

LEI ROC

LEI Eligibility for General Government Entities

Consultative Document

25 October 2019

The Regulatory Oversight Committee (ROC) for the legal entity identifier (LEI) is seeking comments on its consultative document on *LEI Eligibility for General Government Entities*.

Background

The LEI is a 20-character reference code to uniquely identify legal entities. ISO 17442¹ defines legal entities as well as the reference data associated with the LEI. This reference data includes the name and legal address of the entity². Additionally registrants have to declare, when relevant, its direct and ultimate accounting parent entities³ as defined in the LEI Regulatory Oversight Committee (ROC) report of March 2016.⁴

LEIs are issued and managed by a network of independent operators, named local operating units (LOUs). They are supervised by the Global LEI Foundation (GLEIF) and apply the rules of the Global LEI System (GLEIS) under the oversight of the LEI ROC, an international standard setting body. The LEI ROC members include 90 official sector bodies and regulatory authorities from more than 50 countries. The LEI is used in more than 90 laws and regulations applicable in over 45 jurisdictions to support the reporting of financial transactions and other public sector uses. More generally, the LEI is used by market participants to support more reliable management of data on legal entities.

Following several queries from LOUs, the GLEIF sought guidance from the ROC in December 2017 about the use of LEIs for identifying government entities within the GLEIS. In May 2018, the ROC mandated a working group under the aegis of its Committee of Evaluation and Standards (CES) to clarify:

- The criteria determining LEI eligibility for government entities, especially those that do not have legal personality but have a kind of autonomy or responsibility.
- The relationship type, either direct or ultimate, for government entities.

Questions for public consultation

The LEI ROC invites comments on the consultative document and requests answers to the following specific questions. Please provide details and supporting information where possible.

Section 1: Is there some need for identifying general government entities?

1. Do you see some need for identifying general government entities within the GLEIS? If yes, for what purposes? Please provide details. If no, skip to Question 2.

¹ See GLEIF, [ISO 17442: The LEI Code Structure](#).

² See GLEIF, [Level 1 Data: Who is Who](#).

³ See GLEIF, [Level 2 Data: Who Owns Whom](#).

⁴ LEI ROC (2016), [Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1](#), March.

Section 2: Potential difficulties for identification of general government entities in the GLEIS current framework

2. Are you aware of any specific difficulties general government entities may have in obtaining an LEI and completing all the data elements⁵? If no, please skip to Question 3.

If yes, have you observed any such cases? If no, please skip to Question 3.

If yes, please specify the jurisdiction, the name and function of the entity, its national code and LEI if any. Please also indicate if the entity is incorporated or other legal form, its type of relationship with or within the government sector.

3. Is the identification of the ‘ultimate parent’ a relevant concept for general government entities within the GLEIS system?
4. What kind of relationship could be described according to legal provisions that apply to general government entities?
5. What organisation is a government entity that does not have legal personality but has a kind of autonomy or responsibility? What reasons are there for and against such organisations obtaining an LEI?

Section 3: Evaluation of the convenience for a new item to identify general government entities

6. Do you think it is appropriate to separately identify general government entities and create a new item in a different section within the GLEIS in order for general government entities to declare their affiliation?
7. Should the general government entity registrant provide some reference to any official document?

Section 4: Scope and Appropriateness of SNA definitions

8. Do you think the SNA 2008 definition of general government entities (see Section 3 of the consultative document) is appropriate for the GLEIS?
9. Do you identify any government entity not included in the SNA definitions? Please specify.
10. Do you have disagreements on any of the current SNA definitions? Please specify.
11. Would you support splitting general government into the different types of government entities according to SNA: central government, state government, local government, social security fund?

If yes, should the split be compulsory or optional?

Responses to this consultative document should be sent to leiroc@bis.org by Friday 6 December 2019. Responses will be published on the LEI ROC’s website unless respondents expressly request otherwise.

