

## **Legal Entity Events (formerly referred to as “Corporate Actions”) and Data History in the Global LEI System**

### **Executive Summary**

This final policy document sets forth the Regulatory Oversight Committee’s (ROC’s) policy for incorporating legal entity events and data history in the Global LEI System (GLEIS). This policy has been informed by a public consultation held between 26 July 2017 and 29 September 2017 and a workshop held with respondents to the public consultation on 28 March 2018. The main features of the policy are:

- **A change in terminology** to refer to the events to be captured in the reference and relationship data in the GLEIS as “legal entity events” rather than corporate actions.
- **An incremental approach** to implementation of capturing legal entity events that would prioritize those events that occur relatively frequently and directly affect the Level 1 and Level 2 reference data (e.g., name changes, mergers, and acquisitions), and place a lower implementation priority on those events that occur relatively infrequently (e.g., reverse takeover). Such an iterative, phased approach is more desirable, as there are too many theoretical scenarios and unintended consequences to fully envision prior to implementation.
- **Commercial or regulatory data feeds should be incorporated into the GLEIS** to notify LOUs of potential changes to entities under their maintenance resulting from legal entity events and to elicit updates to LEI records by the affected entities (through the normal process of self-registration). In the case of inactive entities, data feeds could also be used to update the records without the entity’s consent, in line with existing ROC policies and GLEIF technical standards.
- **Effective dates should be incorporated into the GLEIS.** Effective dates reflect when legal entity events become legally effective in addition to the current requirement of recording when they are introduced to the GLEIS.
- **Users should be able to easily access and use an entity’s data history** through multiple channels (e.g., whether they are using a user interface, an application programming interface, or downloadable files).
- **Complex acquisitions** will reflect as accurately as possible the chain of legal events as reflected in the official registries of the relevant jurisdictions, in line with existing GLEIS principles of corroborating GLEIS records with official sources.
- **Spin-off relationships** will be recorded in the GLEIS on a fully optional basis, with possible mandatory reporting at a future date to be determined by the ROC.
- The definition of **inactive entities** should be clarified to adequately capture entities that are still legally in existence but have no operations.

- A number of publicly and non-publicly available sources may be used for **data validation**, including financial statements, other documents supporting the preparation of consolidated financial statements, regulatory filings, and other sources such as third-party data vendors.

## Statement of Purpose

This policy was developed by the LEI ROC<sup>1</sup> under its Committee on Evaluation and Standards (CES) Working Group on Corporate Actions and Data History (established in May 2016). A preliminary consultation was conducted in March 2017 with the LEI ROC Private Sector Preparatory Group (PSPG), the Global LEI Foundation (GLEIF), and Local Operating Units of the GLEIS. A public consultation was conducted from 26 July 2017 to 29 September 2017<sup>2</sup>. The final policy document published today sets forth the policy for incorporating legal entity events (formerly referred to as “corporate actions”) and data history in the GLEIS.

## Overview

The public consultation identified 17 legal entity events that impact the reference or relationship<sup>3</sup> data in the GLEIS and, among other topics, invited feedback through a series of 19 questions on:

1. The comprehensiveness and priority of the proposed list of legal entity events;
2. The proposal to collect and maintain the effective date of a change (as opposed to when the change is recorded in the system);
3. Alternative sources and methods to update the information in the GLEIS, such as corporate action data feeds;
4. End user requirements for viewing and using data history in the GLEIS;
5. How the ROC should approach complex acquisitions or other situations where there could be disparate treatment and conflicting survivorship rules across jurisdictions;
6. Establishing spin-off relationships that could initially be optionally reported, and whether it might be feasible to establish a materiality threshold for capturing spin-off relationships; and
7. Clarifications to the definition of inactive entities to adequately capture entities that are still legally in existence but have no operations.

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<sup>1</sup> The ROC is a group of over 70 public authorities from more than 40 countries established in January 2013 to coordinate and oversee a worldwide framework of legal entity identification, the Global LEI System. The ROC was established on the recommendation of the Financial Stability Board and its Charter was endorsed by the Group of 20 (G-20) nations in November 2012. G20 Leaders at their Los Cabos summit in June 2012 encouraged “global adoption of the LEI to support authorities and market participants in identifying and managing financial risks”. (More on <http://www.leiroc.org/>).

