



COMMITTEE ON MONETARY, FINANCIAL AND BALANCE  
OF PAYMENTS STATISTICS

3rd Webinar on the Global Initiative on Unique Identifiers for Businesses

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Fostering the LEI as unique identifier  
of financial and non-financial  
companies for statistical purposes:

Work of the CMFB

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# Outline

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## References

# 1. INTRODUCTION: WHAT IS THE CMFB?

## CMFB in a nutshell

The European Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) was founded more than 30 years ago by Council Decision 91/115/EEC of 25 February 1991.

The CMFB or shortly Committee hereafter is the operational platform for cross-cutting and transversal issues between the European Statistical System (ESS) and the European System of Central Banks (ESCB). It has an advisory role and assists the European Commission in drawing up and implementing work programmes concerning monetary, financial and balance of payments statistics and with regard to statistical issues related to Excessive Deficit Procedure (EDP) decisions. The Committee aims to bring benefits for both statistical systems while avoiding overlaps with existing initiatives to the extent possible.

# 1. INTRODUCTION: WHAT IS THE CMFB?

## How does the CMFB look like?



# 1. INTRODUCTION: WHAT IS THE CMFB?

## CMFB Membership and Composition

Total: **80+ member institution**

### *National central banks' Statistics*

#### *Directorates:*

- Eurosystem (21, incl. ECB)
- Outside the Eurosystem, but inside EU (7)
- EFTA (4)
- Additional members (candidates)

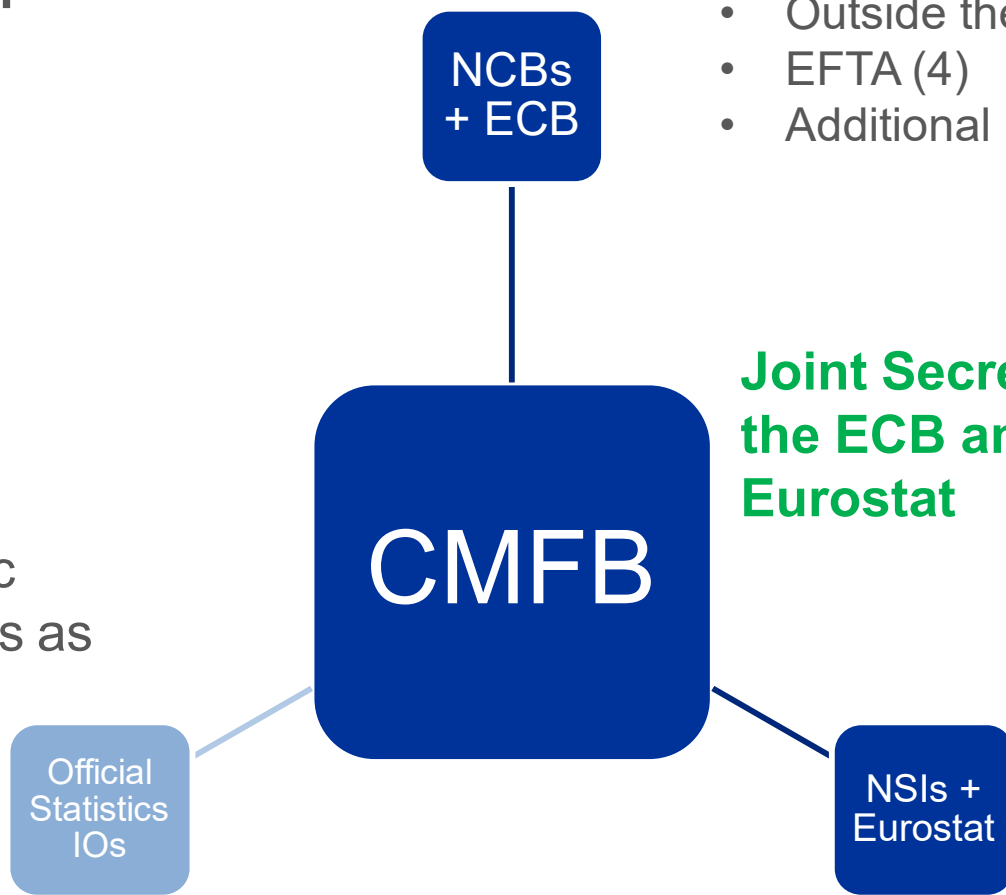
### Joint Secretariat at the ECB and Eurostat

