



The Legal Entity Identifier for non financial corporations

Banque de France

27 June 2018

Dominique Durant

Banque de France

LEI for non-financial corporations

Size matters, group matters



😊 **95** percent of the French listed companies have a LEI

😊 **100** percent of the members of the AFTE have a LEI

😞 **≈7** percent of legal units of intermediate and large enterprise have a LEI

😞 **1** percent of SMEs have a LEI

99 percent of companies that export are SMEs

	small and medium	intermediate	large
LEI/legal unit	1%	7%	8%
LEI/enterprise	1%	71%	737%
definitions			
staff	0 - 249	250 - 5 000	> 5 000
operating income in € million	< 50	50 - 1 500	> 1 500

Pierrette Schuhl

Institut national de la statistique et des études économique -
INSEE

- 1,214,000 LEIs granted at the 21st June 18 (+241% since March 17)
 - 997,890 LEIs « issued » globally
 - 50,620 LEIs « issued » for French entities
 - 46,762 LEIs « issued », managed by Insee (+270% since March 17)
 - 37,200 Corporates with LEI, « issued », managed by Insee (+247%)

- Increase in share of independent Corporates (not belonging to a Group):
 - 66% in March 18 vs 47% in June 17

- Increase in share of SMEs:
 - 79% in March 18 vs 61% in June 17

The part of French non-financial corporates within French entities with LEI increased

DISTRIBUTION by TYPE of FRENCH ENTITIES				
LEI Issued & Validated	Funds	Financial corporates	Non financial corporates	Total
End of June 2017	6,568	2,763	7,966	17,297
	38 %	16 %	46 %	100 %
End of March 2018	7,804	9,069	25,468	42,341
	18%	21 %	60 %	100 %
Growth	+19%	+228%	+220 %	+145 %

L'ORÉAL



Julie Poirier
L'Oréal

The benefits of the LEI in a large international group



- In 2012, the set up was complicated, unclear and we didn't have a lot of time
 - Mandatory for EMIR reporting
 - Difficulties to choose between the different Local Operating Units
 - Choice of the process : central treasury fill in all the request for LEI or each entity has to do it on their own
- Looking back, it helped us review and update our internal database
 - Identifying all the entities needing a LEI
 - Updating our system with the new identifier
- Now we use this global, free and uptodate database regularly
 - To learn more about our counterparties
 - To check information about our entities
- Next step ?
 - Mandatory LEI reference in all contracts
 - Improvement of transparency for counterparty risk management using the final beneficiary

Bernard Cohen-Hadad

Confédération des Petites et Moyennes Entreprises - CPME

Apart from the regulatory constraint, what may incite small businesses to get an LEI?

- The feeling of constraint should not be under-estimated
- “No LEI, no. trade” should not be a new frontier for the SMEs
- First of all, we must make daily, information and pedagogy
- LEI is also a security asset and a warranty for SMEs

Stephan WOLF

Global legal entity identifier foundation

Workshop on identity management in the digital age

Business Development Meeting in United States

GLEIF Identity Management Workshop, San Francisco May 17th, 2018



GLEIF Identity Management Workshop
The LEI, a global framework for legal entity identification initiated by the G20
San Francisco | May 17, 2018

Agenda

- 1. Welcome and Opening**
 - Introducing the Global LEI System.
 - Quo vadis LEI System – present and future.
- 2. Keynote Speech**
 - Identity Management reloaded.
- 3. Panel Discussions**
 - How do you know whom you are doing business with?
 - Is technology providing a solution for Identity Management?
 - What are the objectives of regulation and law making?
 - What could be the role of the LEI in digital markets?
 - Roundtable discussions with global regulators and GLEIF.
- 4. Reception and Networking**

We invite you to join GLEIF for its May 2018 Identity Management Workshop
We kindly request you [rspv for this event by Friday May 4, 2018.](#)
Please rspv via the **free** registration link here:
<https://id-workshop.gleif.org/registration/>

Date **Thu, May 17, 2018**
Time **9:00 am to 7:00 pm PDT**
Location **Grand Hyatt San Francisco
345 Stockton St
San Francisco, CA 94108
USA**

By invitation only

[More information](#)

www.gleif.org

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Chairman of the Board: Gerard Hartink | CEO: Stephan Wolf | © 2018 all rights reserved
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Participating institutions included:

- Tech firms
- Consulting firms
- LOUs
- Not for profit / research organizations
- Data vendors
- Certificate authorities
- Standards organizations

and ...