<sup>2</sup> The public consultation document can be found on the LEI ROC’s web page at: [http://www.leiroc.org/publications/gls/roc\\_20170726-1.pdf](http://www.leiroc.org/publications/gls/roc_20170726-1.pdf).

<sup>3</sup> Note that the legal entity events that only impact the relationship data (i.e., the provision of the direct and ultimate accounting consolidating parent) would be subject to the opt-out provisions that already exist for Level 2 data. The opt-out provisions are described in the “Consultation document on collecting data on direct and ultimate parents of legal entities in the Global LEI System,” [http://www.leiroc.org/publications/gls/lou\\_20150907-1.pdf](http://www.leiroc.org/publications/gls/lou_20150907-1.pdf).

Some of these legal entity events are, at least in part, already covered by the data recorded in the GLEIS. However, the LEI ROC has identified possible improvements concerning the information that should be collected on these events, how the information should be obtained, and how the data should be arranged for later use.

This policy document was developed using the feedback received during the pre-consultation and public consultation periods, as well as a workshop with respondents to the public consultation. The sections of this document address the following topics:

1. Terminology
2. An incremental approach
3. Data feeds
4. Effective dates
5. Data history
6. Complex acquisitions
7. Spin-off relationships
8. Inactive entities
9. Data validation

## **1 Terminology**

As expressed in the public consultation, there is no single and complete definition of “corporate action” that is globally accepted among companies, equity and debt issuers, investors, regulators, and other stakeholders. Each of these parties brings their own viewpoints and interests to bear on the concept of “corporate action.” In general, corporate actions include any type of event that yields a material change for a company, or other entity, or holders of its debt or equity. The public consultation document focused only on corporate actions that would directly affect the LEI reference or relationship data (Level 1 entity “business card” information and Level 2 entity parent information, respectively), including corporate actions that affect the legal perimeter or material composition of an entity, and ultimately how those actions affect the historical information maintained within the GLEIS.

Use of the term “corporate actions” could however be potentially a misnomer (and therefore misunderstood) in the context of the GLEIS given that the vast majority of corporate actions undertaken by entities do not impact the reference or relationship data in the GLEIS. Rather than refer to this rather finite number of events in the life of a legal entity as corporate actions, this final policy document instead refers to these events simply as “legal entity events.”

## **2 An incremental approach**

A broad understanding emerged through the consultations and workshop around which legal entity events should be captured and tracked in the GLEIS. In particular, the ROC believes that the following legal entity events should be captured in the GLEIS. Additional events may be identified at a later date and as the system evolves.

1. Change in legal name or trade- or doing business name
2. Change in legal address or headquarters address
3. Change of legal form

4. Mergers and acquisitions
5. Demergers and spin-offs
6. Acquisition of an international branch
7. Transformation of an international branch into a subsidiary
8. Transformation of a subsidiary to an international branch
9. Umbrella fund changes its structure to a stand-alone fund
10. Bankruptcy, liquidation, voluntary arrangement, insolvency
11. Dissolution of an entity, including international branches and subsidiaries
12. Break-ups

There was also an expressed preference in the responses to the public consultation to take a stepwise approach – rather than a “big bang approach” – in implementing the proposals, starting with the non-costly changes and those that have a high priority. Furthermore, the ROC is of the view that a higher implementation priority should be placed on legal entity events that occur relatively frequently and directly affect the Level 1 and Level 2 reference data (e.g., name changes, mergers, and acquisitions), and a lower implementation priority on those events that occur relatively infrequently (e.g., reverse takeover). Table 1 illustrates a relative order of implementation priority based on the results of the ROC public consultation and the ROC’s follow-up workshop with respondents to the public consultation.

In general, implementation of any system changes linked to capturing and displaying legal entity events should align with scheduled IT changes, so as to minimize costs. The ROC recognizes that “learning by doing” will be necessary, as there are too many theoretical scenarios and unintended consequences to fully envision prior to implementing something as large as this, while also thinking about the future state of the GLEIS and how it should evolve. Changes should be phased in over time, and a rollout calendar would be highly desirable, in order to know what will be coming in the future. The ROC will consult with the GLEIF on these matters.

