



Enabling global identity  
Protecting digital trust

## **Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Securities and Exchange Commission’s proposed rule on Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices**

August 16<sup>th</sup>, 2022

The Global Legal Entity Identifier Foundation is pleased to provide comments to the Securities and Exchange Commission (Commission) on the Proposed Rule for Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance (ESG) Investment Practices.

Consultations and proposed rules 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 and global regulations.

### ***First, some background information on the LEI and GLEIF.***

The 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. The LEI is the only global standard for legal entity identification.

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 predominantly was in 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, in which the Commission is an active member, and the Financial Stability Board in 2012. Further details on the use of the LEI in regulatory initiatives is provided [here](#).

### ***GLEIF will respond to the proposed amendments to Form N-CEN and Form Adv:***

GLEIF supports the Commission’s ongoing efforts to include the LEI in various form types and observes that the use of the LEI in U.S. regulations continues to increase. There have been several recent consultations that specifically mention the LEI from [Bureau of Consumer Financial Protection](#), [Financial Crimes Enforcement Network, Treasury](#), [U.S. Customs and Board Protection](#), in addition to the Commission’s recent proposed rules on security-based swaps, securities lending and money market fund reforms earlier this year, and more recently, the outstanding proposed rule for the



registration of security-based swap execution facilities. The LEI currently exists in 29 various U.S. laws and regulations, the majority of which belong to the Commission, and globally the LEI exists in 126 laws and regulations.

As it pertains to questions 167 and 188 for the identification of “ESG Providers” inclusion of the LEI in Form N-CEN and Form ADV is fully supported by GLEIF. Open, non-proprietary data standards, which are established by voluntary standard bodies, create transparency, and facilitate the open exchange of information for regulators. The inclusion of LEI within the proposed rule for ESG providers present an opportunity for the Commission to capitalize on recent proposed rules that seek to add the LEI in various form types, which would result in more comprehensive use of the LEI. As Commission Crenshaw indicated in recent official Commission [statement](#) in April, “I believe we should leverage the benefits of the LEI by incorporating it into our forms and filings wherever appropriate...”. The Commission already has made several amendments to include the LEI as well, specifically as it relates to the funds industry, Form N-CEN, Form PF, Form ADV, Form N-MFP, Form N-PORT and more recently in the final rule for 13-Fs. By implementing the LEI more comprehensively within all fund related filings, the Commission would comprehensively set forth a consistent identification scheme highlighted by the LEI. 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.

However, as it pertains to questions 170 and 177 for the identification of indices, indices themselves are not legal entities, and therefore, the scope of the ISO 17442 standard would not apply to indices. The scope of the ISO 17442 standard specifies “all entities that trade stock or debt; investment vehicles, including mutual funds, pension funds and alternative investment vehicles constituted as corporate entities or collective investment agreements (including umbrella funds as well as funds under an umbrella structure, hedge funds, private equity funds);”.

In short, as it pertains to the proposed rule, the LEI does apply to ESG providers, index funds, and index providers. However, the LEI could not identify the indices themselves that funds use as benchmarks as these are not legal entities. For example, S&P Dow Jones Indices LLC, the entity that issues and manages indices like the S&P 500, is a legal entity and does have an LEI. However, the index itself is not eligible to receive an LEI. Instead, GLEIF recommends that the proposed rule could, in both forms, include the LEI for the identification of the index provider opposed to the index itself. GLEIF reinforces that we do appreciate the Commission’s efforts to continue to expand the LEI in the funds industry.

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. Commissioner Crenshaw also stated during a speech titled the [Lessons of Structured Data](#); “While the SEC has taken steps to incorporate LEIs into our filings, I believe we should continue to leverage their benefits by



incorporating them into our forms and filings wherever it makes sense to do so. The ability to use LEIs in XBRL data only increases their potential utility for users of our data.”

[H.R. 2989](#), the Financial Transparency Act (FTA), a House bill, and [S.4295](#), the Financial Data Transparency Act (FDTA), a Senate bill, seek to unlock data in the financial regulatory sector. The proposed bills would direct seven of the Financial Stability Oversight Council (FSOC) financial regulatory agencies to adopt consistent data fields and formats for the information they already collect from industry under securities, commodities, and banking laws. On October 25th, the U.S. House of Representatives concluded consideration of the FTA. The bill passed with overwhelming support, 400-19. Although specific standards such as the LEI are not specifically mentioned in the bill, the requirement for “legal entity identifiers” is cited. The LEI is the only entity identifier that meets the criteria specified in the FTA/FDTA, most notably, “be nonproprietary or made available under an open license” and “incorporate standards developed and maintained by voluntary consensus standards bodies”. Open, non-proprietary data standards, established by voluntary standard bodies, create transparency and facilitate the open exchange of information for regulators.

GLEIF is also working directly with financial institutions (FIs) within its [Validation Agent operating model](#) (VA) to issue LEIs for their clients and funds, in cooperation with LEI Issuer organizations officially accredited by GLEIF, by leveraging their business as usual client identification procedures in Know Your Customer (KYC) and client onboarding processes. This model, triggering LEI growth beyond regulatory mandates, would help to make the financial ecosystem more transparent and accessible for all parties. [FIs](#) have already begun utilizing the LEI within capital markets, which will result in greater coverage of LEIs, at a lower cost, for debt and equity issuers over time.

The Commission also could benefit from data that is contained in the LEI record. For example, company legal name, legal address and headquarter address, all of which are part of a LEI record, can be retrieved automatically or verified from a LEI record. GLEIF facilitates mapping through an [open-API](#), which is available at no costs to end users. All LEI data is validated and verified by LEI issuers against authoritative sources which results in a trusted source of entity data.

With the Increased attention on the important benefits of Environmental, Social, and Governance (ESG), there are opportunities currently for the Commission to shape national and global data policies to enable the submission of data that satisfies national and international regulatory goals, while supporting investors and market efficiency. Government activities to regulate data collection about ESG should be based on standardized data from existing domain standards, be machine-readable and interoperable with applicable international standards in order to create consistent and comparable reporting. The [Progress report](#) on bridging data gaps published by the Network for Greening the Financial System (NGFS), a network of 114 central banks and financial supervisors, highlights that an obstacle to accessing and making use of existing climate-related data is the lack of unique identifiers, which are crucial for interlinking climate-related data and financial data. The LEI can help to link financial and non-financial information.

Submitted by:

Stephan Wolf, CEO GLEIF, [REDACTED]