- Regulators from the Americas, Europe, Asia and Africa

Identity Workshop

Agenda



- Opening by the Chair and Vice-Chair of the Regulatory Oversight Committee (ROC)- Introducing the Global LEI System
- Quo Vadis LEI system – Present and future
Stephan Wolf, GLEIF CEO

Key note speech

- Identity Management reloaded - the vLEI proposal
Timothy Ruff, Evernym

- Panel Discussion 1- How do you know with whom you are doing business?
- Panel Discussion 2- Is technology providing a solution for Identity Management?
- Panel Discussion 3- What are the objectives of regulation and law making?
- Panel Discussion 4- What could be the role of the LEI as broad open good in digital markets, supply chain management, and market transparency?
- Round table discussions
8 Round Tables with Regulators/GLEIF/Panel participants
- Summary and outlook

Matthew Reed

Department of the Treasury

Exploration of LEI use in the US

Exploration of LEI Uses in the United States



- **Cross-border Trade:** Tracking manufacturers, exporters, agents and shippers difficult given lack of common identification system and transient nature of shell companies.
- **Government Contracting:** U.S. government is largest purchaser in United States. DATA Act requires greater transparency, and reliable identification system will help improve transparency.
- **Government Grants:** Disciplines such as medicine, research, etc. receive significant government money. Related to contracting, government has interest in tracking funds to legitimate recipients.
- **Labor and Environment:** Government and researchers alike focused on durable way to identify entities for myriad purposes such as tracking polluters, enforcing labor standards, etc.
- **Charitable Giving:** Major foundations and grantors struggle to ensure charitable money finds its way to legitimate recipients. Problem is global. Common identification system would aid tracking, together with due diligence system.

Stephan WOLF

Global legal entity identifier foundation

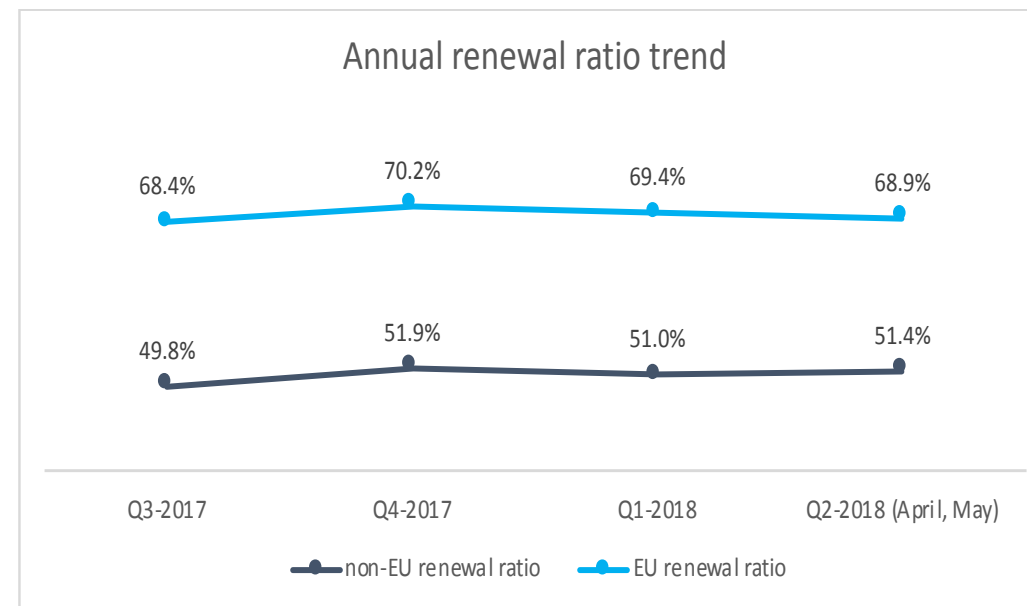
LEI renewal trends

Global LEI System April & May 2018 Update

Renewal rates - EU vs. non-EU



- The overall renewal rate remained stable (66.3% in Q2 2018 (April, May) and 66.3% in Q1 2018). However, the rate of lapsed LEIs which converted to renew decreased to 3.6% in Q2 2018 (April, May) from 6% during the MiFID II implementation.
- There is no significant change in the non-EU and EU regions renewal rates.
- The overall count of LEIs in good standing remained stable to 84 percent. However, 5.700 more LEIs are in lapsed status at end of May 2018 compared to end of Q1.2018.