The ROC’s recommendation on the relative priority of each of the items that should guide the work of the GLEIF in its implementation is presented below. The ROC believes that using an iterative, phased approach will allow learning in the system as the highest priority items are implemented, and should allow for adding or removing legal entity events – or making other important changes – as deemed appropriate, without reconstituting the overarching policy.

**Table 1: Legal Entity Events to be Captured in the GLEIS, with Relative Order of Priority Implementation**

Legal Entity Event	Relative Order of Priority
Concerning changes in names, trade- or doing business names, legal address, headquarter address, legal form, as well as the transformation of an international branch into a subsidiary (and	(i) High

conversely the transformation of a subsidiary into an international branch) and some changes affecting funds, the GLEIS should (i) <b>provide a history of data record changes due to corporate events and actions that can easily be searched by end-users of the GLEIS</b> and (ii) add to the LEI reference data the <b>effective date of the change</b> (in addition to the date when the change is recorded in the system).	(ii) Medium
Concerning mergers, the GLEIS currently provides easy access to information on the successor of a merged entity. It should also facilitate the retrieval of <b>predecessor entities</b> .	Medium
Concerning <b>complex acquisitions</b> (reverse takeovers), the GLEIS should track the information provided by official sources in the relevant jurisdiction of the entity.	Low
A <b>spin-off relationship</b> to capture all reportable and verifiable spin-offs should be created, the reporting of which could be optional or phased in.	Medium
<b>The definition of inactive entities in the GLEIS should be clarified</b> to adequately capture entities that are still legally in existence but have no operations. This clarification may support a better classification of entities that have currently a lapsed status.	High
A specific data element should be added in the GLEIS to signal that an <b>entity is under liquidation</b> .	Medium
Concerning legal entity events that result in the disappearance of the reporting entities (mergers, dissolution) and therefore may not be reported by the entity, the GLEIS should implement <b>alternative sources and methods to update the information</b> (such as corporate action data feeds). These sources could help detect cases where <b>entities currently appearing as “lapsed” are actually inactive or expired, and more effectively implement the current policy that LOUs should in such cases update the records without the intervention of the entity</b> . In addition, for cases other than those resulting in the disappearance of the entity, such an approach could also help to improve the overall timeliness and quality of data in the GLEIS by creating a cost effective way for LOUs to be	High

notified of potential changes and to elicit updates to LEI records by the affected entities (through the process of self-registration).	
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It should be noted that the list of legal entity events that could be captured is not exhaustive and can be refined as part of the implementation of the policy, whether in its first iteration or a later iteration. The ROC will work with the GLEIF to determine any additional legal entity events that may be appropriate to capture in the GLEIS.

### 3 Data feeds

The ROC remains firmly committed to the principle of self-registration by legal entities in the GLEIS. Self-registration is a central principle in the collection of LEI data; in general, the entity registering (or its authorized agent) must provide the data directly to the LOU that will issue its LEI. The ultimate responsibility for data accuracy falls upon the registrant. The rules of the system, however, specify that the LEI reference data should be validated by the LOUs, using public official sources, and private legal documents where public sources are inadequate. LEI reference data must be validated at the time of registration, entities have an obligation to update their information when there are relevant changes, and for a record to be considered active (i.e., have an “issued” registration status), it must be revalidated at least annually. In addition, the system is open to data challenges from any user, and those challenges must be resolved.

Although it remains the case that an entity has the responsibility to update all parts of its information through self-registration, the incentive to provide the information may be lacking in some cases, especially when the entity ceases to exist, with a potentially detrimental effect on the timeliness and quality of the data in the GLEIS. Although LOUs have an incentive to follow up with entities that do not perform the annual renewal of their registration, they may lack sufficient incentive to do the research necessary to establish that an entity has ceased to exist (such as through a merger or dissolution), unless there is a specific data challenge to that effect. LOUs will also not necessarily be aware of the existence of legal entity events that would require an update to an entity’s reference and relationship data in the absence of self-disclosure by the affected entity. In cases such as these, it may be desirable to develop alternatives that can alert LOUs in the GLEIS to the fact that a legal entity event has occurred to an LEI under its maintenance, such as systematic checks based on relevant business registries and regulatory registries.