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LEI Eligibility for General Government Entities

Introduction

Following several queries expressed in December 2017 by LOUs, the GLEIF sought the ROC's guidance on the implementation of the LEI for general government entities. The ROC has clarified, at the GLEIS Forum of 22 May 2019, that general government entities are eligible for an LEI as they are legal entities according to ISO 17442, in the same conditions as other entities, i.e. "if they could enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way". Consequently, entities that are not incorporated, such as Ministries, Agencies and Republics, are eligible for an LEI. The ROC has also clarified that general government entities should declare a parent (i.e. the legal entity preparing consolidated financial statements) in the same condition as other entities. Based on two previous surveys among LOU and ROC members,⁶ the ROC has observed that the general government entities of most jurisdictions, when applying for an LEI usually declare no known parent as accounting consolidation within the government sector is unusual.

These observations highlighted a specific ROC concern regarding the quality of information for general government entities, as the multiplication of entities without legal personality representing the State may be a source for duplicates. They also highlighted poor information about the relationships of general government entities.

For these reasons, the ROC proposes to create a new item called "general government entities" that would be completed by general government entities only. This would help to better identify such entities and provide an affiliation to a sector since the affiliation to a parent is not currently possible. The definition of general government entities would be from the System of National Account (SNA).⁷ General government entities would further declare their affiliation to a subsector as defined by the SNA (central government, state government, local government, social security).⁸ In order to prove the affiliation, the registrant would refer to any relevant public website or provide a non-public document to the LOU.

This consultation document was developed by the LEI ROC CES to seek input from the public on the proposal for creating a new item called "general government entities". Your responses to the questions and other feedback will inform the policy framework that the ROC will consider recommending to the GLEIF for implementation.

⁶ The survey responses were collected in October 2018 and April 2019.

⁷ The [SNA](#) is the internationally agreed standard set of recommendations on how to compile measures of economic activity. The SNA describes a coherent, consistent and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules.

⁸ [SNA](#) (2008), page 80.

1. The LEI for general government entities in the current GLEIS framework

1.1 Are government entities such as Ministries, Agencies and Republic, eligible for an LEI even if they are not incorporated or have no other legal personality?

The ROC has observed that ISO 17442 definition of legal entities fully applies to general government entities and the criteria for eligibility are the same for them as for any other legal entities.

According to ISO 17442, legal entities “include, but are not limited to, unique parties that are legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way.”

The LEI ROC is of the view that, for this reason, a government entity, such as a Ministry, Agency and Republic, should be eligible for an LEI as long as it can acquire legal rights and obligations under the national law to which it is subject. This is true even if the entity is not incorporated or has no other legal personality. For example, the entity should be able to enter legal contracts under a jurisdiction’s laws. This may involve issuing, buying and selling financial assets or being a counterparty to a financial transaction.

To avoid duplicates and to prevent mistaken identifications in the GLEIS, the general government entity should provide an identifier, as defined in the LEI Common Data File format V2.1 (see Annex A). The identifier is typically maintained by a business registry or an appropriate registration authority in the jurisdiction of legal registration. The registration authority should be identified by its code (ItemRegistrationAuthorityID) in the Registration Authorities List (RAL) maintained by the GLEIF.⁹ If the said registration authority has not yet been recorded in the RAL, an interim register can be designated (OtherRegistrationAuthorityID) until an entry from the RAL can be delivered. A specific identification process could be implemented in very exceptional cases where these entities would be legal entities according to ISO 17442 without any national registration code.

1.2 How to figure relationship data within the general government sector

Under the GLEIF provisions for LEI applications, the definition of direct and ultimate parent that currently applies is based on the principles of accounting consolidation.

According to the ROC report of 10 March 2016, “Entities that have or acquire an LEI would report their “ultimate accounting consolidating parent”, defined as the highest level legal entity preparing consolidated financial statements, as well as their “direct accounting consolidating parent”. In both cases, the identification of the parent would be based on the accounting definition of consolidation applying to this parent.”¹⁰

For the GLEIS, while accounting consolidation may be a convenient way to describe the relationship between corporations issuing shares or other similar legal entities, it may not suit

⁹ See GLEIF Registration Authorities List at <https://www.gleif.org/en/about-lei/code-lists/gleif-registration-authorities-list>.

¹⁰ LEI ROC (2016), page 1.

all types of entity relationships. Indeed, general government sector entities are not usually included in consolidated financial statements.

