



Discussion Paper on P3DH

Contribution to the EBA Consultation Reporting and Pillar 3

I. Introduction

The introduction of a new mandate for the European Banking Authority (EBA) to centralise institutions' prudential disclosures and make prudential information readily available through a single electronic access point on the EBA website is a key and strategic project. It will put in place new tools to allow for a centralised access by all stakeholders to prudential disclosures data from all EEA institutions. One new tool in this transformation is the verifiable LEI (vLEI).

The Global Legal Entity Identifier Foundation (GLEIF)¹ has pioneered this new form of digitised organisational identity to meet the global need for automated authentication and verification of legal entities across a range of industries. By creating the vLEI, GLEIF is now creating a new global ecosystem for organisational digital identity.

NordLEI (Nordic Legal Entity Identifier) AB is the number one issuer of LEI codes in the Nordics. It is recognised by the GLEIF. On September 22, 2021, NordLEI became Scandinavia's first Global Legal Entity Identifier Foundation accredited Local Operating Unit (LOU). NordLEI's operations today span ten jurisdictions mainly in the Northern Europe* and will include continental Europe later spring**.

Nord vLEI has developed a solution for vLEI and stands ready to assist the EBA both in the technical rollout of the vLEI as well as in developing the ecosystem around the solution. Nord vLEI has been given the status of Qualified vLEI Issuer (QVI) by GLEIF on the 21st of March.

The vLEI concept enables decentralised and automated validation/verification/authentication of organisational identities. It allows the distribution of credentials that link individuals to formal organisational roles, allowing them to authenticate their identity in various activities from financial transactions to official communications for individuals. It is a digitally trustworthy version of the 20-digit LEI code which is a verifiable credential, based on the open-source KERI framework, wrapped by a vLEI regulatory framework governed by the GLEIF, see Ecosystem Governance Framework.

<https://www.gleif.org/en/vlei/introducing-the-vlei-ecosystem-governance-framework>.

Thanks to advances in Distributed Ledger Technologies (DLT), digital identity management is now possible with the additional feature of decentralised identity verification. Based on the concept of 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.

This approach transforms the nature of identity management and how person-to-entity, or entity-to-entity, interaction takes place in the digital world. It can address the need for automation in verification while maintaining data privacy and confidentiality.

¹ GLEIF is a not-for-profit organisation created to support the implementation and use of the LEI. GLEIF services ensure the operational integrity of the Global LEI System. GLEIF is overseen by the Regulatory Oversight Committee, which is made up of representatives of public authorities from around the globe.

* Sweden, Norway, Denmark, Finland, Iceland, Faroe Islands, Netherlands, United Kingdom, Ireland, Luxembourg

** Germany, Italy, Spain, France, Portugal, Jersey, Guernsey, Isle of Man, Cyprus, Malta, Switzerland, Estonia, Germany

GLEIF has submitted a consultation response to the EBA setting out the key benefits of the vLEI as a an open, commercially neutral and global identity organisational identity solution.

II. Key points

a) The technical solution (Question 29)

The vLEI can provide the EBA with an effective state of the art system for verification and authorisation for the collection and disclosure of prudential disclosure data in the EU.

This new technical solution has been developed to meet the global need for automated authentication and verification of legal entities across a range of industries. By using verifiable credentials and other open standards, the vLEI allows to create a verifiable binding link between an organisation and its representatives.

Verifiable Credentials are digitally signed credentials and are not only tamper-resistant but capable of being verified in decentralised manner. The vLEI Ecosystem Governance Framework is based on the Trust over IP Ecosystem Governance Framework metamodel.

The vLEI system leverages the Authentic Chained Data Container (ACDC) specification as well as the KERI (Key Event Receipt Infrastructure) protocol for key management and the Composable Event Streaming Representation (CESR) capabilities for secure digital signing (<https://github.com/trustoverip/tswg-acdc-specification>, <https://github.com/trustoverip/tswg-keri-specification> <https://github.com/trustoverip/tswgcesr-specification>).

By embedding the LEI code and the role of the person authorised to act in verifiable credentials, the vLEI offers a digitally trustworthy version of the LEI which allows automated entity verification process. See Figure 1. The vLEI leverages the well-established Global LEI System, which is an open, standardised, and regulatory-used legal entity identification system, aiming to establish digital trust between all legal entities, everywhere.

The vLEI technical infrastructure enables the vLEI's cryptographic keys to be generated and controlled directly by GLEIF, by Qualified vLEI Issuers (QVIs) and by vLEI holders, in accordance with the international standards. Each party maintains full, independent control and portability across systems. This allows GLEIF and its vLEI ecosystem to take advantage of all blockchain, distributed ledger, self-sovereign identity, non-DLT based technologies and other cloud-based public utilities to notarise cryptographic actions or transactions, maximising interoperability and flexibility in the vLEI system.

