which are also DPs, are examples of FIs that have already begun the assignment of LEIs for their clients within capital markets. FIs are then able to leverage the LEI in payment processes for their SME and corporate clients.

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