Response of the Global Legal Entity Identifier Foundation (GLEIF) to Australia Attorney-General's Department for the 2024 Consultation to inform options for implementing the Model Law on Electronic Transferable Records in Australia

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Australian Government Attorney-General's Department (the department) for the 2024 Consultation to inform options for implementing the Model Law on Electronic Transferable Records in Australia.

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. The Global LEI System is overseen by over 71 public authorities (including Australian Securities and Investments Commission) participating in the Regulatory Oversight Committee.

GLEIF would like to respond to:

Question 32. Please share any views on how the government can encourage interoperability between different technologies, and use of common data standards, under a MLETR-aligned legal framework?

GLEIF welcomes the department's launch of the consultation on options to implement the Model Law on Electronic Transferable Records (MLETRA) in Australia. GLEIF agrees that the adoption of MLETR is a fundamental step towards recognising the legal validity of electronic transferable records. Meanwhile, the alignment with MLETR helps countries align their trade laws with international standards, which is the key for facilitating efficient and secure digital trade globally.

GLEIF **proposes the department to advocate for the adoption of relevant international standards – such as the LEI (ISO17442-1) and vLEI (ISO17442-3) - as best practices** to encourage interoperability under a MLETR-aligned legal framework.

LEI: the common data standard for entity identification globally

The LEI is based on ISO17442-1 standard. It is a global and machine-readable standard for the unique legal identification of legal entities worldwide. It consists of a 20-digit, alpha-numeric code that enables clear and unique identification of legal entities. The code is linked to a set of key reference information relating to the legal entity in question e.g., name, legal form, headquarter address, parent company, child entities. This enables clear and unique identification of legal entities participating in trade and financial transactions, including their ownership structure. Below is an example LEI of an Australian entity: https://search.gleif.org/#/record/984500AF46C87713A605.

GLEIF operates under the Open Data Charter terms, which means that the complete database of LEIs and the associated LEI reference data is available free of charge for anyone to access. GLEIF makes the LEI and LEI reference data available via full file download, webpage search and API.

In its role as a key data connector, the LEI enables critical data sets to be efficiently connected. The LEI already links to the local business registration number and is mapped to a myriad of other identifiers, including the OpenCorporates ID, S&P Global Company ID, SWIFT's ISO's Market Identifier Code (MIC) and BIC managed by SWIFT, International Securities Identification Numbers (ISIN) managed by the Association of National Numbering Agencies (ANNA) and the Business Ownership Data Standard (BODS) of Open Ownership. The LEI does not replace local business identification schemes, rather it acts as a connecter and makes local identification schemes globally accessible. Furthermore, LEI information on "who owns who" mitigates the risk in interbank and corporate relationships.[1]

Today, the LEI as a common data standard is widely used in reporting regimes globally, as demonstrated by the adoption of the LEI in 233 regulations and 61 policy recommendations across the globe. [2] In global trade, the LEI is being recommended by Baltic and International Maritime Council (BIMCO) in its 'eBL Standard' as an identifier for shippers, consignees and notify parties. [3] The Digital Container Shipping Association (DCSA) also specifies the LEI as one of the codes for party identification in 'DCSA Data overview for the Bill of Lading'.[4]

vLEI: the interoperable digital organizational ID protocol

On the basis of the LEI as the identifier for legal entities, 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 not only identify themselves but also verify the authenticity of counterparty organizations digitally. Based on a concept known as self-sovereign identity (SSI), this new approach to authentication and verification of digital identity began as a means by which a person, the identity holder, has control of his/her personal data over how, when, and to whom that data is revealed. The vLEI conforms to the popular "never trust, always verify" mantra, embodied by the counterintuitively labelled "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. The ICC DSI Paper on 'Trust in Trade - Verifiable Trust: A foundational digital layer underpinning the physical, financial,

[1] DeNederlandscheBank (September 2023): Measuring intra-bank complexity by (not) connecting the dots with LEI. A supervisor perspective
[2] https://www.gleif.org/en/lei-solutions/regulatory-use-of-the-lei
[3] https://www.bimco.org/ships-ports-and-voyage-planning/maritime-digitalisation/ebl
[4] https://dcsa.org/standards/bill-of-lading/documentation-bill-of-lading-3-beta-2/bill-of-lading-3-beta-2-data-overview

and information supply chain' provides more details on the technical standards used by the vLEI such as ACDC and CESR, and highlighted the vLEI and its role credentials as critical identity relevant standards in trade.[5]

The vLEI infrastructure is a network-of-networks of true universality and portability, developed using the KERI (Key Event Receipt Infrastructure)[6] protocol. It supports the full range of blockchain, self-sovereign identity and other decentralized key management platforms. vLEIs will be hostable on both ledgers and cloud infrastructure supporting both the decentralization of ledgers plus the control and performance of cloud. Portability will enable GLEIF's vLEI ecosystem to unify all ledger-based ecosystems that support the vLEI.

