

Roadmap to Implement Legal Entity Identifier in China (2020-2022)

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Part One

Background

Legal Entity Identifier (LEI) is a unique identifier assigned to legal entity in accordance with the *ISO 17442 Financial Service Legal Entity Identifier* published by the International Organization for Standardization, which aims to strengthen identification of legal entities and controlling relationships among entities worldwide. With support of the G20, the Financial Stability Board (FSB) organized to establish the Global LEI System to promote LEI implementation and application worldwide, with the goal of supporting regulatory authorities and market players to enhance identification and management of financial risks, and improving global governance of financial data.

Promoting the application and implementation of LEI in China, as an important measure to implement the Belt and Road Initiative, is conducive to improving international recognition and trust of Chinese financial institutions and relevant enterprises, facilitating business environment, promoting financial infrastructures to be more aligned with international practice, supporting higher level of opening-up of the financial market, and assisting financial authorities to prevent and resolve systemic financial risks.

Part Two

Goals and Principles

I. General Goal

Build up a policy system supporting LEI application in Chinese financial sector in line with international practice by end-2022. LEI will become: a) a tool supporting financial authorities to maintain financial stability and conduct financial supervision; b) an important means for financial infrastructures, financial industry associations and financial institutions to identify legal entities involved in cross-border transactions; and c) a "legal entity passport" for Chinese enterprise doing business abroad. LEI will cover 100,000 Chinese legal entities, and a cross-border legal entity information service and digital certification platform based on LEI data will be built by end-2022.

II. Year-end Objective Prior to 2022

1. Objective by end-2020.

LEI will cover 30,000 legal entities from Chinese mainland, including all financial institutions, member institutions of financial infrastructures and associations, and public companies. Regulatory rules will be formulated in areas such as RMB cross-border payment, digital RMB cross-border business, market access of Qualified

Foreign Institutional Investors (QFIIs) and RMB QFII (RQFIIs), derivatives trading, securities trading, and supervision of listed companies. A Mapping and update mechanism will be established between LEI and the Financial Institution Code (LEI-FIC), between LEI and the Unified Social Credit Code (LEI-USCC), and between LEI and identifiers used by major financial infrastructures in their information systems.

2. Objective by end-2021.

LEI will cover 50,000 legal entities from Chinese mainland with a focus on importers and exporters, trade enterprises, and non-financial enterprises involved in cross-border transactions. Regulatory rules will be formulated in areas such as financial market trade reporting, credit rating, foreign institutions applying for special institutional identifiers, etc. The cross-border legal entity information service and digital certification platform will be put into operation, providing LEI-based value-added data services for financial authorities, financial infrastructures and associations, and financial institutions.

3. Objective by end-2022.

LEI will cover 100,000 legal entities from Chinese mainland, with an expanding coverage among non-financial enterprises involved in cross-border transactions. LEI will be used in digital identification of legal entities engaged in cross-border activities. A mechanism for sustainable operation of the Local Operating Unit (LOU) in China will be established.

III. Basic Principles

1. Open sharing.

Serve the grand picture of opening-up by establishment of an information service mechanism compatible with the two-way opening-up of the financial sector. Development of the data on cross-border legal entities will be used to serve financial authorities, financial infrastructures and associations, financial institutions and enterprises.

2. Market-oriented.

Promote market-driven operation of the LOU in China based on reference to international practices and China's situation, and give full play to the initiatives of market players such as financial infrastructures, financial associations and financial institutions.

3. Sustainable development.

Optimize business model of the LOU in China. A LEI-based cross-border legal entity information service and digital certification platform will be built. The LOU in China will evolve into a data service provider that offers core products with competitive value, and therefore realize sustainable operation and development.