There is generally positive support from participants in the public consultation and the workshop for the idea that data feeds (such as commercial corporate action data feeds, or feeds from the official business registry or registration authority) could be beneficial to the system by encouraging more timely updates of relevant Level 1 and Level 2 data for impacted entities and improving data quality. There are potential challenges of incorporating these data feeds effectively into the GLEIS, including the potential to raise costs. The ROC believes all stakeholders have a vested interest in keeping costs as low as possible, while maintaining high data quality.

The ROC is of the view that external data feeds – whether commercial or regulatory – should be incorporated into the GLEIS as appropriate to alert LOUs and GLEIF to potential changes

in the reference and relationship data for entities in the GLEIS. To minimize implementation costs, there may be an interest to begin by focusing the use of external feeds on key data elements, especially names, as having an accurate name in the LEI data base is essential to avoid duplicates, and for users to assign the right LEI to their counterparties. As the system grows and gains more experience with external data feeds, these could be expanded or enhanced to incorporate new sources and data elements in an incremental fashion, with the goal of achieving a reasonable cost-benefit balance. The ROC will work with GLEIF throughout implementation of this policy to examine alternative sources and methods to update the information in the GLEIS and to maximize the value of incorporating such external data sources in the GLEIS.

A policy question was raised through the public consultation regarding whether firms could potentially use data feeds as a form of “assisted registration” by letting their reference or relationship data be updated by the feeds. This practice could be seen as undermining the principle of self-registration on which the system is built. However, where the source of the feed is the business registry, and the change in the business registry was triggered by the entity itself, the ROC already considered in the past that this was compatible with self-registration, (in instances where the LOU is the business registry). This policy continues the practice of allowing LOUs to update records directly when the LOU is itself also a business registry and the entities are under that business registry’s remit<sup>4</sup>. In other cases data feeds would be used (i) in the case of inactive entities, to update the records without the entity’s consent, in line with existing ROC policies and GLEIF technical standards; and (ii) for other entities, for LOUs to be notified of potential changes and to elicit updates to LEI records by the affected entities (through the normal process of self-registration).

This policy does not change the general rules of assisted registration, which apply for registrants at all LOUs.<sup>5</sup>

## 4 Effective dates

Collection and maintenance of effective dates (i.e., when legal entity events become legally effective) in addition to the dates when they are recorded in the GLEIS will have the following benefits to the GLEIS:

1. Better informs users that rely on the actual date of a change;
2. Allows tracking the speed of updates to records;
3. Supports the role of the GLEIS as a source of reliable reference data for use by both regulators and the private sector; and

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<sup>4</sup> This policy does not intend to further limit registration agents such as banks to supply registration, renewal, and other services to their clients, as permitted by the GLEIF. See the following GLEIF press release for more information: [file:///C:/Users/ADeaton/Downloads/en\\_2017-04-06\\_gleif-press-release\\_registration-agent\\_v1.3-clean-approved.pdf](file:///C:/Users/ADeaton/Downloads/en_2017-04-06_gleif-press-release_registration-agent_v1.3-clean-approved.pdf).

<sup>5</sup> The policy in this regard is that: “The permission/agreement of the LEI registrant to perform an LEI registration on its behalf by a third party is considered to satisfy the requirements of self-registration granted the registrant has provided explicit permission for such a registration to be performed.” (See FSB LEI Implementation Group, 24 October 2012, [http://www.fsb.org/wp-content/uploads/r\\_121024.pdf?page\\_moved=1](http://www.fsb.org/wp-content/uploads/r_121024.pdf?page_moved=1) footnote 6, and LEI ROC 27 July 2013 [https://www.leiroc.org/publications/gls/lou\\_20140824\\_2.pdf](https://www.leiroc.org/publications/gls/lou_20140824_2.pdf), footnote 2). The SLA (Appendix 6 of the Master Agreement) states that “Verify the individual signing the application and any pertaining documents is duly empowered to submit such application in the name and on behalf of the Legal Entity”

4. Supports the reconciliation of different databases showing the same changes occurring on potentially different dates.

There was near-universal support among respondents to the public consultation for collecting and maintaining the effective date of changes to the LEI reference and relationship data resulting from legal entity events. It was well understood that effective dates are required in order to make the historical data more valuable to end users, including both regulators and market participants. Such effective dates are already implemented for parent relationships.