Within the GLEIS, the collection of parent entities information is subject to a limited list of exceptions (“opt outs”). The GLEIF guidance states that an entity can decline providing information on its parents, if there is no parent according to the definition used. “This will include for instance (i) the entity is controlled by natural person(s) without any intermediate legal entity meeting the definition of parent in the GLEIS; (ii) the entity is controlled by legal entities not subject to preparing consolidated financial statements (given the definition of parents in the GLEIS) (iii) there is no known person controlling the entity (e.g. diversified shareholding).”¹¹

Under the current GLEIS standards, as a consequence, any government entity which is not consolidated in a financial statement should “opt out” and declare that it has “no known parent” according to the LEI Reporting Exceptions Format V1.1 (see Annex B)¹². This is expected to happen in a majority of cases. Conversely, it should declare the LEI of its consolidating direct and ultimate parent, according to the LEI Relationship Record Common Data File format V1.1 (see Annex C)¹³ if the government entity is consolidated in a parent’s financial statements.

To avoid any misunderstanding, it is important to note here that statistical consolidation differs from the accounting consolidation referred to by the GLEIS. According to SNA 2008, paragraph 22.79, statistical consolidation “is a method of presenting statistics for a set of units as if they constituted a single unit. It involves eliminating transactions and reciprocal stock positions among the units that are being consolidated”. In such a process, no head or parent is identified. There should be no confusion between statistical consolidation and accounting consolidation referred to by the GLEIS. However “As a rule, the entries in the SNA are not consolidated” (SNA 2008, paragraph 22.14). “In the SNA consolidation is discouraged” (SNA 2008, paragraph 22.80).

The ROC has observed that General government entities are related to each other in the sense that all of them belong to the Government sector. However, there is generally no “control” of the central government on lower levels of government, such as local government, in the meaning attributed to “control” in the principles of accounting consolidation in IFRS or US GAAP¹⁴. In most countries there are legal or constitutional limits preventing the interference that a central government might have on decentralised levels of government, and many times the more central level of government cannot assume the liabilities incurred by the decentralised levels. Moreover, there are usually no accounting statements encompassing all government entities with the central government as consolidating entity.

In the case of corporations, the direct parent is generally the entity with shareholders’ control of the corporation. Some companies engaged in market activities can be fully- or partially-

¹¹ LEI ROC (2016), page 15.

¹² Item [ExceptionReasonEnum](#)

¹³ Item [RelationshipTypeEnum](#)

¹⁴ IFRS 10 *Consolidated Financial Statements* outlines the requirements for the preparation and presentation of consolidated financial statements, requiring an entity to consolidate entities it controls. Control requires exposure to or rights to variable returns from involvement with the investee and the ability to affect those returns through power over the investee. Under U.S. GAAP, per Financial Accounting Standards Board Accounting Standards Codification Topic 810, *Consolidation*, consolidation is based on having a “controlling financial interest” in an entity.

owned by a State or other government organisation, which thus acts as a shareholder. That is, there are relationships between government entities that are similar to the relationships between corporations or other legal entities, with a legal entity unit that is part of a subsector of the general government being the direct parent of a legal entity unit outside of the general government sector. If the legal entity unit that is the shareholder consolidates them, this relation should be treated as any other relationship of the private sector.

LOUs will be able to validate the parent relationship on the basis of the consolidated statements provided by the entity. However, consolidation procedures are quite unusual among general government entities. This means that when the main or sole shareholder is an entity of the general government, there may be no consolidation process, although there is a relationship. Establishing the consolidation option in the case of the general government will mean that a number of relationships in the case of the general government would not be captured by the LEI data.

These issues were discussed with LOUs at the GLEIS Forum of 22 May 2019 and will be part of the final ROC statement about LEI eligibility for government sector entities.

2. Create a new item to identify general government entities

Statistical authorities while compiling security statistics and national accounts, financial stability authorities while analysing the risk and indebtedness of entities in their jurisdiction, as well as market participants may need to identify general government entities as issuers of government debt. Furthermore, government entities may be impacted differently than other types of institutions by entity-related events. For instance, some government entities can still exist after going bankrupt, others may be created or disappear according to dedicated legal acts (e.g. Agencies, Ministries).

While Government entities can register for an LEI, they cannot be differentiated in the GLEIF database from other entities such as companies. Indeed, in a large majority of jurisdictions, the entity legal form code does not enable the unambiguous identification of general government entities. They add to the large number of entities that declare no parent (78% as a whole). Being able to further detail the “good” reasons for having no parent would make the GLEIF database more informative and reliable.