Part Three

Major Tasks and Division of Responsibility

I. Prior to 2020

1. Regulatory rules.

Regulatory rules to adopt LEIs will be formulated in the following areas:

- 1.1 Reporting of high-value transactions and suspicious transactions, RMB cross-border payment, and opening of free trade accounts in pilot free trade zones. *(PBOC)*
- 1.2 Trade reporting system of the financial market. Information reported to the Trade Repository (TR) should include LEIs of such entities as the reporting entity, the buyer and the seller, the intermediary entity and the trading place. Information reported to the TR by the counterparty to securities financing transactions should include LEIs of relevant parties. *(PBOC)*
- 1.3 Securities trading, securitized products and supervision of public companies. *(PBOC and CSRC)*
 - 1.3.1 Security issuers using services provided by central securities depositories (CSDs) are required to have LEIs. Issuers of public bonds are required to have LEIs. Institutional investors may choose to provide LEIs as means of identification while opening investment accounts. Under the Shanghai-Hong Kong stock connect program and the Shenzhen-Hong Kong stock connect program, overseas institutional investors may choose to provide LEIs as means of identification.
 - 1.3.2 Public companies are requested to disclose LEIs of controlling shareholders according to relevant laws and regulations. Investment advisory entities are required to use LEIs. Investment companies are required to use LEIs to identify investment firms and end clients in position reports.
- 1.4 Access approval and supervision of QFIIs and RQFIIs. *(CSRC and SAFE)*
- 1.5 Registration of special entities. Overseas entities engaged in business abroad are requested to provide LEIs when applying for special entity identifiers. *(SAFE)*

2. LEI coverage Expansion.

- 2.1 Realize LEI coverage of all financial legal entities, specify criteria for classification of financial legal entities by the LOU in China and improve relevant information. *(LOU in China)*
- 2.2 Realize full LEI coverage, by means of bulk registration, of member institutions of or connecting entities to the following financial infrastructures

and associations: China Foreign Exchange Trade System (CFETS), China National Clearing Center (CNCC), China UnionPay, Shanghai Gold Exchange, Nation Association of Financial Market Institutional Investor (NAFMII), Shanghai Clearing House, Payment & Clearing Association of China, National Internet Finance Association of China (NIFA), Cross-Border Interbank Payment System (CIPS), NetsUnion Clearing Corporation, Shanghai Commercial Paper Exchange Corporation Ltd., (SHCPE), and China Central Depository & Clearing Co., Ltd. (CCDC). *(LOU in China; relevant financial infrastructures and associations)*

- 2.3 Realize full LEI coverage of digital RMB operating institutions. *(LOU in China)*
- 2.4 Realize full LEI coverage, by means of bulk registration, of member institutions of or connecting entities to the following financial infrastructures and associations: Shanghai Stock Exchange, Shenzhen Stock Exchange, Shanghai Futures Exchange, Securities Association of China, Asset Management Association of China (AMAC), and China Futures Association. *(LOU in China; relevant financial infrastructures and associations)*
- 2.5 Launch pilot of bulk registration with China Future Market Monitoring Center, China Securities Data Co., Ltd, and other infrastructures in the securities sector. *(LOU in China; relevant financial infrastructures)*
- 2.6 Launch pilot of bulk registration in Pilot Free Trade Zones in Tianjin, Guangdong, Hainan and other provinces. Establish a mature business model for bulk registration of enterprises opening free trade accounts in Pilot Free Trade Zones. *(LOU in China)*
- 2.7 Expand LEI coverage among import and export enterprises that engage in the fight against the Covid-19 pandemic. *(LOU in China)*

3. Technical Application.

- 3.1 Mapping between LEI and other identifiers.
 - 3.1.1 Establish a mapping and update mechanism between LEI and the Financial Institution Code. *(LOU in China)*
 - 3.1.2 Establish mapping between LEI and the Unified Social Credit Code. *(LOU in China)*
 - 3.1.3 Establish a mapping and update mechanism between LEI and identifiers used in the information systems of financial market infrastructures administered by the PBOC, except for the Trade Repository. *(LOU in China; relevant financial infrastructures)*
 - 3.1.4 Explore to build a mapping and update mechanism between LEI and identifiers used in information systems of certain financial market infrastructures administered by the CSRC. *(LOU in China; relevant financial infrastructures)*
 - 3.1.5 Establish mapping between LEI and Unified Social Credit Code in information systems administered by the SAFE. *(SAFE)*