There is a definite trade-off to consider between the cost to collect and maintain these data and the quality of the information: data quality is paramount, and costs should be kept to a minimum in order to improve the usefulness and effectiveness of the system. How effective dates are defined will play a key role in maintaining high data quality. It may also be possible – or even desirable to contain costs – to only capture effective dates for some legal entity events or to phase effective dates in over time. The ROC will work with GLEIF and industry, as appropriate, on implementation details such as definitions, applicability, level of precision needed, relative priority, and the timing of implementation prior to implementation.

As regards the introduction of effective dates of changes in LEI data there is no intention to reflect the entire history of relevant legal entity events for all entities in the GLEIS. The GLEIS should collect and store legal entity event data on an ongoing basis starting as of a future date that will be determined by GLEIF in consultation with the ROC. The GLEIS should not ask entities to report legal entity events that occurred prior to that future implementation date.

## **5 Data history**

For policy or research purposes, the ROC believes it is important to be able to trace the relationships among entities through time (including when a relationship starts or ceases to exist). These legal entity events often figure prominently in constructing meaningful time series analysis of individual company and industry structures. The relationship and reference data within the GLEIS should be granular enough to enable analysis and visualization of changes to an entity and its relationships with other entities, both from the present looking backward and from the date of an entity's entry into the Global LEI System looking forward to the present.

Data about legal entity events in the GLEIS should be:

- a. Simple and easy to access using a user interface (i.e., no need to rely on a mastery of the full data files).
- b. As timely as possible.
- c. Easily traceable back and forth through its history in the GLEIS. Tracking of predecessor and successor entities should be provided (e.g., through use of dynamic hyperlinks).

The usability of the data and the user interfaces within the GLEIS are the responsibility of the GLEIF and the LOUs. However, the ROC can assist in consultation.



## 6 Complex acquisitions

The consultation document discussed that some mergers may be relatively complicated, and in many practical applications elsewhere, the determination of the survivor entity has been difficult. For example, there might be a reverse takeover, where in rapid sequence an entity A acquires entity B, B absorbs A, and B changes its name to A. The consultation document presented two approaches to addressing such a situation. Overall, and in line with existing GLEIS principles of corroborating GLEIS records with official sources, there was a preference for reflecting as accurately as possible the chain of legal events as reflected in the official registries of the relevant jurisdictions.<sup>6</sup> The ROC underlines that the implementation of effective dates is a precondition to this approach. Therefore, the GLEIF should take this objective into account when implementing effective dates and data history.

## 7 Spin-off relationships

In a spin-off, an entity may either sell a part of itself to another entity (such as a business line, including contracts with staff, customers, leases of office space, assets, etc.) or establish a business line or some legally indistinct portion of itself as a separate legal entity within its own company structure. An entity may also reconfigure itself so as to separate the ownership of some part of itself, but continue to exert meaningful control through other means. Recording such information on spin-offs is intended to facilitate analysis of entities over time for a variety of purposes, including analysis of financial time series data where large changes in the data can occur across time periods as a result of spin-offs.

The public consultation confirmed that information on spin-offs would be useful but that it could be difficult to track spin-off relationships, in particular those that do not trigger changes in the underlying data (Level 1 and 2 data and changes to business registers were mentioned as examples of such data). Third-party data sources (e.g., corporate action data feeds) could be helpful to identify such cases.

The following policy principles should guide the development by the GLEIF, in consultation with the ROC and relevant stakeholders, of technical standards for the reporting of spin-off relationships to the GLEIS:

- The GLEIS should be able to record spin-off relationships between two entities that have an LEI, including the effective date of the spin-off, and data concerning the materiality of the spin-off (when such data is available, e.g., percentages of assets, income and staff, for each entity in the spin-off relationship). The implementation date should be set by the GLEIF, in consultation with the ROC and relevant stakeholders, no later than 1 February 2022.
- The reporting of such relationships should be optional, and occur at the request of:
  - i. one of the parties in the relationship; or

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<sup>6</sup> This means using a combination of three successive legal events already capable of being captured in the GLEIS — acquisition, absorption, and name change. This results in the surviving entity having the original name of entity A and the LEI of entity B, but the LEI record of A will point to the LEI of B as a successor. However, if in the relevant jurisdictions, this chain of event is considered differently, for instance as a merger of B into A, this could be reflected into the GLEIS.