The ROC proposes to create a new item “General Government Entities” to be completed by general government entities only. They would be identified according to the SNA 2008 definition.

The General Government sector further divides in four subsectors.

- General government: S13 (SNA 2008, paragraphs 2.17 and 4.127)
- Central government: S1311 (SNA 2008, paragraphs 4.134 and 4.135)
- State government: S1312 (SNA 2008, paragraphs 4.141 and 4.142)
- Local government: S1313 (SNA 2008, paragraph 4.145)
- Social security funds: S1314 (SNA 2008, paragraphs 4.124 and 4.147)

The ROC is of the view that providing the information on subsector would be more informative for the users but also more demanding for the registrant, due to necessary updates in case of further change in classification.

Publicly owned corporations that do not belong to the government sector would not fill in this item in any case.

While it may be useful to identify the issuer of government debt, it was considered especially difficult. Different types of entities may participate in the process of issuing government debt with different roles (risk bearer, technical manager). In that context, government debt implies to identify the final risk bearer, which involves a complex and thorough analysis and is beyond the scope of the LEI reference database.

The registrant would have to provide the reference information that proves it is a government entity. This information is frequently available on government or statistical authorities' websites. However, all of those websites do not strictly apply the SNA 2008 definition. In that case, LOUs should consider whether additional documents are needed.

3. Definitions

3.1 The general government sector according to SNA 2008

Institutional Units

SNA 2008 paragraph 4.2 deals with “institutional units”, not with legal entities. “An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities”. However, the proximity of definitions between institutional units and legal entities, especially in the general government context is a rationale for using the SNA 2008 definition of government entities.

General Government

According to paragraph 2.17 of the SNA 2008, the general government sector consists of institutional units that, in addition to fulfilling their political responsibilities and their role of economic regulation, produce services (and possibly goods) for individual or collective consumption mainly on a non-market basis and redistribute income and wealth.

General Government Subsectors

SNA 2008 paragraph 4.127 introduces subsectors. It defines general government as the resident institutional units that are part of the central, state or local government. The general government also includes the social security funds, as an independent subsector or as part of the central, state or local governments subsectors, and all non-profit institutions (NPI) controlled by government units. The public corporations that are market producers are not part of the general government, although they can be entirely controlled by general government institutional units (see further details in Section 3.3).

Central Government Subsector

The central government subsector consists of the institutional units plus NPI controlled by the central government institutions (SNA 2008, paragraph 4.134). SNA 2008 paragraph 4.135 defines central administration as comprising all institutional units that extend their authority over the entire territory of the country.

State Government Subsector

The state government subsector consists of the institutional units that exercise some government functions at a level below that of the central government and above that of the government institutional units existing at a local level. These are institutional units whose fiscal, legislative and executive authority extends over individual states in which the country, as a whole, may be divided. In some countries, especially small countries, individual states and state governments may not exist (SNA 2008, paragraph 4.141). The state government usually has the fiscal authority to levy taxes on institutional units that are resident in, or engage in economic activities or transactions within its area of competence (SNA 2008, paragraph 4.142).