### *National Statistical Institutes:*

- European Union (28, incl. Eurostat)
- EFTA (4)
- Additional members (candidates)

*International Organizations with Economic Statistics tasks as observers:*

- UNECE
- IMF
- OECD
- BIS



### Work started in 2015 - Motivation

- The consistency of monetary, financial and balance of payments statistics is at the core of the CMFB's tasks, affecting statistics from both the European Statistical System (ESS) and the European System of Central Banks (ESCB), in particular financial and non-financial national accounts and balance of payments.
- In a global economy, there is an important degree of interconnectedness among legal units, both within the financial sector and between the financial and non-financial sectors (trade and financial flows).
- To explore the interconnectedness and foster consistency, when linking financial and non-financial data, it is key, on the one side, to identify individually all legal units, whether or not they belong to a group, by a unique identifier that can be recognized not only at the level of the European Union but also worldwide and, on the other side, to know how these entities are interlinked.

## 2. CMFB WORK ON STATISTICAL REGISTERS AND THE LEI

### Work started in 2015 – First steps

- In 2015 the CMFB created two structures: a technical group on business unit identifiers and a high level group on business registers. As a result of the work of these two structures, the CMFB endorsed a set of six consolidated recommendations, among them, the extension of the Legal Entity Identifier (LEI) governed by the LEI ROC and the GLEIF and fostering its use as an additional identifier in the administrative and statistical business registers both at national and EU levels.
- In 2018 and again in 2021, the CMFB monitored the progress of the implementation of the recommendations mentioned above, conducting two surveys to EU countries. The Committee recognized that some progress in the inclusion of LEIs in the statistical business registers was achieved (e.g. integrating the LEI in statistical business registers), but also acknowledged some drawbacks that hampered the further expansion of the LEI, notably for small and medium non-financial enterprises.

## 2. CMFB WORK ON STATISTICAL REGISTERS AND THE LEI

# 2022 CMFB workshop on collaboration and exchange of business register data for statistical (and non-statistical) purposes – Panel discussion – Wrap-up session

- Panelists did not unconditionally prescribe a single register because European and national business registers have different tasks, strategies and heterogeneous frameworks and regulations with a data exchange based on specific cooperation agreements. However, further harmonisation and the use of common standards should always be strived for. Cooperation at European and national levels should be intensified for the purpose of statistical consistency, as well as agility and flexibility of statistical production.



### 3. CMFB OPINION ON THE LEI IN 2023

## The Procedure and the vote

- Pursuant to Article 4 of Council Decision 2006/856/EC, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) “may express opinions on its own initiative on any questions relating to those statistics that are of common concern to the Commission and national statistical authorities, on the one hand, and the ECB and national central banks, on the other. In the execution of its tasks, the Committee shall give its views to all interested parties”.
- The following opinion has been issued at the request of the CMFB and has been adopted with a very large majority of opinions expressed by the Committee after a consultation, as established in its Rules of Procedure , on 14 April 2023. A total of 38 institutions provided their replays. A total of 34 opinions from institutions of EU countries were counted for the procedure, meeting the required quorum of 50% plus one vote (without counting the ‘no opinion’ votes).

### 3. CMFB OPINION ON THE LEI IN 2023

## Background

- Extending the use of the LEI will produce many benefits to statisticians. They would be able to profile multinational groups independently of their scope, European or worldwide, and – therefore – making the work of the large cases units (LCUs) easier. In addition identifying partners uniquely would help statisticians to reduce asymmetries between countries in international trade and balance of payments statistics. Last but not least, a global common identifier is crucial for the development of granular statistics and contributes to reducing the burden of respondents.
- The LEI can help to address a number of EU policies. As an example, not only statisticians would benefit from identifying firms with a LEI and an easier access to (disclosed) firm level data (as foreseen in the European Single Access Point). Potential investors could easier find firm data and therefore lower their information cost for financial investments, which would foster the Capital Market Union.

