Legal Entity Identifier – the Global Identity behind every business

Legal Entity Identifier and its role in cross-border trust

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The collapse of Lehman Brothers in 2008, and the subsequent global financial crisis, exposed the interconnectedness of large financial institutions, in particular with respect to counterparty risk in derivative transactions.

The G20 and FSB envisaged a universal legal entity identifier (LEI) that would:

- Identify participants in any financial transaction
- Overcome weaknesses in financial reporting
- Be a public good, offering collective benefits that are hard to capture by private market incentives alone
- Serve the public and private sector
Who is Global Legal Entity Identifier Foundation (GLEIF)

- GLEIF is a not-for-profit Swiss foundation, founded by the Financial Stability Board (FSB).
- GLEIF is overseen by the Regulatory Oversight Committee (ROC) with
  - 71 regulators and
  - 19 observers
  - from 50 countries
- GLEIF Board has 18 independent directors
- 37 accredited Partners for LEI issuing (LOUs) and growing
- >2,4 million issued LEIs to date, available as open data without IP or copyright protection
The LEI

- The LEI is a life-long identifier **owned** by the respective legal entity.
- It points to the associated reference data.
- The LEI is an ISO standard ISO 17442

* GLEIF maintains a list of registration authorities globally.
Global Regulatory Framework for the LEI

**United States**
- Home Mortgage Disclosure reporting
- Repo Market participants
- Swap data reporting
- Funds and investment firms reporting

**Canada**
- Equity and debt securities reporting (starting from Oct. 2019)

**Mexico**
- OTC Derivatives and repo market participants

**Singapore, Hong Kong**
- OTC Derivatives market participants

**European Union**
- MiFID II, MMF Regulation, Solvency II, AIFMD, Market Abuse Regulation, CSD Regulation, Prospectus Regulation, Securitization Regulation,
- SFTR (starting from Apr. 2020)
- EBA Recommendation, Credit Rating Agencies Regulation

**China**
- China Customs requires LEI for imports from 29 countries
- Roadmap for LEI adoption published by PBOC

**India**
- OTC Derivatives market participants, corporate borrowers, non-derivative market and large-value payments participants

**Australia**
- OTC Derivatives market (starting from Sep. 2019)
- ASIC Derivative Transaction Rules (Reporting) 2022

**Canada**
- OTC Derivatives market (starting from Oct. 2019)
- ASIC Derivative Transaction Rules (Reporting) 2022
LEI services – a solution for a true digital ID management

- The Global LEI System is the only regulatory mandated ID management system for legal entities globally.

- It has the potential to support all three “galaxies” via its standards for unique, global, universal, open, reliable and trusted services for issuance, validation and mapping.
International Supply Chain: What will drive activities in 2024?
Promotion, Standards and Operations

*ICC: International Chamber of Commerce, DSI: Digital Standards Initiative, KTDDE: Key Trade Document and Data Elements Working Group
Demo of embedded LEIs in certificates with courtesy of CFCA (China Financial Certification Authority)
Japanese Cabinet of Science, Technology and Innovation approved the "Integrated Innovation Strategy 2020".

The pilot project between Japan and Europe has been launched for the establishment of mutual recognition of trust services in order to facilitate **easier cross-border trade verification** for digital documents using eSeals with LEI embedded. ISO 17442-2 / ETSI TS 119 412-1

Avoids developing business registry specific checks for each country:
- Enables verification automation
- Automates life cycle checks of the company
- **Lingua franca** among different world regions

Participants @ Japan: Hitachi Japan, SECOM/SEIKO CA.
Participants @ Europe: SITA Europe, InfoCert CA.
LEI’s inclusion into S/MIME certificates

- S/MIME stands for Secure/Multipurpose Internet Mail Extensions. This type of digital certificate enables users to secure the integrity and privacy of their emails.

- These certificates are linked to individuals and are used to encrypt and ensure digital identity when sending emails.

- Its encryption process authenticates the message and ensures that the email has not been tampered with by an outside party.

- **Inclusion of LEI codes into email Certificates**

S/MIME certificates are evolving.

*Certification Authority Browser Forum*: has released the Baseline Requirements for the Issuance and Management of Publicly-Trusted S/MIME Certificates (PDF) containing LEI codes.

This is a great opportunity, by including the LEI codes, to add extra value to S/MIME certificates, providing this extra layer of authentication and helping on the vetting and renewal processes.
Organizational Identity (OI)

The ability for people and things to prove their authority to represent an organization outside the boundaries of that organization.

Example:

<table>
<thead>
<tr>
<th>Name</th>
<th>Timothy Ruff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization</td>
<td>Digital Trust Ventures LLC</td>
</tr>
<tr>
<td>Employee ID</td>
<td>123ABC</td>
</tr>
<tr>
<td>Role</td>
<td>General Partner</td>
</tr>
<tr>
<td>Signing Authority</td>
<td>Full</td>
</tr>
</tbody>
</table>
Organizational Identity - the vLEI system

- **Some examples:**
  - The CEO, CFO and the auditors make attestations on financial statements (annual report)
  - A telecom provider uses a 3rd party call center as service desk. Each operator represents the telecom as proxy.
  - In Healthcare, a digital leaflet must be authentic and tight to the producer of the medicine.
  - In aviation, the bill of lading is shared by many organizations. Each entry must be authentic and assigned to a representative.
  - In supply-chain, physical containers and goods within must be tight to sender, receiver and all intermediaries. Customs requires locations of firms and their facilities.
  - And many more. The sky is the limit …
The verifiable LEI (vLEI)

Now we have:

- an identified representative,
- of an identified organization,
- with claimed authority,
- They are provably bound together using Public/Private Key Infrastructure and cryptography
Limitations

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