Local Government Subsector

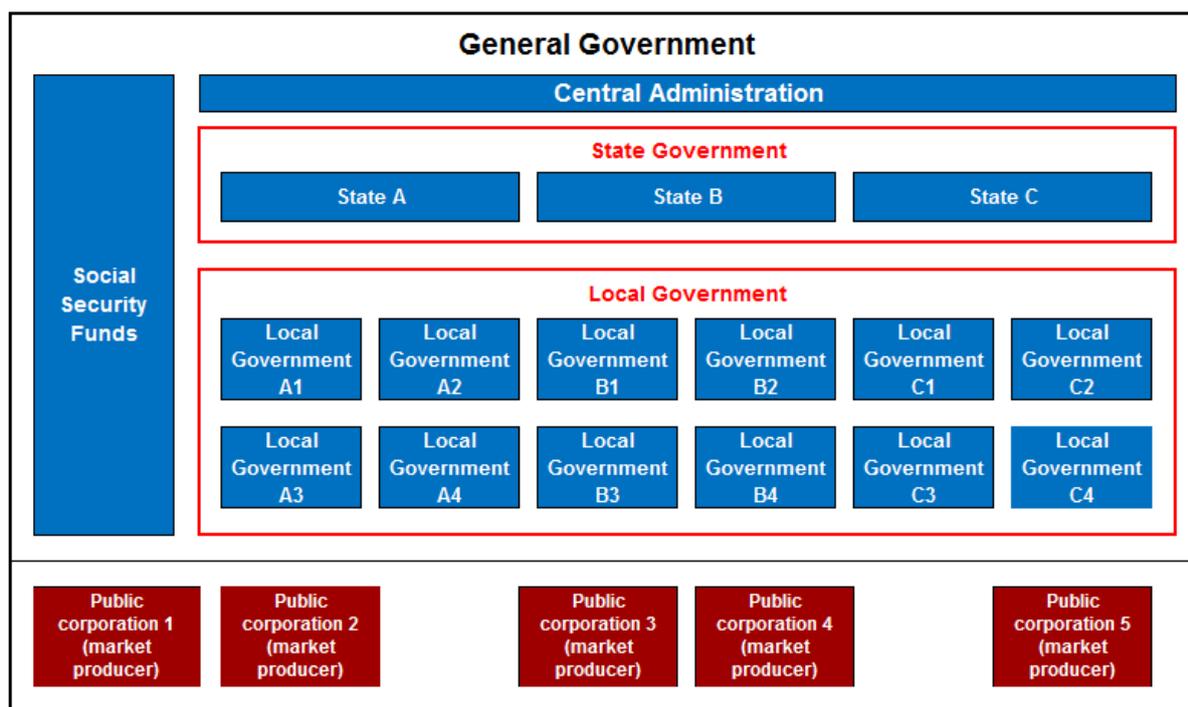
The local government subsector consists of local governments that are separate institutional units. The scope of their authority is generally much less than that of central government or state governments, and they may or may not, be entitled to levy taxes on institutional units resident in their areas (SNA 2008, paragraph 4.145).

Social Security Scheme

Social security schemes are social insurance schemes that cover the community as a whole or large sections of the community and are imposed and controlled by government units. The schemes cover a wide variety of programmes, providing benefits in cash or in kind for old age, invalidity or death, survivors, sickness and maternity, work injury, unemployment, family allowance, health care, etc.” (SNA 2008, paragraph 4.124). “They can operate at all levels of Government” (SNA 2008, paragraph 4.147). “When social security schemes are separately organized from the other activities of government units and hold their assets and liabilities separately from the latter and engage in financial transactions on their own account, they qualify as institutional units that are described as social security funds. However, institutional arrangements in respect of social security schemes differ from country to country and in some countries they may become so closely integrated with the other finances of government as to bring into question whether they should be treated as separate institutional units.” (SNA 2008, paragraph 4.125).

The general government sector can, in schematic terms be described as in Figure 1 below.