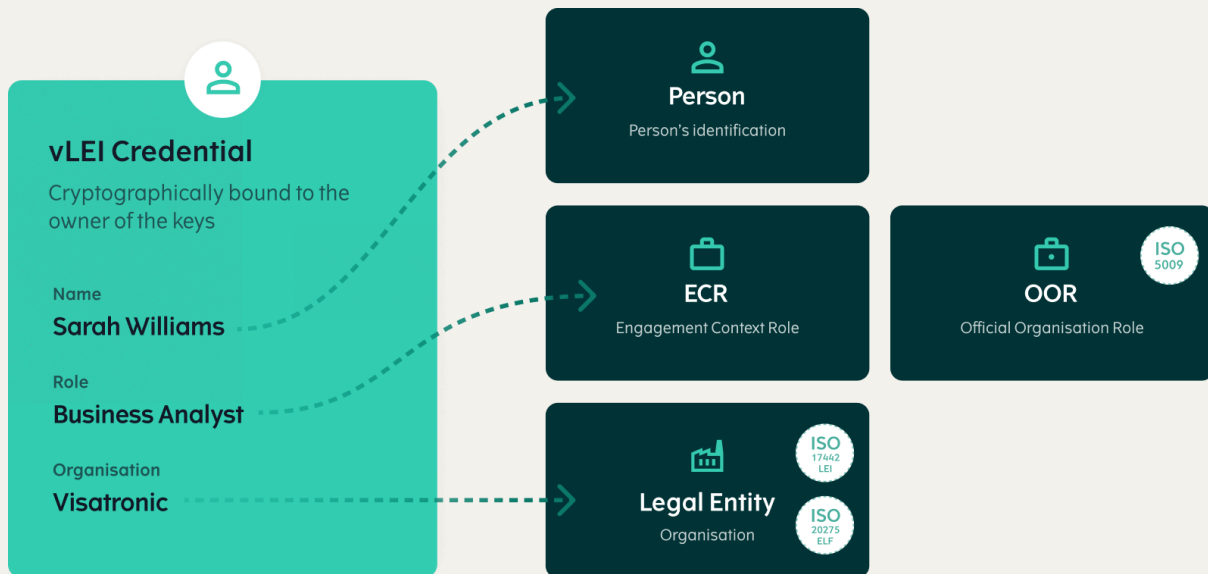


Figure 1. vLEI Credential links person to the organisation.

b) The merits of leveraging the vLEI (Question 29)

The vLEI can be used to secure content accessible to ensure users that the information has not been tampered with. The use of vLEIs would be an important technical solution to support security and efficiency thus contributing to the long-term strategy for EBA and for the implementation of eIDAS 2.

Because the vLEI leverages the well-established Global LEI System (GLEIS), which is the only open, standardised and regulatory-endorsed legal entity identification system, it can establish digital trust between all organisations, everywhere. Furthermore, vLEI supports modern technical networks, in which there are many interconnected zones, cloud services, connections to remote and mobile environments, and connections to IoT devices.

The LEI is an ideal foundation on which to establish a chain of trust for organisational identity. See Figure 2. By making the vLEI the standard for legal entity identification in digital transactions it would mean that the EU is adopting a globally recognised standard and requesting submitting institutions to obtain a digital credential that can be reused for EU and international initiatives.

