

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Security and Exchange Commission

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Commission (Commission) on the proposed rules for the special purpose acquisition companies (SPACs), shell companies, and projections.

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 agencies.

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.

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 more generally to the proposed rules:

GLEIF believes that this proposed rule is an opportunity for the Commission to include the LEI within the registration process and enhanced disclosures of initial public offerings (IPOs) by SPACs and the private target companies involved in those transactions. The Commission has previously included the LEI in many other reporting forms and rules and the LEI is considered in several outstanding proposed rules. For example, the Commission's recent proposed rule on security-based swap execution facilities recommends using the LEI on cover sheets used for registration purposes. There is an opportunity to incorporate the LEI in a similar capacity with the many form types and schedules mentioned within this proposed rule. By implementing the LEI more comprehensively the Commission would set forth a consistent identification scheme highlighted by the LEI. More generally, GLEIF also suggests that the LEI should be considered in all registration of financial instruments form types, e.g., corporate bonds prospectus filings, and periodic financial filings, such as annual or quarterly reports.

The LEI is the only global standard for legal entity identification. The value proposition of LEI has been recognized by several U.S. regulators, most notably the Commission, but also includes 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 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.

Use of the LEI in U.S. regulation continues to increase. There have been several recent proposed rules that specifically mention the LEI from [Bureau of Consumer Financial Protection, U.S. Customs and Board Protection](#), and the [Financial Crimes Enforcement Network, Treasury](#), which coincidentally involves the identification of shell companies and their beneficial owners.

Consistent use of the LEI in the U.S. would greatly enhance information sharing across different government entities. Today, the U.S. government utilizes [more than 50 different identifiers](#) for legal entity identification; which causes manual reconciliation of data and drain of resources. Instead of using/accepting a plethora of identifiers, the Commission could leverage the LEI to harmonize and sharing of critical data both at home and abroad. Open, non-proprietary data standards, which are established by voluntary standard bodies, create transparency, and facilitate the open exchange of information for regulators.

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

More recently, [S.4295](#), the Financial Data Transparency Act (FDTA) is a bill that seeks to unlock data in the financial regulatory sector. The proposed bill would direct 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. 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 FDTA, most notably, “be nonproprietary or made available under an open license” and “incorporate standards developed and maintained by voluntary consensus standards bodies”.

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.

GLEIF is also working directly with financial institutions (FIs) within its [Validation Agent operating model](#) (VA) to issue LEIs for their clients, 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.

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