- ii. a third party through the challenge process, provided an authoritative public source allows to corroborate the spin-off relationship. In this case, the relationship must be recorded for the LEIs in the relationship to have an “issued” status.
- The non-reporting party in the spin-off relationship should be able to challenge the spin-off record.
- The validation sources of the relationship should be recorded, with one of the three following values:

Fully corroborated	Based on the validation procedures in use by the LOU responsible for the record, there is sufficient information contained in authoritative public sources to corroborate the information that the submitter has provided for the record.
Partially corroborated	Based on the validation procedures in use by the LOU responsible for the record, the information supplied by the registrant can be partially corroborated by public authoritative sources (at least the existence of the spin-off relationship), while some of the record is dependent upon the information that the registrant submitted, either due to conflicts with authoritative information, or due to data unavailability (e.g., materiality data).
Entity supplied only	Based on the validation procedures in use by the LOU responsible for the record, the information associated with this record has significant reliance on the information that a submitter provided due to the unavailability of corroborating publically available information.  If one of the parties to the spin-off relationship challenges the existence of a spin-off relationship that is “entity supplied only”, the relationship should be annulled.

## 8 Inactive entities

Sometimes there is ambiguity about whether an entity has truly expired. Currently, the GLEIS defines this status as follows:

*“It has been determined that the entity that was assigned the LEI is no longer legally registered and/or operating, whether as a result of:*

1. *Business closure*
2. *Acquisition by or merger with another (or new) entity*
3. *Determination of illegitimacy”*<sup>7</sup>

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<sup>7</sup> See LEI Data File Format 1.0 [http://www.leiroc.org/publications/gls/lou\\_20140620.pdf](http://www.leiroc.org/publications/gls/lou_20140620.pdf), p. 21; see also LEI Common Data File Format 2.1, section 2.3.56 (<https://www.gleif.org/en/about-lei/common-data-file-format/lei-cdf-format#>).

However, there are other cases where the entity has taken no step to terminate its legal existence, but it has no meaningful economic activity and no apparent possibility of future activity; some entities may obtain an LEI but never begin operation, such as in the case of a fund that fails to raise sufficient capital to begin operation. One LOU reported cases of sub-funds which requested an LEI, but were never ultimately launched. Such entities might be considered “dormant”, although where fund registration was a condition of the existence of the entity, those LEIs could be considered annulled (which would appear as such in the registration status). A “dormant” entity may be less likely to renew its LEI registration on the appointed due date, and currently any entity that fails to renew its LEI registration is treated as “lapsed”. More finely defining these two categories might be helpful, both in providing more meaningful information to users of the GLEIS and in providing a clearer basis for LOUs in pursuing renewals of lapsed LEIs. The ROC therefore adopts as a policy that the definition of inactive entities in the GLEIS should be clarified to adequately capture entities that are still legally in existence but have no operations<sup>8</sup>.

The GLEIF should consult on the most practical way to implement this policy. Implementation should occur no later than June 2020. One way to accomplish this goal may be to simply use the existing “inactive” entity status with the absence of an entity expiration date (or another way to identify “dormant” cases) and clarify, in the current definition of the “inactive” entity status, that “no longer operating” and “business closure” may correspond to situations where an entity is still legally in existence but has no operations, as corroborated by the following sources:

- the entity has been reported as “dormant” in the OECD country by country reporting of constituent entities of large multinational enterprises<sup>9</sup> or
- an official status of inactive, but legally existing entities, is recognized in the jurisdiction of the entity.

The inactive status could in practice be reported, on behalf of the entity, by the manager of an inactive fund or the parent entity of an inactive subsidiary. It would result in a “retired” registration status for the LEI, in accordance with the current definition (“entity that has ceased operation, without having been merged into another entity”)<sup>10</sup>. In the absence of official sources corroborating the inactive status, it could be considered to record it as “partially corroborated” or “entity supplied only”, although this applies currently to the entire record, and consideration could be given in that case to more finely identify the source of the dormant status (separately from the rest of the record).

