



Enabling global identity  
Protecting digital trust

## Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Simplified Trade System Implementation Taskforce for the Consultation Paper on Simplified Trade System

July 21<sup>st</sup>, 2023

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Australian Government Simplified Trade System Implementation Taskforce for the Consultation Paper on Simplified Trade System. GLEIF will focus its comments on how leveraging the Legal Entity Identifier (LEI), a machine-readable digital standard for entity identification, can help to streamline cross-border trade and facilitate trade digitalization for Australia.

### Some background information on the LEI and GLEIF:

- The LEI is a 20-character, alpha-numeric code, based on the ISO 17442 standard, is used for uniquely and unambiguously identifying legal entities globally. Each LEI contains information about an entity's ownership structure and thus answers the questions of '[who is who](#)' and '[who owns whom](#)'. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.
- Established by the [Financial Stability Board](#) in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is tasked to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF is a supra-national not-for-profit organization headquartered in Basel, Switzerland.
- Following the financial crisis of 2008, financial supervisors were unable to reconcile positions and dependencies across financial marketplaces easily. Supervisory authorities can now identify parties to financial transactions across markets, products, and regions for regulatory reporting and supervision in a consistent and systematic way with the introduction of the LEI.
- The private sector use the LEI as part of their data-driven approaches to client management procedures. The LEI is used to identify their clients in a standardized way thereby connecting internal and external databases through the LEI; so as to speak the same language in entity identification and verification.
- The Global LEI System is overseen by over 71 public authorities (including Australian Securities and Investments Commission) participating in the [Regulatory Oversight Committee](#).

*First, GLEIF would like to respond to Question 21: 'How might use of digital identification in cross-border trade interactions impact your business?'*

As a Non-for-Profit Organization, GLEIF is not directly involved in cross-border trade interactions, yet we engage frequently with entities and industrial associations deeply involved in cross-border trade. Based on the feedback we received from these engagements, majority of the businesses consider digital identification a critical enabler of digitalized cross-border trade, which helps to drive efficiency, speed, and resilience for companies, industries and countries that rely on trade for

growth. However, businesses believe this is only true if the digital identity is set up structurally on a global scale to maximize interoperability across borders.

Although some national or regional initiatives enable mutual recognition of electronic ID schemes, such as eIDAS in the European Union, mutual recognition of different schemes at the political/legislative level does not help if different identifiers are used in digitally enabled machine-readable platforms. The lack of interoperability across these platforms limits the benefits obtained from private sector applications such as online banking or eInvoicing. Therefore, GLEIF suggests that the LEI, a global standard, as opposed to regional or local ones, for entity identification can maximize the cross-border interoperability and benefits for all users.

### **Further background on the LEI and digital initiatives**

#### **LEI, eSeals & eIDAS**

The LEI plays an important role in extending the interoperability and usefulness of digital mutual recognition schemes. For example, GLEIF demonstrated in 2019 how an eIDAS compliant certificate can be linked to a company's annual financial reporting in a completely machine-readable fashion via the LEI. This allows any interested party to quickly and easily consolidate and verify information on a filing entity. All the while benefiting from the trust environment established by eIDAS. Last year, GLEIF and its partners from Japan and the European Union conducted a [proof of concept](#) understanding the role of the LEI in facilitating mutual confirmation of the origin of electronic documents exchanged between international companies. Beyond eIDAS regulations and the European Union members states they apply to, there is no international uniformity in eSeal format or requirements. eSeals are electronic signatures associated with legal entities. As a result, there is no mutually recognized way for an eSeal recipient to verify the authenticity of a sender's identity beyond national borders. Yet there is a growing requirement for harmonization in cross-border trust services to support an ever-increasing level of international trade and commerce taking place across digital platforms. The recently completed proof-of-concept involved an electronic invoice being digitally sealed by the sender using an eSeal with the sender's LEI embedded and a timestamp. This enabled the authenticity of the sender and the time of the sealing to be confirmed. The process was undertaken reciprocally, with the digitally sealed invoice issued by the Japanese organization to the European organization and vice versa. The authenticity of the eSeal could be confirmed, thanks to the proof-of-concept framework, which was mutually recognized by both regions.