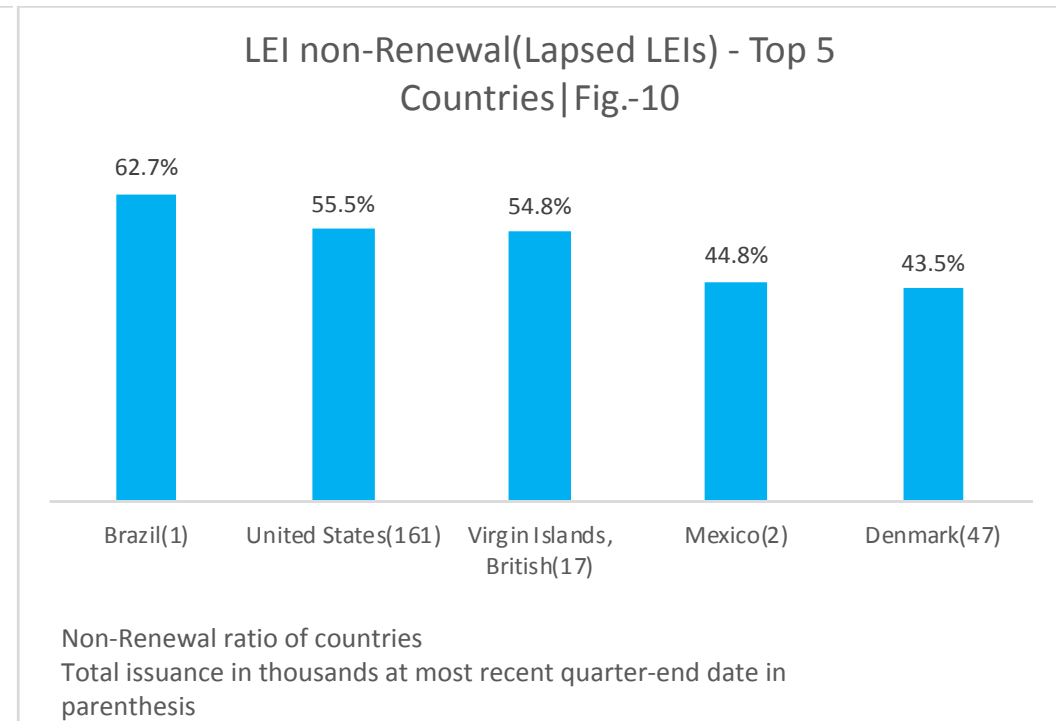
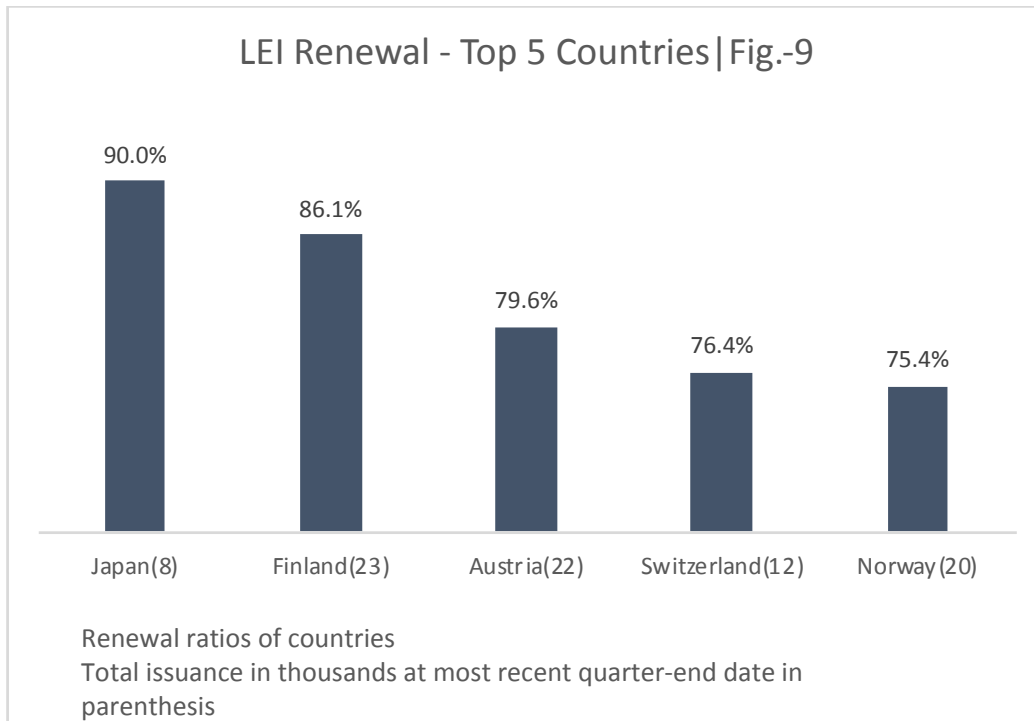


Global LEI System April & May 2018 Update

Renewal/Non-renewal ratios - Top 5 countries



- The top 5 countries with highest renewal did not change that much compared to the last quarter.
- Notably, the Netherlands renewal ratio continues to deteriorate: 76.6% end of Q1 to 72.5% by end of May.