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<sup>8</sup> Dormant or inactive entities may in some cases still hold residual assets and liabilities after operational activities have ceased.

<sup>9</sup> The “dormant” classification is for instance used for describing the various constituent entities of large multinational enterprises subject to the OECD country by country reporting as part of their initiative on Base Erosion and Profit Shifting (BEPS) (see: [http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report\\_9789264241480-en#page37](http://www.keepeek.com/Digital-Asset-Management/oecd/taxation/transfer-pricing-documentation-and-country-by-country-reporting-action-13-2015-final-report_9789264241480-en#page37)).

<sup>10</sup> See LEI Common Data File format V2.1, section 2.3.66.

## 9 Data validation

Both publicly available and non-publicly available sources may be used for validation, but the type of sources used should be disclosed. Although it is envisaged at this stage only to record information that could be made public, the fact that the source used for validation is not public does not necessarily imply that the information is itself confidential<sup>11</sup>.

**Financial statements** could be a key source to validate a spin-off relationship, especially if the significance of the spin-off is measured based on accounting definitions (such as the impact on assets or income). It could also support the validation of successor entities after a merger. However, financial statements are not updated in real time, and thus cannot be used for validating changes happening in between annual or quarterly reports.

**Other documents supporting the preparation of consolidated financial statements** might be available between annual financial statements, for instance when mergers and acquisitions require the intervention of external auditors.

**Regulatory filings** may also provide public information on legal entity events, via regulatory disclosures applying to listed entities or reporting requirements applying to financial institutions. Other official sector information, provided they are public, could also support validation<sup>12</sup>.

**Other sources** exist, such as data vendors, but their information is generally proprietary and may have been collected from a variety of sources, with different definitions or levels of validation or quality; the indirect nature of the source might not allow the information to be flagged appropriately. Although such sources should not be used as primary validating information, they may be helpful in identifying legal entity events that have not been reported by the registrant or detected through the challenge process (as discussed above).

In the particular case of funds, some public sources exist for use in validation (e.g., registries), but their availability and treatment differ across jurisdictions, and there is a lack of harmonization across such registries. In some cases, it may be possible to use such registries as another type of “external data feed” to alert the GLEIS to changes in the reference data for funds. In other cases, the data are not of sufficient quality or timeliness to support ongoing use for validation purposes.

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<sup>11</sup> For instance, an entity may choose to voluntarily share with LOUs documents supporting the preparation of consolidated financial statement, which may be more timely or more detailed than the published financial statements (e.g., because materiality thresholds apply to disclosures of entity names in such statements). On the other hand, confidential regulatory filings would not be available to LOUs for validation in most cases, unless this is authorised by the applicable jurisdictional framework and provided voluntarily by the registrant. This is similar to what is described in Section 3.1 of the LEI ROC Policy on Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1, March 2016, [https://www.lei.org/publications/gls/lou\\_20161003-1.pdf](https://www.lei.org/publications/gls/lou_20161003-1.pdf).

<sup>12</sup> The EU Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) issued in December 2016 an opinion recommending that “CMFB members shall consider the opportunity of having the LEI and its reference data (such as name, entity status, registration status, necessary to fully deploy the LEI correctly) in their reference source databases for statistical production”, including for “output products (files, reports, etc)”. CMFB opinion on business identifiers and business registers: Recommendations for statistical production <https://circabc.europa.eu/sd/a/98871143-34f9-46a4-a642-a68e3461aeb8/2016-12-02%20-%20CMFB%20opinion%20on%20business%20identifiers%20and%20business%20registers%20-%20recommendations%20for%20statistical%20production.pdf>.

## Conclusion

The optimal implementation priority and timeline for this policy on incorporating legal entity event data into the GLEIS should be developed cooperatively. It would appear that what remains to be finalised belongs to the area of technical standards which are the responsibility of the GLEIF (e.g., how to represent effective dates, and whether and how to reflect range of definitions of effective dates, depending on local legislations<sup>13</sup>) and the role of GLEIF of consulting LOUs and industry on the most cost-effective way for implementing ROC policies. Workshops, further consultations, and pilot projects may be used as implementation proceeds.

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<sup>13</sup> For instance, whether the effective date of a name change is the one decided by the relevant body of the legal entity, the date of publication in the business registry, or some other date.