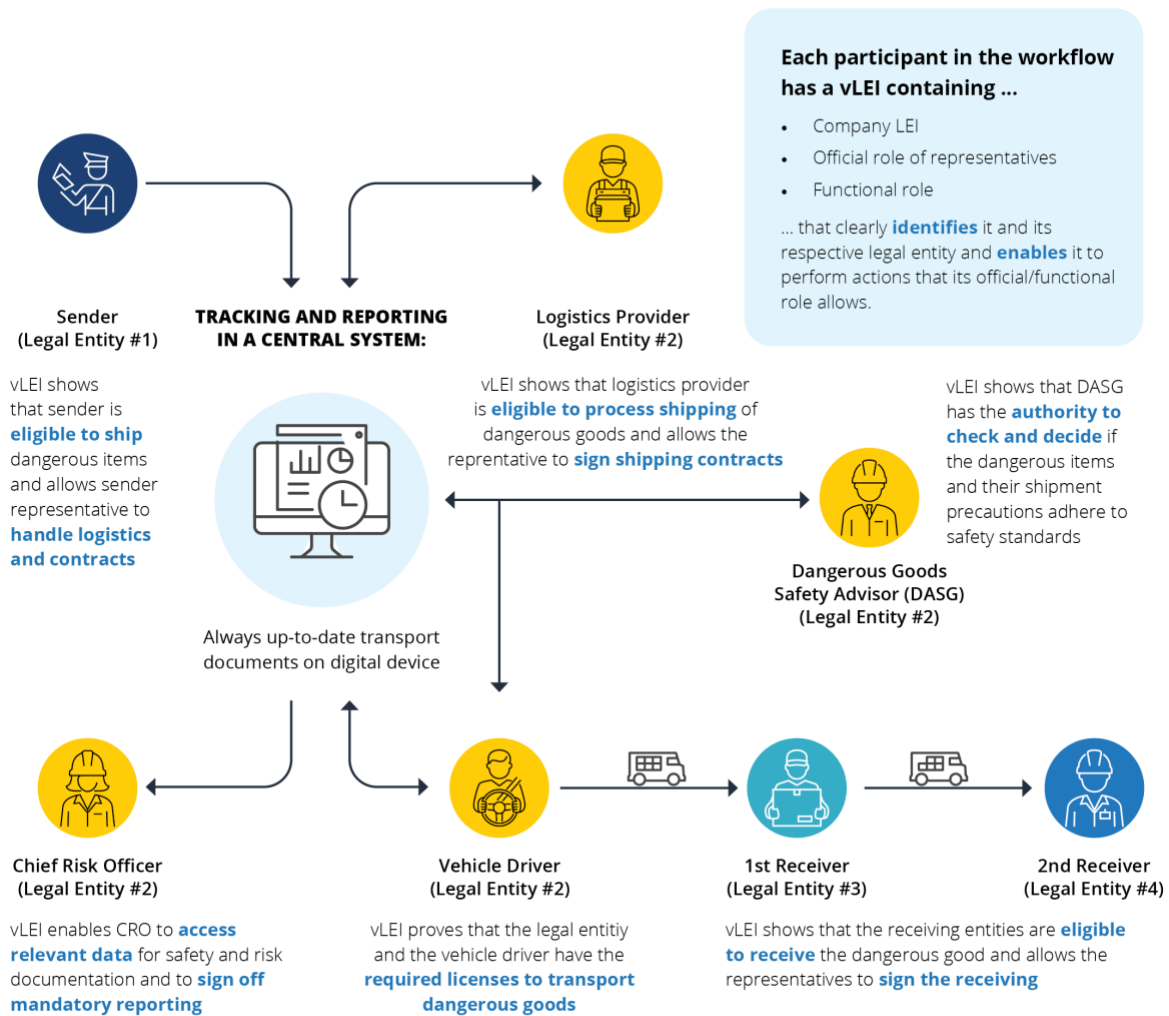
#### **Verifiable LEI (vLEI) in zero trust architecture**

More than 200 financial markets regulators worldwide have now mandated the LEI in regulatory reporting. The system is now expanding beyond regulated use and re-focusing on helping organizations use the LEI to bring greater trust, efficiencies, and transparency to trade of all kinds. In doing so, GLEIF has developed a new model of decentralized business identity, the [verifiable LEI \(vLEI\)](#), that enables businesses everywhere to use the Global LEI System to identify themselves and verify the authenticity of counterparty organizations digitally. The vLEI conforms to the popular "never trust, always verify" mantra, embodied by the counterintuitively labeled "Zero Trust Architecture" movement, which is rapidly growing within the cybersecurity industry. It provides a new, verifiable digital trust layer that sits beneath the conventional information exchanged between supply chain organizations and public authorities.



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## Use Case: LEI and vLEI in Supply Chain Management for Compliance, Efficiency, and Innovation



Source: IDC Technology Spotlight "Driving Business with Trust: The Sustaining Role of Secure and Reliable Identities", March 2023

Figure 1: Use Case - LEI and vLEI in Supply Chain Management for Compliance, Efficiency, and Innovation

The LEI and vLEI system can foster dramatic improvements in trading dynamics among those using it, streamlining Know Your Customer and other supplier onboarding due diligence checks, improving risk management, and instilling greater confidence amongst trading parties resulting in more transparent and efficient cross-border exchanges of goods and data.