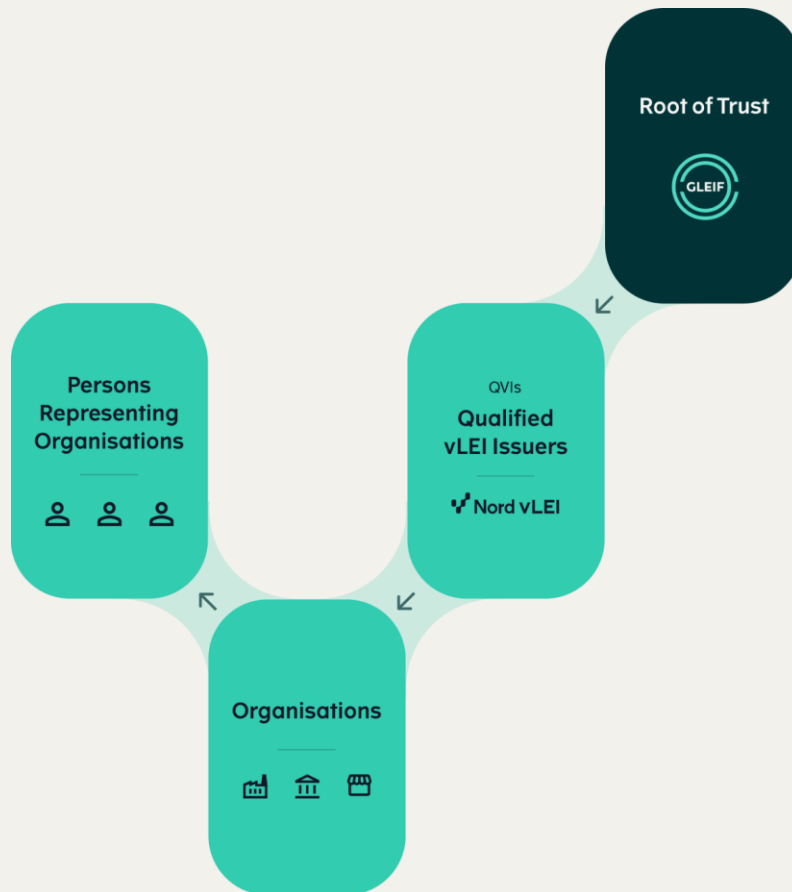


Figure 2. Root of Trust where GLEIF is the anchor of the vLEI ecosystem.

According to the Gartner study commissioned by the EBA:

- The vLEI system demonstrates robust alignment with market best practices and standards.
- Its technical sustainability and future-proof nature are contingent on appropriate ecosystem support, leveraging the evolutionary, open, and adaptive features of the Key Event Receipt Infrastructure (KERI) protocol.
- Security-wise, KERI's design as a universal, portable Decentralized Key Management Infrastructure (DKMI) incorporates innovative, flexible, and adaptive security features.
- Furthermore, the open nature of KERI, supporting multivariant infrastructures, not only enhances interoperability but also adds an additional layer of security.

Nord vLEI agrees with the assessment by Gartner that this comprehensive approach positions vLEI as a forward-thinking and secure solution in the evolving landscape of digital identity and financial regulation.

c) The vLEI can be leveraged also for other use cases (Question 30)

The banking sector will be able in numerous additional applications to implement more secure and efficient processes for identification and authentication. This will drive down the cost for banks using the vLEI.

The use of vLEI for the EUCLID is the first application planned to be implemented. This new technology can be expected to be implemented more universally during the years to come which means that banks and other stakeholders in the Data Hub will be able to use the investment in processes and technology in numerous other use cases.

Besides the EUCLID the EU has committed to a plan to enlarge the centralised financial reporting (EDAP). It will be a logical additional use-case in combination with other financial information sharing in the EU.

Furthermore, there numerous other use-cases. GLEIF has identified a list of other applications that in the short term could lead to important benefits. One application that is important for banks can be found within Trade Finance. Another application is within client/counterparty due diligence and Know Your Customer (KYC) compliance. For fuller list of use-cases see GLEIF Ecosystem Governance Framework.

[verifiable LEI \(vLEI\) Ecosystem Governance Framework v2.0 Primary Document \(gleif.org\)](https://www.gleif.org/verifiable-lei-vlei-ecosystem-governance-framework-v2.0-primary-document)

d) Nord vLEI readiness (Question 30)

Nord vLEI staff and processes will be developed to stand ready for the operational implementation of vLEI as well as for the pilot phase during 2024. According to the vLEI Ecosystem Governance Framework QVIs may offer ancillary services. This can include the management of the Legal Entity's vLEI credentials wallet.

The vLEI Issuer Qualification Agreement sets out the rights and obligations of GLEIF and of the QVI regarding the QVIs participation in the vLEI Ecosystem and infrastructure.

Nord vLEI is the first and currently only European QVI and stands ready to meet the EBA timetable and to be able to assist banks and supervisors in the practical implementation of the vLEI.

- Nord vLEI stands ready to be assessed by a third-party audit review to create credibility in the solution offered.
- Nord vLEI will scale up its solution to the pilot phase and to the next phase of implementation in 2025.
- Nord vLEI has developed a pricing model for the test phase during 2024.

The eIDAS 2 regulations will impact on the provision of vLEI services and the Nord vLEI solution is developed to be consistent with eIDAS 2 requirements.

The regulation governing eIDAS 2 has been proposed and is in the process of being reviewed and adopted by the European Union. The specific dates for when eIDAS 2 will officially come into force at the EU level and the timeline for implementation in each member state will depend on the legislative process and subsequent adoption by individual countries.