In the context of MLETRA, the UNCITRAL released the 'UNCITRAL Model Law on the Use and Cross-border Recognition of Identity Management and Trust Services (MLIT)' [7]in July 2022, which provides a set of model legislative provisions that legally enable the use of identity management services for online identification of physical and legal persons as well as the use of trust services to provide assurances as to the quality of data in electronic form. MLIT enables the establishment of verified trust for digitalized trade, which is a foundational layer for the implementation of MLETRA. GLEIF believes that the vLEI (verifiable LEI) framework fulfils the provisions laid out in MLIT and therefore facilitates achievement of MLETR objectives – enable cross-border electronic trade, via a globally recognized and interoperable organizational identity credential.

For example,

- vLEI governance framework offers a controlled and audited methodology of the whole lifecycle of the digital identity credential, which is in line with the list of operational rules, policies and practices specified in MLIT that should be fulfilled by identity management service providers;
- The vLEI governance framework details reliability requirements in the primary document: verifiable LEI (vLEI) Ecosystem Governance Framework Primary Document, which is in line with the Reliability requirements for identity management services defined in MLIT;
- GLEIF as an entity being established by the Financial Stability Board and overseen by global regulators, takes the role as the Root of the Trust within the vLEI governance framework. Therefore, the vLEI trust framework has a worldwide scope and operates in a fully reliable way in a cross-border basis. From technology perspective, as described in the above paragraphs, the KERI protocol is technologically neutral and agnostic to different kinds of networks and systems. Therefore, the vLEI facilitates interoperability across different

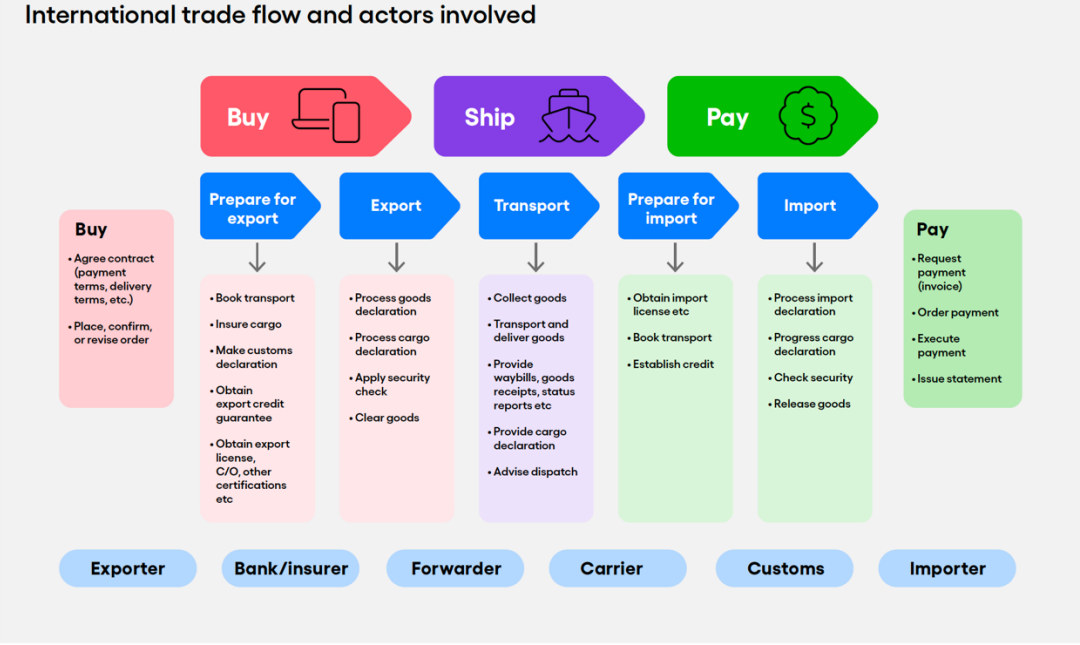
[5] https://www.dsi.iccwbo.org/_files/ugd/8e49a6_5a75a77950d7474da772bf9cfc2d985b.pdf
[6] https://keri.one/
[7] https://uncitral.un.org/en/mlit

jurisdictions. This fulfills the provision of 'Cross-border recognition of the result of electronic identification' within MLIT.