Figure 1 - General Government Sector



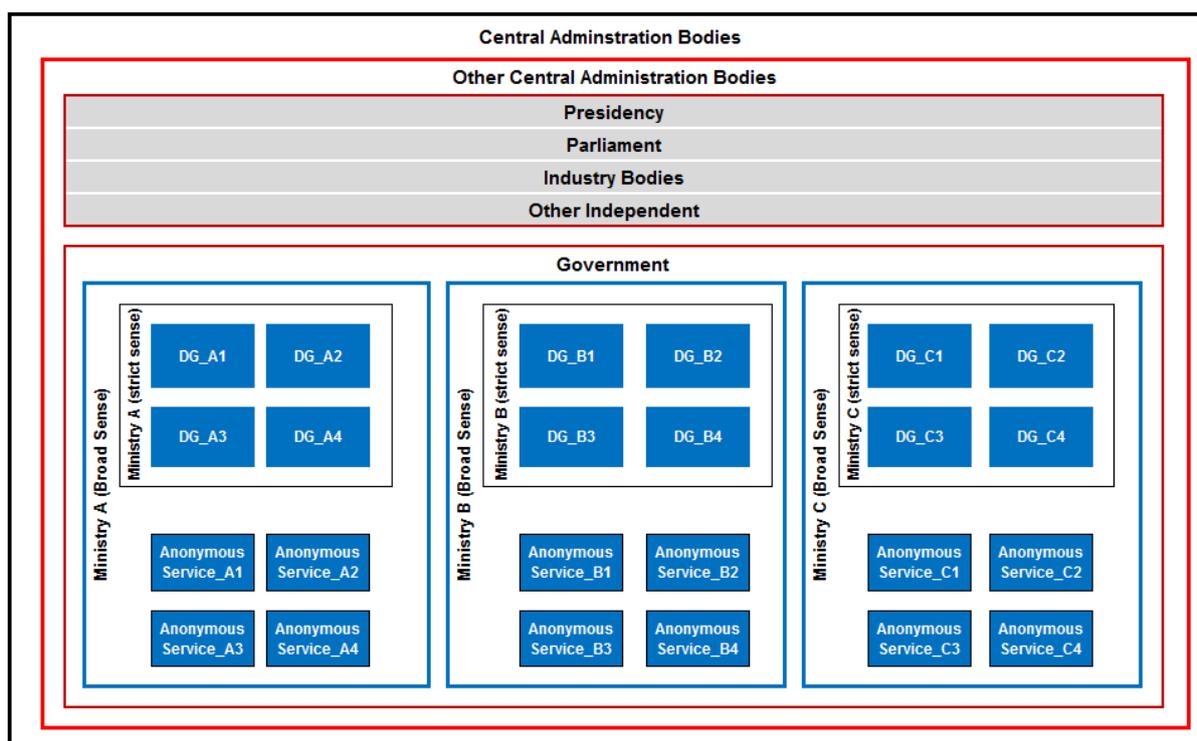
3.2 The specific issue with the central government sector entities

The central administration is the most complex subsector of the general government. This subsector includes the ministries and some independent bodies such as the presidency, the parliament, the judiciary bodies or other independent bodies. Different countries have different configurations of ministries. In some countries, each ministry is itself an institutional unit and a legal person. It has different departments responsible for the design and control of policies and performance of the tasks normally performed at the ministry level. In some other countries, these units are separate institutional units under the same political authority (the Ministry). The ministry itself is a political unit, without legal personality, that corresponds to the aggregation of different institutional units. In other countries, both the Ministry and agencies ("lower level" central administration entities from the State) have no legal personality but represent the State when entering into contracts.

Whatever the legal landscape, the GLEIS should identify legal entities on their ability to abide to the ISO 17442 definition i.e. being unique parties that are legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way.”

A schematic structure of central administration bodies is displayed in Figure 2.

Figure 2 - Central Administration Bodies



3.3 The general government sector is a part of the public sector

“The public sector includes general government and public corporations. To identify which NPIs are included in general government, conditions for control by government must be identified. To determine which enterprises are treated as public corporations and which as part of general government, it is necessary to specify conditions for control by government and the concept of economically significant prices” (SNA 2008, paragraph 22.15).

This means that there are institutional units that are public, but do not belong to the general government. Especially, government-owned corporations that are market producer do not belong to the general government sector. The figure below relates the public sector with the institutional sectors of SNA-2008.

Figure 3 - The public sector and its relation to institutional sectors

Non-financial corporations	Financial corporations	General government	Non-profit institutions serving households	Households
public	public	public	private	private
private	private			

Annex A: Level 1 Data LEI-CDF format¹⁵

The diagram below shows the structure of the LEI-CDF format version 2.1, including definitions of the data content to be provided.