- 3.2 Promote the use of LEI to identify parties to transactions in the Cross-border Inter-bank Payment System (CIPS) and add LEI to transaction messages. *(CIPS)*
- 3.3 Promote the use of LEI to identify parties to transactions in DC/EP related system messages, complete the upgrade of messages of the connectivity platform, and support LEI field identification and transmission. *(Digital Currency Institute of PBOC)*
- 3.4 Promote application of LEI in the digital identification of legal entities.
 - 3.4.1 Launch the pilot of digital identification of cross-border legal entity with the CFETS, CIPS, China UnionPay, Shanghai Clearing House, SHCPE, China Financial Certification Authority, Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), China Construction Bank (CCB), China Merchants Bank (CMB) and China (Jiangsu) Pilot Free Trade Zone (Suzhou Industrial Park), and adopt LEIs in cross-border businesses of ICBC, BOC, CCB and other commercial banks. *(LOU in China; relevant financial infrastructures and commercial banks)*
 - 3.4.2 Organize to launch the pilot of digital identification of cross-border legal entity with infrastructures in securities sector such as China Futures Market Monitoring Center and China Securities Data Co., Ltd. *(LOU in China; relevant financial infrastructures)*
- 3.5 Use LEI in the management of entity files of the digital foreign exchange administration platform of the SAFE, and in the management of QFIIs and RQFIIs files in the capital account information system of the SAFE. *(SAFE)*

4. Sustainable Operation of LOU in China.

- 4.1 The LOU in China provides LEI data interface to all financial infrastructures. The LOU in China starts to develop the cross-border legal entity information service and digital certification platform, collect and supplement information of relevant entities and share the data with relevant financial infrastructures through API. *(LOU in China; relevant financial infrastructures)*
- 4.2 Formulate plans to develop commercial banks as registration agents and launch pilot projects. Build up LEI pre-issuance mechanism. Realize automatic update of information of financial institutions. *(LOU in China; relevant commercial banks)*

II. Prior to 2021

1. Regulatory rules.

Regulatory rules to adopt LEIs will be formulated in the following areas:

- 1.1 Cross-border business of digital RMB. Promote to develop rules to use LEIs in international standards on central bank digital currency. *(PBOC)*
- 1.2 Credit rating of inter-bank bond market and of exchange-traded bond market.

(PBOC and CSRC)

1.3 Derivatives market. Explore to develop universal rules for financial institutions to use LEIs. Parties to OTC derivatives transactions are required to have LEIs. In the case of exchange-traded derivatives, the trading places and brokerage entities are required to have LEIs, and clients may choose to use LEIs. Include LEIs into regulatory reporting of OTC derivatives. In derivative contracts and relevant information sheets LEIs are required to identify trading parties, clearing entities and payers. Overseas entities engaged in OTC derivative transactions are required to have LEIs. *(PBOC and CSRC)*

1.4 Insurance sector. Insurance companies, re-insurance companies and insurance holding companies are required to use LEIs in regulatory reporting. *(CBIRC)*

2. LEI Coverage Expansion.

2.1 Expand LEI coverage among digital RMB-related service providers and cooperating entities. *(LOU in China)*

2.2 Expand LEI coverage among enterprises registered in Pilot Free Trade Zones in Tianjin, Guangdong and Hainan via means of bulk registration. *(LOU in China)*

2.3 Expand LEI coverage among import and export enterprises, trade enterprises, and non-financial enterprises engaged in cross-border transactions. *(LOU in China)*

2.4 Realize full LEI coverage, by means of bulk registration, of member institutions of or connecting entities to the following financial infrastructures and associations: China Securities Data Co., Ltd, Dalian Commodity Exchange, Zhengzhou Commodity Exchange, China Financial Futures Exchange and China Association for Public Companies. Promote bulk registration of listed entities on the National Equities Exchange and Quotations (NEEQ). *(LOU in China; relevant financial infrastructures)*

3. Technical Application.

3.1 Adopt LEIs in the financial market TR. *(Relevant financial infrastructures)*

3.2 Use LEIs to identify entities submitting orders, members of the trading place, participants and clients in the financial paper trading system. *(SHCPE)*

3.3 Complete the adoption of ISO standard *ISO 17442 Financial Service Legal Entity Identifier* as national standard. *(LOU in China; relevant financial infrastructure)*

3.4 Mapping between LEI and other identifiers.

3.4.1 Establish a mapping and update mechanism between LEI and relevant identifiers used in information systems of areas administered by the PBOC including corporate credit information, anti-money laundering, and high-value and bulk payment systems. *(LOU in China; relevant financial infrastructures)*

