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The Legal Entity Identifier : An industry standard providing open and reliable data for unique identification management

Abstract

The Legal Entity Identifier (LEI) is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

In 2011, the Group of Twenty (G20) called on the Financial Stability Board (FSB) to provide recommendations for a global LEI and a supporting governance structure. This led to the development of the Global LEI System which, through the issuance of LEIs, now provides unique identification of legal entities participating in financial transactions across the globe. The Global Legal Entity Identifier Foundation (GLEIF) is a not-for-profit organization created to support the implementation and use of the LEI.

To facilitate fast and easy access to the entire LEI population, the GLEIF, the body responsible for ensuring the operational integrity of the Global LEI System, launched the Global LEI Index. It is the only online source providing open, standardized and high quality legal entity reference data with the potential to capture any entity engaging in financial transactions globally. The LEI data is made available free of charge to any interested party on the GLEIF website.

The Global LEI System is designed to help answer three basic questions: Who is who? Who owns whom? And who owns what? 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'. In a next step, the LEI reference data will be enhanced to include information on 'who owns whom' or 'Level 2' data. Specifically, direct and ultimate parent ownership data will be added to the LEI population. Such information is increasingly important for understanding a global economy composed of organizations with cross-border operations and economic activities.

This article updates on the current status of the Level 2 implementation. It also covers other relevant initiatives now in the pipeline such as the standardization of reported legal forms and consolidation of a listing of worldwide authoritative sources for legal entity information. In addition, the article elaborates on the definition of a legal entity and the different types of legal entities participating in financial markets.

Last but not least, the author highlights the main benefits of LEI adoption to statistical users with a focus on how the LEI complements other existing local or regional systems.