

Adan response

ESMA Consultation on LEIs

Question 6: How would you plan to retrieve and validate the EUID code provided by your clients or other non-financial entities?

While we support the objective of the European Unique Identifier (EUID) as a tool for standardizing the identification of companies across the European Union, however, it is important to note that the EUID is limited in its applicability, as it is only valid within the confines of the European Union. In contrast, Legal Entity Identifier (LEI) enjoys global recognition and can be assigned to any legal entity engaged in financial transactions, irrespective of its geographical location. This global applicability of LEIs enhances their operational efficiency, particularly in the context of digital finance, which often involves cross-border transactions. The nature of the crypto-assets market, characterized by its international reach and decentralized framework, underscores the importance of having a universally accepted identifier like the LEI. By utilizing LEIs, businesses can streamline their operations and ensure compliance with regulatory requirements across different jurisdictions. This is especially crucial in the rapidly evolving landscape of digital finance, where the ability to navigate cross-border regulations and facilitate seamless transactions is paramount.

While the data associated with LEIs can be validated against a "golden copy" provided by the Global Legal Entity Identifier Foundation (GLEIF), this process is highly efficient and automated. The GLEIF offers downloadable, machine-readable data with a specified reference date, allowing for seamless access to a single, reliable source of truth for data quality checks. This capability significantly enhances the accuracy and efficiency of identity verification for entities involved in financial transactions.

In contrast, the verification of EUIDs is a much more cumbersome process. EUID verification requires manual, one-by-one checks against the Business Registers Interconnection System (BRIS) to confirm the identity of clients or participants. This method is not only time-consuming but also prone to human error, making it less efficient for businesses that need to ensure compliance with regulatory requirements.

Moreover, the EUID is limited to the European Union and does not function as a globally recognized ISO standard identifier. Unlike the LEI, which provides comprehensive information about an entity, including details about its group structure, the EUID lacks the same depth of data. This limitation restricts its utility for financial entities, as it does not encompass the same level of information or validation capabilities that LEIs offer throughout the reporting chain.

Currently, EUID reference data can only be queried individually by market participants through the BRIS search portal. There is no option to download a comprehensive "golden copy" of reference data for all entities associated with an EUID, which further complicates the verification process. To meet the obligation of reporting accurate information, entities must be

able to validate both the format of the EUID and its assignment to the corresponding entity through BRIS, adding another layer of complexity to compliance efforts.

Given these challenges, **Adan strongly advocates for the establishment of a centralized EU register for LEIs. Such a register would streamline the verification process, enhancing the efficiency and accuracy of identity checks without disadvantaging companies that utilize other LEIs. This initiative would foster a more competitive balance in the market for LEIs, ultimately benefiting all stakeholders involved in the financial ecosystem. By creating a centralized repository, the EU can improve data accessibility and reliability, facilitating smoother operations for businesses navigating the complexities of regulatory compliance. Lastly, Adan advocates for the implementation of minimal information disclosure techniques when retrieving data from EU registers of LEIs.** This approach emphasizes the importance of privacy and data protection while still allowing for the necessary verification of entities involved in financial transactions. By employing minimal information disclosure techniques, organizations can access essential data without exposing unnecessary personal or sensitive information. This method not only enhances security but also aligns with the principles of data minimization, which are crucial in today's regulatory landscape, particularly under frameworks like the General Data Protection Regulation (GDPR).

Questions 10: Is there any other feedback you would like to provide on the topic of legal identifiers? Please specify which EU legal requirements is/will be your institution subject to.

Adan represents crypto-assets services providers and issuers of ARTs, EMTs, who are subject to MiFID, MICA and DORA Regimes.

Currently, the adoption of identifiers for legal entities within the crypto-assets services market is limited. In the case of EUIDs, it is crucial to recognize the **necessity for targeted information campaigns aimed at businesses. Adan emphasizes that these campaigns are essential to educate companies so they can better understand how to integrate EUIDs into their operations.** Regulators must also consider the significant costs associated with obtaining a Legal Entity Identifier. For many companies, especially SMEs, the expense of acquiring an LEI can be a substantial burden.

We would also like to bring to your attention that, **introducing new identifiers would necessitate significant investments** from financial institutions in several key areas. Firstly, they would need to undertake substantial system modifications to integrate these identifiers into their existing infrastructure. **This could involve upgrading software, enhancing security protocols, and ensuring compatibility with current systems. Additionally, this would require the allocation of resources for comprehensive staff training programs.**

We propose that the use of already established identifiers, such as the Global Legal Entity Identifier Foundation (GLEIF) or the Digital Token Identifier (DTIF), **should be permitted.** By leveraging identifiers that are already widely recognized and integrated into the financial

ecosystem, institutions can enhance efficiency and maintain compliance without the need for extensive system overhauls or additional training initiatives.

However, we would like to reiterate that **verification of LEIs presents** several **challenges** that can complicate compliance and operational efficiency for businesses and regulatory authorities, **which adds an additional layer of complexity to their compliance efforts**. These challenges stem from the existence of multiple LEIs, inconsistencies in data quality, and the lack of a centralized repository for LEI information.

GLEIF provides an infrastructure that includes APIs, file exchanges, and verification processes, which can greatly enhance efficiency and streamline operations. However, when it comes to the EUID, there seems to be a notable gap in automation capabilities. Currently, there are limitations that hinder the potential for automated processes, which could otherwise simplify compliance and reporting for entities.

In light of these challenges, Adan strongly advocates for the creation of a centralized EU register LEIs. Establishing such a register would simplify the verification process, thereby enhancing the efficiency and accuracy of identity checks without placing companies that utilize other LEIs at a disadvantage. By developing a centralized repository for LEIs, the European Union can significantly improve data accessibility and reliability. This would allow stakeholders to access a single source of truth for entity identification, reducing the confusion associated with multiple LEIs and ensuring that all parties are referencing the same data. This initiative would promote a more equitable competitive landscape in the LEI market, ultimately benefiting all stakeholders within the financial ecosystem.