LEI Data			
LEI File Header			[1,1]
ContentDate	lei:LEIDateTimeProfile		[1,1]
Originator	lei:LEIType		[0,1]
FileContent	lei:FileContentEnum		[1,1]
DeltaStart	lei:LEIDateTimeProfile		[0,1]
RecordCount	xs:nonNegativeInteger		[1,1]
Extension	lei:ExtensionType		[0,1]
LEI Data Record			[0,*]
LEI	lei:LEIType		[1,1]
Entity			[1,1]
LegalName	lei:NameType		[1,1]
OtherEntityNames	lei:OtherEntityNamesType		[0,1]
TransliteratedOtherEntityNames	lei:TransliteratedOtherEntityNamesType		[0,1]
LegalAddress	lei:AddressType		[1,1]
HeadquartersAddress	lei:AddressType		[1,1]
OtherAddresses	lei:OtherAddressesType		[0,1]
TransliteratedOtherAddresses	lei:TransliteratedOtherAddressesType		[0,1]
RegistrationAuthority	lei:		[0,1]
LegalJurisdiction	lei:JurisdictionCodeType		[0,1]
EntityCategory	lei:EntityCategoryTypeEnum		[0,1]
LegalForm	lei:LegalFormType		[0,1]
AssociatedEntity	lei:AssociatedEntityType		[0,1]
EntityStatus	lei:EntityStatusEnum		[1,1]
EntityExpirationDate	lei:LEIDateTimeProfile		[0,1]
EntityExpirationReason	lei:EntityExpirationReasonEnum		[0,1]
SuccessorEntity	lei:SuccessorEntityType		[0,1]
Registration			[1,1]
InitialRegistrationDate	lei:LEIDateTimeProfile		[1,1]
LastUpdateDate	lei:LEIDateTimeProfile		[1,1]
RegistrationStatus	lei:RegistrationStatusEnum		[1,1]
NextRenewalDate	lei:LEIDateTimeProfile		[1,1]
ManagingLOU	lei:LEIType		[1,1]
ValidationSources	ValidationSourcesTypeEnum		[0,1]
ValidationAuthority	lei:ValidationAuthorityType		[0,1]
OtherValidationAuthorities	lei:OtherValidationAuthoritiesType		[0,1]
Extension			[0,1]

¹⁵ <https://www.gleif.org/en/about-lei/common-data-file-format/lei-cdf-format#>.

Annex B: Level 2 Data: Reporting Exceptions Format¹⁶

The diagram below shows the structure of the Reporting Exceptions format, including definitions of the data content to be provided.

Reporting Exceptions Data			
Header			[1,1]
ContentDate	repex:LEIDateTimeProfile		[1,1]
Originator	repex:LEIType		[0,1]
FileContent	repex:FileContentEnum		[1,1]
DeltaStart	repex:LEIDateTimeProfile		[0,1]
RecordCount	xs:nonNegativeInteger		[1,1]
Extension	repex:ExtensionType		[0,1]
Reporting Exceptions			[1,1]
Exception			[1,1]
LEI	repex:LEIType		[1,1]
ExceptionCategory	repex:ExceptionCategoryEnum		[1,1]
ExceptionReason	repex:ExceptionReasonEnum		[1,*]
ExceptionReference	repex:Tokenized500Type		[0,*]
Extension	repex:ExtensionType		[0,1]

¹⁶ <https://www.gleif.org/en/about-lei/common-data-file-format/level-2-data-reporting-exceptions-format#>

Annex C: Data: Relationship Record (RR) CDF Format¹⁷

The diagram below shows the structure of the RR-CDF format, including definitions of the data content to be provided.

Relationship Data			
Header			[1,1]
ContentDate	LEIDateTimeProfile		[1,1]
Originator	LEIType		[0,1]
FileContent	FileContentEnum		[1,1]
DeltaStart	LEIDateTimeProfile		[0,1]
RecordCount	xs:nonNegativeInteger		[1,1]
Extension	ExtensionType		[0,1]
Record			[0,*]
Relationship			[1,1]
StartNode	NodeType		[1,1]
EndNode	NodeType		[1,1]
RelationshipType	RelationshipCategoryType		[1,1]
RelationshipPeriods	RelationshipPeriodsType		[0,1]
RelationshipStatus	RelationshipStatusEnum		[1,1]
RelationshipQualifiers	RelationshipQualifiersType		[0,*]
RelationshipQuantifiers	RelationshipQuantifiersType		[0,*]
Extension	ExtensionType		[0,1]
Registration			[1,1]
InitialRegistrationDate	LEIDateTimeProfile		[1,1]
LastUpdateDate	LEIDateTimeProfile		[1,1]
RegistrationStatus	RegistrationStatusEnum		[1,1]
NextRenewalDate	LEIDateTimeProfile		[0,1]
ManagingLOU	LEIType		[1,1]
ValidationSources	ValidationSourcesTypeEnum		[1,1]
ValidationDocuments	ValidationDocumentsTypeEnum		[1,1]
ValidationReference	Tokenized500Type		[0,1]
Extension	ExtensionType		[0,1]
Extension			[0,1]

¹⁷ <https://www.gleif.org/en/about-lei/common-data-file-format/relationship-record-cdf-format/>