

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Securities Exchange Commission on Climate Change Disclosure June 2021

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Commission (Commission) on proposed amendments pertaining to climate change reforms. GLEIF will focus its comments on the use of the LEI in the ESG reporting framework.

First, some background information on the LEI and GLEIF.

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 clear and unique identification of legal entities participating in financial transactions including their ownership structure. The LEI and its associated reference data are accessible to all as open, public data.

Established by the Financial Stability Board in June 2014 under the mission of improving financial stability and transparency due to the aftermath of the financial crisis, GLEIF is tasked to support the implementation and use of the LEI. Even though the primary and initial usage and adoption of the LEI was around financial markets and financial instruments, the LEI is use agnostic and therefore has been embraced by different industry sectors and regulators since its introduction by the Regulatory Oversight Committee and the Financial Stability Board in 2012. Further details on the use of the LEI in regulatory initiatives is provided [here](#).

GLEIF would like to provide combined comments to Questions 9:

What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?

The LEI is the only global standard for legal entity identification. There are innumerable national or regional standards for entity identification across the world. Different identifiers might serve the national needs, however, create conflicts and inefficiencies when it comes to the reconciliation of data across borders. For example, the Central Index Key (CIK) number is used to track entities that file with the Commission's EDGAR system while the Commission also uses Commission File Numbers to track entities that are regulated under the Securities Exchange Act and the Investment Company Act¹.

¹ GLEIF and Data Foundation Research Report - Envisioning Comprehensive Entity Identification for the U.S. Federal Government: <https://www.gleif.org/en/lei-solutions/regulatory-use-of-the-lei/gleif-and-data-foundation-comprehensive-entity-id-for-u-s-federal-government#>

Research conducted by GLEIF and Data Foundation demonstrates that the U.S. federal government alone uses 50 distinct entity identification systems—all of which are separate and incompatible with one another. Therefore, the LEI responds to the critical need for a universal system of identifying entities across markets, products, and regions. Instead of using/accepting multiple identifiers, the Commission could leverage the LEI, as an established open source identifier, to harmonize and share critical data among federal agencies and in the case of climate disclosures, globally.

The value proposition of LEI has been recognized by several U.S. regulators, not limited to just the Commission, however also including the Commodities Future Trading Commission (CFTC), Federal Reserve, Consumer Financial Protection Bureau, National Association of Insurance Commissioners and U.S. Treasury. The LEI currently exists in 26 various U.S. laws and regulations and globally the LEI exists in 119 laws and regulations.

GLEIF encourages the Commission to adopt a global approach to organizational identity to avoid the negative impacts of a siloed approach. The inclusion of multiple identification systems impacts users of ESG data to engage in name matching and dealing with differences in identifier standards for translation, transliteration, and abbreviation, all of which are costly and prone to error. Therefore, GLEIF thinks the key issue is to ensure a holistic and accurate identification system of knowing ‘who is who’ and ‘who owns whom’, which the LEI facilitates as a globally recognized identifier across 200+ jurisdictions.

GLEIF also suggests that the Commission could make further use of the XBRL reporting capability, which includes an LEI taxonomy that can be used in conjunction with any inline XBRL taxonomy. XBRL US is a nonprofit standards organization. The mission of XBRL US is to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical XBRL specification, which is a free and open data standard widely used around the world for reporting by public and private companies, as well as government entities.

Furthermore, the European Commission’s (EC) proposed Corporate Sustainability Reporting Directive (CSRD)² will establish a set of rules to bring ESG reporting in line with financial reporting, and will extend sustainability reporting requirements to all large companies and listed companies. The CSRD will require corporate ESG data to be reported in inline XBRL format. The EC and the Commission could both leverage existing standards, in this case XBRL in tandem with the LEI, to create more transparency, improve reporting and the quality of data included therein.

The Foundation for Evidence-based Policy Making Act of 2018 (Evidence Act) requires that data be open and be shared across federal agencies. Furthermore, President Biden’s Memorandum on Restoring Trust in Government Through Scientific Integrity and Evidence-Based Policymaking further supports the Evidence Act:

“(d) Consistent with the provisions of the Foundations for Evidence-Based Policymaking Act of 2018, heads of agencies shall, as appropriate and consistent with applicable law, expand open and secure access to Federal data routinely collected in the course of administering Federal, State, local, Tribal, or

² CSRD: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189>

territorial government programs or fulfilling Federal, State, local, Tribal, or territorial government mandates...”

Consultations and amendments to existing requirements are opportunities to re-consider existing identifier schemes with longer term vision for a broader, standardized, and consistent use of global standards and open sharing across US agencies.

Lastly, the Commission could also benefit from data that accompanies a LEI record. For example, company name and address (legal and headquarters) can be automatically retrieved or verified from an LEI record. All LEI data is validated and verified by LEI issuers against authoritative sources which results in a trusted source of entity data. LEI issuers are rigorously accredited by GLEIF and renewed annually. LEI data can be accessed through GLEIF’s API at no charge. The GLEIF API gives developers access to the full LEI Data search engine functionality, including filters, full-text and single-field searches of legal entity and ownership data, and “fuzzy” matching of relevant data fields such as names and addresses. In addition to LEI reference data, the GLEIF API also makes available further related data, e. g. reference data of LEI issuers, code lists used in LEI records and mapped identifiers like BIC or ISIN codes.

GLEIF would be pleased to further engage with the Commission on this topic and provide further information, if requested.