Matthew Reed

Department of the Treasury

Data Design Allows for Expansion



- Persistent – Code persists, survivor rules apply, portable
- Unique – Only 1 LEI per entity, 1 entity per LEI; Up to 675 Billion Combinations Available – Highly Extensible
- Ubiquitous – Crosses legal forms, markets, borders
- Unintelligent – Allows for changes in reference data
- Open – Freely available in bulk
- Reliable – For use in regulatory reporting and business transacting

Extensibility of the LEI



- Charter of the LEI Regulatory Oversight Committee:

“Recognizing the need to develop and maintain for the broad public good a Global LEI System that is to be used: (a) by authorities of any jurisdiction or financial sector to, **assess systemic risk and maintain financial stability, conduct market surveillance and enforcement, supervise market participants, conduct resolution activities, prepare high quality financial data and to undertake other official functions;** and (b) by the private sector to support improved risk management, increased operational efficiency, more accurate calculation of exposures, and other needs.”

- ISO 17442 Definition:

“The term ‘legal entities’ includes, but is not limited to, unique parties that are **legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts,** regardless of whether they are incorporated or constituted in some other way (e.g. trust, partnership, contractual). It excludes natural persons, but includes governmental organizations and supranationals.”

Who Can Join the System?



- **Public Sector:**
 - ROC membership is open to any authority, regardless of subject-matter jurisdiction. Current membership concentrated finance ministries, central banking, market regulators and international financial institutions.
 - Expansion of LEI into new applications and (nonfinancial) markets need not be coupled with ROC membership but it can be helpful. ROC members would recruit relevant authorities as appropriate.

- **Private Sector:**
 - GLEIF is market agnostic but board expertise is concentrated in financial markets. As needed, membership can be expanded into other disciplines.
 - Likewise, LOUs are concentrated in financial markets. Some are pure data companies not linked to financial market expertise. The GLEIS has contemplated Special Purpose LOUs for government contracts, nonprofits, others.

Pierrette Schuhl

Institut national de la statistique et des études économique -
INSEE

Specific challenges to manage LEI attribution to smaller corporates? individuals acting in business capacity?

- All French SMEs are registered into the French legal register Sirene and all the information necessary for level 1 is there.
- but some challenges exist:
 - French SMEs (excluding sole proprietor) are numerous (3 millions)
 - Many don't belong to a group and don't know what is a « parent »!
 - Some of them belong to a group without knowing it!
- Individuals acting in business capacity :
 - sole proprietorship (merchants, craftsman...) are registered into the French legal register Sirene (Level 1 reference data) and level 2 data is simpler (exception!)
 - However French they are numerous (3.5 millions)
 - And we have to respect the new european regulation on personal data protection (GDPR)

Bernard Cohen-Hadad

Confédération des Petites et Moyennes Entreprises -CPME

Are there dis-incentive to get a LEI and what about its extension?



- “taxes” are always a problem for SMEs
- But the real price is not a problem if you pay for something useful or to do business
- The extension of the LEI to individuals acting in business capacity is not relevant for the moment
- The French SMEs are currently awaiting flexibility and liberalization standards and trade (right to the error law , PACTE law)

L'ORÉAL



Julie Poirier
L'Oréal

What are the perceived caveats for a wider use of the LEI?



- At the moment, it is mostly perceived as an administrative burden
 - Asking for a new LEI or renewing it can take a lot of time
 - Keeping track of all the LEI expiration date
- We always have to ask for the LEI with new counterparties
 - It isn't a standard information financial counterparties give us
- The format of the LEI is not easy to remember
 - Always need to go to the GLEIF website to check to what counterparty it belongs to
- It has to be a global initiative to make sure all stakeholders feel involved
 - Only parties trading derivatives use it and only for reporting purpose
 - With the new EMIR reporting rules, corporates will no longer need to keep all their entities LEI