The above features enable the Global LEI System and its digital twin 'vLEI' as a critical identity framework to enable compatible international frameworks for electronic transferable records. To specify the importance of the LEI and vLEI, GLEIF would like to echo its response to the consultation on 'Trade Identity Framework' from the Australian Simplified Trade System Taskforce earlier this year and quote below some of the findings from a report "Scaling the Use of Digital Identities in International Trade"[8] published by the International Chamber of Commerce (ICC) United Kingdom, the World Trade Board and GLEIF.

According to this report, 'LEIs represent a viable solution for global trade digitalisation thanks to their uniqueness and open access model built on globally recognised standards.' The report illustrated the benefits of the LEI based on the Buy-Ship-Pay Reference Model developed by the United Nations Centre for Trade Facilitation and Electronic Business (see below Figure 1).

Figure 1



Source: UNECE Buy-Ship-Pay Reference Models

At the 'BUY' step, the usage of the LEI could help to Enhancing trust and sustainability credentials via below use cases:

[8] https://iccwbo.uk/scaling-the-use-of-digital-identities-in-trade/

- Streamlining counterparty identification processes, e.g. KYC, sanction screening;
- Enhancing risk management for SMEs, '*Uptake of LEIs would result in an annual saving amounting to $61.9 billion for SMEs involved in international trade*'.
- Strengthening sustainability credentials, '*use of LEI can be incorporated to ensure easy retrieval and monitoring of Voluntary Sustainability Standards (VSS) adoption*'.

At the 'Ship' step, the usage of the LEI could expedite trade processes through automation and trusted schemes via below use cases:

- Enabling automated customs and trade facilitation processes, '*considering the automating customs processes, incorporating LEIs into computerised certificates and documents can provide an additional layer of trust proof based on reliable data on organisational identity. Furthermore, the ISO 17422 standard, as revised in August 2020, allows the integration of LEIs within digital certificates to link entities' multiple certificates from different certificate schemes and issuers*.'
- Enabling Linkage to authorised economic operators, '*AEOs will require rigorous background checks of the economic operators involved, which is where the LEI comes in'*.

At the 'Pay' step, the usage of the LEI could simplify payment and trade finance via below use cases:

- Widespread use of the LEI in payment, '*the Committee on Payments and Market Infrastructure (CPMI) included in Building Block 16 of the Global Roadmap for Enhancing Cross-Border Payments the recommendation on a globally standardised approach supporting the global Legal Entity Identifier for legal entities.'* Additionally, CPMI also indicated that the LEI or BIC could replace name and address information of the payer and payee entities in their ISO20022 harmonization report. Several jurisdictions (e.g. UK, India, China) have already started to require the usage of LEI in their payment infrastructures.
- Improving financial inclusion for SMEs, '*LEIs speed up access to finance through better identification, faster processing of letters of credit, and facilitate access to non-traditional trade finance instruments, such as asset-based finance'.*

Additionally, the LEI and vLEI serve as 'a foundational block to digitalise trade supply chains', especially in the context of the Model Law on Electronic Transferable Records (MLETR), *'in a fully digitised future trade process, LEIs play a crucial role in enhancing transparency, traceability and security across the entire trade ecosystem'.* (see Figure 2)

Figure 2

Enabling global identity
Protecting digital trust

The level of impact and time to impact of LEIs for trade digitalisation

Steps	Level of effort (time)	Level of impact of LEI	Time to impact	Overall effectiveness
Vendor on-boarding	High	High	Short	Medium
Sale contract	Medium	Low	Short	Medium
Apply for export/ import permit	Medium	High	Long	Medium
Apply for C/O & certifications	High	High	Long	Medium
Apply for cargo insurance	Low	High	Medium	High
Customs declaration for export	Low	High	Long	Medium
Obtain L/C	High	High	Short	High
Prepare L/C payment documents	High	High	Medium	Medium
Arrange payment	Low	High	Short	High

Legend: Low | Medium | High | Long | Short

Source: "Scaling the Use of Digital Identities in International Trade".

In conclusion, GLEIF believes that the Global LEI System and its digital version vLEI could set the best practice for the industry globally to facilitate interoperability between different data definitions, technologies and legal requirements under a MLETR-aligned legal framework. GLEIF remains at your disposal to further discuss and support the Australian Government Attorney-General's Department in its work to implement MLETRA. Do not hesitate to engage us in discussions and questions related to the LEI and/or the vLEI in future consultations.