GLEIF has received interest from authorities and enterprises involved in cross-border trade to digitalize trade documents leveraging LEI in eSeals & digital certificates and vLEI. For example, the vLEI and relevant digital identity technologies have been introduced in the '[International Chamber of Commerce \(ICC\) Digital Standards Initiative \(DSI\) Trusted Technologies Principles](#)'. Singapore

TradeTrust framework is planning to use vLEI to facilitate cross-border trade with other jurisdictions, e.g. China.

Therefore, GLEIF suggests the Simplified Trade System Implementation Taskforce to explore LEI and vLEI's value in digital identification for cross-border trade, beyond the usage of the Australian local solution such as myGovID. GLEIF will be pleased to support potential pilots on the use of LEI or vLEI between businesses in Australia and other jurisdictions.

*GLEIF would like to respond to Question 22: 'Does the Framework reflect your views of how the Australian Government should approach improvements to the collection and use of cross-border trade data?'*

GLEIF welcomes the creation of a clear framework on cross-border trade data sharing by the Simplified Trade System Task Force, especially the 'whole-of-system' approach. GLEIF would like to emphasize and comment on below guiding principle:

**'4. Standardised and described data** – Conformation to common standards, definitions and metadata enables data interoperability and cost-effective discovery, access and reuse.'

GLEIF agrees with the importance of having data conforming to common standards, which significantly helps to reduce fragmentation among different government agencies and jurisdictions. As identity and trust lie at the core of each trade interaction, we believe it is critical to start with establishing a common identification data scheme; Due to the global nature of cross-border trade, such identification scheme requires a global approach to avoid creating further silos. Therefore, GLEIF suggests:

- 1) Considering the global aspect within this general guiding principle.
- 2) Adding the LEI in the core data set to identify businesses involved in cross-border trade.

Data interoperability and cost-effectiveness can be achieved by using the LEI as the common identity behind every business in cross-border trade, as the LEI possesses below features:

**Open & non-proprietary** - The complete database of LEIs and the associated 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 all users can use the data without limitations.

**Machine-readable** – The LEI serves as an important element of interoperability. All LEI reference data is available as open data, easily accessible via web search, full file download or API. The API, developed by the GLEIF, responds to the market needs of multiple LEI stakeholders, including financial institutions, regulators, fintech companies, and analysts seeking to include LEI data in their automated processes. The use of the API is free of charge and does not require registration.

**Mapping with other identifiers** - GLEIF has established a free of charge certification process – the GLEIF Certification of LEI Mapping service - to ensure that organizations that map the LEI to their own identifiers use state of the art methodologies to do so accurately. Data

vendors engaging in the GLEIF Certification of LEI Mapping service provide their customers enhanced interoperability across parallel ID platforms, streamlined entity verification processes, and reduced data management costs for data users. With the launch of the open-source Business Identifier Code (BIC)-to-LEI relationship files in 2018, GLEIF and SWIFT pioneered a cooperation model that, for the first time, enabled market participants to link and cross-reference key entity identifiers free of charge. In April 2019, GLEIF and the Association of National Numbering Agencies (ANNA) piloted the first daily open-source International Securities Identification Number (ISIN)-to-LEI relationship files that link newly issued ISINs and LEIs. The Certification of Mapping service also supports the Global LEI System's integrity by ensuring that quality controls associated with mapping identifiers to the LEI meet or exceed requirements defined by GLEIF.

**Globally relevant** – Digital ecosystems are global by nature. That is why any standard adopted in digital ecosystems should be able to respond to that global nature. Considering the LEI as the standard for legal entity identification in digital transactions would mean the Australia is adopting a globally recognized and well-received standard for its digital ecosystems.

Many authorities and organizations involved in cross-border trade started to see the benefits of LEI. For example,

- the U.S. Custom and Border Protection (CBP) launched the [Global Business Identifier \(GBI\)](#) initiative in 2022 seeking to develop a single identifier solution that will improve the U.S. government's ability to pinpoint high-risk shipments and facilitate legitimate trade, create a "common language" between government and industry, and improve data quality and efficiency for identification, enforcement, and risk assessment. In this Evaluative Proof of Concept initiative, the LEI is being selected as a key identifier for businesses, together with the GLN (Global Location Number) from GS1 to identify locations of the specific goods.
- The General Customs of China has released a rule in 2018 requesting enterprises to be identified with different identifiers during customs clearance, and LEI is used to identify entities from 29 countries, e.g. Japan, Laos, Zimbabwe, etc.
- World Trade Organization and World Economic Forum stated 'Without a unique and globally harmonized identifier, finding information about a small business in a sea of metadata is difficult, if not impossible. LEIs make this process workable and help to realize the potential of financial technology to make finance more accessible. LEIs can drive more transparency and underpin the promise of financial technology to deliver greater inclusion of small businesses in the global economy.' Read [here](#).

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