- 3.4.2 Continue to promote the establishment of a mapping and update mechanism between LEI and relevant identifiers used in information systems of certain financial infrastructures administered by the CSRC. *(LOU in China; relevant financial infrastructures)*
- 3.4.3 Based on LEI mapping and update mechanism, connect the Unified Social Credit Code, identifiers created by financial authorities and identifiers used by financial infrastructures to form a complete chain of identifier relationships, and establish an update and maintenance mechanism for the chain. *(LOU in China; relevant financial infrastructures)*
- 3.4.4 Based on mappings of LEI-BIC and LEI-ISIN, realize connection and aggregation of legal entity information from various domestic and overseas data sources. *(LOU in China)*
- 3.4.5 Promote application of LEI in the digital identification of legal entities. Establish a mature mechanism for digital identification of cross-border legal entities and promote it to financial institutions in banking, securities and insurance sectors. *(LOU in China; relevant financial infrastructures and financial institutions)*

4. Sustainable Operation of LOU in China.

- 4.1 Complete preliminary development of the cross-border legal entity information service and digital certification platform and put it into service. Continue to improve data of relevant entities on the platform, share the data with relevant financial infrastructures through API, and provide value-added data services for certain financial infrastructures and institutions. *(LOU in China; relevant financial infrastructures)*
- 4.2 Build up a mature registration agent mechanism with major commercial banks. Explore to cooperate with trade associations and e-commerce platforms as registration agents. Explore the possibility of cooperating with the operating institution of the Unified Social Credit Code in a registration agent program, and formulate a preliminary plan and launch a pilot. *(LOU in China; relevant commercial banks)*
- 4.3 Realize automatic update of information on non-financial institutional members of financial infrastructures and public companies. *(LOU in China)*

III. Prior to 2022

1. Regulatory rules.

Formulate regulatory rules to adopt LEIs in such scenarios as supervision of cross-border financial transactions, monitoring of cross-border and cross-market financial risks, monitoring of systemic financial risks and financial stability. *(PBOC, CBIRC, CSRC and SAFE)*

- 1.1 Financial holding companies are required to use LEIs in regulatory reporting and information disclosure.

- 1.2 Adopt LEIs to enhance market supervision and monitoring of market abuse in cross-border, cross-market and cross-product scenarios.
- 1.3 Adopt LEIs to monitor financial risks by requiring that LEIs be used in regulatory reporting to improve identification of cross-border and cross-market risk accumulation.
- 1.4 Adopt LEIs to gain better knowledge of market structure, e.g. to identify participants to the OTC derivative market in the trading network and market structure and to sort out controlling relationships among entities based on knowledge graph, so as to support financial regulation.

2. LEI Coverage Expansion.

- 2.1 Expand LEI coverage among import and export enterprises, trade enterprises, non-financial enterprises engaged in cross-border transactions and other enterprises in need of LEIs. *(LOU in China)*
- 2.2 Realize full LEI coverage of enterprises in Pilot Free-trade Zones. *(LOU in China)*
- 2.3 Complete bulk registration of listed entities on the National Equities Exchange and Quotations (NEEQ). *(LOU in China; relevant financial infrastructures)*
- 2.4 Issue LEIs to government entities that are in need of LEIs according to relevant policies. *(LOU in China)*

3. Technical Application.

- 3.1 Mapping between LEI and other identifiers. Establish a mapping and update mechanism between LEI and relevant identifiers used in information systems of financial infrastructures administered by the CSRC. *(LOU in China; relevant financial infrastructures)*
- 3.2 Promote application of LEI in digital identification of legal entities. Promote the digital identification mechanism of cross-border legal entities in various areas including cross-border trade and cross-border finance. Based on usage of LEI in digital certificates, promote the digital identification mechanism in Pilot Free Trade Zones, fund management companies and other entities engaged in cross-border transactions. *(LOU in China; relevant financial infrastructures and financial institutions)*

4. Sustainable Operation of LOU in China.

- 4.1 Improve the identifier relationship chain bonded by LEI. Optimize the database of cross-border legal entities and expand scope of the value-added data services. Explore the development of a cross-border legal entity chain by using the Blockchain technology based on the cross-border legal entity information service platform. *(LOU in China)*
- 4.2 Improve data acquisition mechanism, and collect information on cross-border legal entities from various sources including financial authorities, financial institutions, financial infrastructures, data vendors and authoritative

internet-oriented sources. Realize automatic update of information of all enterprises with LEIs. (*LOU in China*)