### 3. CMFB OPINION ON THE LEI IN 2023

## Background

- Besides, as the European Systemic Risk Board (ESRB) also recognized in 2021, the degree of interconnectedness among legal entities, both within the financial sector and between the financial and non-financial sectors needs to be monitored to better ensure financial stability, in order to measure and manage the risk of contagion among entities, sectors and countries. Integrating datasets is a statistical task, and the LEI plays a pivotal role in a global strategy on microdata. It makes it easier to combine different databases, since legal entities, in their various roles (as reporting agents, creditors, debtors, securities issuers, investors, protection providers, etc.) can be uniquely identified in many databases even beyond national borders. This also improves the consolidation of micro databases and is extensively used by the ESCB's Analytical Credit Database (AnaCredit), Securities Holdings Statistics Database (SHSDB), Centralized Securities Database (CSDB), Money Markets Statistical Reporting (MMSR), Register of Institutions and Affiliates Database (RIAD), European Market Infrastructure Regulation (EMIR) data and credit registers.

### 3. CMFB OPINION ON THE LEI IN 2023

## Background

- Supporting the collection of data on sustainable finance is another potential use case for the LEI. Centrally harmonized access to databases with relevant information on each company's degree of sustainability and its exposures to climate risks would be beneficial for supporting the development of sustainable finance and ensuring investor protection by enabling easy access to the financial and environmental, social and governance metrics describing the company. Such data would enable supply chains to be tracked (e.g. through the LEIs of suppliers and clients of companies). This would make it possible to estimate emissions across entire supply chains. In turn, it would help monitor the use of the proceeds of green bonds, make green labels more reliable and thus lower the reputational risk of greenwashing in green bonds markets. With the help of a broader coverage of the LEI, statistics would be in a better situation to provide relevant and timely data for economic and political decision makers.

### 3. CMFB OPINION ON THE LEI IN 2023

## Broadening the use of the LEI

- For statisticians, the LEI is clearly a public good. As a consequence of broader use cases and a greater coverage of the LEI, a higher quality of the LEI will be achieved. In addition, the LEI will become better suited for statistically combining financial and non-financial data for national, European and international statistical purposes.
- However, the use of LEI in medium and small non-financial companies is not as extensive as the cost-benefit analysis is less straightforward for these companies. Indeed, if the companies are not legally obliged, they do not perceive, individually, benefits that justify having this identifier in addition to national identifiers which can be used for all administrative domestic transactions. In addition, the business model (pricing) for the issuance and renewals of LEI codes, by which companies have to front a fee for having a code, covering both, the service of the local operating unit (the issuer) and also the service of the GLEIF, as manager of the system, is perceived as too costly for many companies. Without any adjustments to GLEIF's business model, no fundamental changes to the low use of LEI by medium and small non-financial companies are to be expected.

### 3. CMFB OPINION ON THE LEI IN 2023

## Broadening the use of the LEI

In order to minimize the cost for companies, there is a need for thinking of different, non-exclusive models, notably for non-financial small and medium enterprises:

- a) for the large majority of them only LEI level 1 must be issued;
- b) as the ESRB suggested, a system of cost-free LEI issuance and renewals for European enterprises as by-product of official registration could be developed, to keep them on a an equal footing level of competitiveness with non-EU enterprises;
- c) the LEI can be integrated in the mandatory data covered by the Company Law Directive (in this case it would become mandatory to issue an LEI to all limited liability companies which are governed by that Directive).

The maximum benefit of the LEI for the statistical community and, by extension, for the society as a whole, can only be achieved when its use is as broad as possible, especially by increasing coverage worldwide, so that the full global purpose of the LEI will be achieved.

### 3. CMFB OPINION ON THE LEI IN 2023

## Opinion

*Against this background,*

- the CMFB encourages all initiatives which help broaden the coverage and use cases of the LEI, minimizing or even eliminating the cost of issuance and renewals for European companies;*
- the CMFB asks the Commission to take into account the statistical usefulness of a broader LEI coverage when reporting on whether or not to make the LEI mandatory for a wider range of legal entities across the EU;*
- the CMFB encourages a global use of LEI through various international fora, in the attempt to extend the benefits of the LEI implementation for statistical purposes beyond the EU boundaries.*

*This opinion has been published on the CMFB website and sent to the European Commission (Eurostat, DG FISMA and DG JUST), the ECB and the LEI ROC.*

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