Nord vLEI has developed a digital wallet solution and will stand ready to be compliant with the final regulations. Although the eIDAS 2 will be implemented in 2026 (?) Nord vLEI will stand ready in the

pilot to provide the digital wallet. It will, however, be important for the effectiveness of the vLEI within the EUCLID system that the regulations and processes contribute to the easy access for institutions to wallets.

It will be important that an effective integration can take place between different QVIs and wallets and that a common standard for authentication and signing with the QVI, GLEIF and EBA is ensured.

e) Key points for the EBA to facilitate practical application and promote market acceptance (Question 31)

From a Nord vLEI perspective we would like to stress the following points.

- Promote communication with market participants.

It is key that the EBA take the lead in the pilot phase during 2024 in the following ways. Nord vLEI would like to stress the importance of communicating to participating parties the rationale, the practicalities, and the modalities of the vLEI. We have therefore established a programme to support the EBA the coming months and will under the co-ordination of EBA stand ready to provide the following.

- Communication and dedicated information to banks and to the 17 pilot banks about the functionality and processes of the Nord vLEI system will be provided under the co-ordination of EBA.
 - Information material on our website, handbook about the vLEI and support to the EBA pilot programme.
 - A demo platform.
 - Specialised training sessions as a part of the EBA pilot programme.
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- Clarification of the additional work effort the vLEI might generate for banks.

New technology developments lead to efforts by supervisors and banks to integrate more effective solutions in bank operations and in supervisory review and reporting processes.

Banks need to maintain lists of bank-to-bank authorized signatories in relation to their own authorized signatories for the purposes of delineating persons authorized to approve transactions on behalf of the bank, and the authorized signatories of their institutional counterparties which may approve transactions on behalf of those institutions.

In the same way banks need to maintain records of the authorized signatories and their signature specimens for their customers/account holders. The administration of this leads to considerable costs and efforts.

By the introduction of the vLEI this administrative burden is alleviated and in terms of the reporting burden for EBA reporting the vLEI can assist in reducing the reporting burden.

The vLEI can lead to a more efficient reporting of disclosure data that has an impact on the reporting burden banks face. The EBA has announced in the "Single Programming Document for years 2025 – 2027" that the reporting burden should be reduced by 25 %. Although the initial effort to integrate the vLEI in the reporting process in EUCLID it will lead to a more efficient process by a reduction of time spent and by a simplification of processes/cost for banks. It will be important that EBA in the implementation facilitates and communicates this aspect of the vLEI.

- Support a well-functioning eco-system of QVIs.

The vLEI contribution to the EUCLID system is built on the vLEI framework developed by GLEIF where QVIs play the role of providing the vLEI service to banks and regulators. The system will comprise around 600 reporting credit institutions in addition to the National Competent Authorities for 2025 and will then be further extended to include all reporting institutions. For the system to be well functioning it will be important to have several QVIs that dynamically can serve the system. The EBA should in the pilot phase consider how it can contribute to this end.

GLEIF has designed the Qualified vLEI Issuer model to encourage competition of services among Qualified vLEI Issuers. Therefore, GLEIF will not set fees charged by Qualified vLEI Issuers for vLEI services.

- Carry out a third-party assurance of the vLEI solution.

The purpose of the vLEI is to add security to the reporting system. Given the novelty of the vLEI it is important that the EBA can add further independent assurance about the effectiveness and stability of the vLEI service in addition to the Gartner study already carried out. Nord vLEI would stand ready to participate in a third-party validation during the pilot phase.

- Specify key financial prerequisites in Implementing Technical Standards (ITS).

The EBA consultation clarifies that *“in addition to the resubmission policy, the ITS to be developed will also specify the IT solutions used in the implementation of the P3DH.”* The use of vLEI for the direct submission of information to institutions needs to have basic conditions set by the EBA in the form of requirements in the form of ITS. These conditions include the following.

- GLEIF provides the global standard and framework for vLEIs including standardisation, development, and quality control of QVIs.
- The QVIs provide their technical solution and service based on the vLEI standard for identification and authentication of signatures for the planned reporting system.
- The QVIs invest, develop and provide the service to banks and National Competent Authorities and charge a fee in a transparent manner.
- The EBA monitors and secures financial transparency.

It is key that these roles and responsibilities and the more specific conditions are specified in EBA ITS. The Qualified vLEI Issuer must according to the vLEI Ecosystem Governance Framework ensure that its operations regarding vLEIs are sustainably financed. Qualified vLEI Issuers may charge fees for the issuance, verification and/or revocation of Legal Entity vLEI Credentials issued. The Qualified vLEI Issuer is solely responsible for managing the revenue that is produced and costs that are incurred in the running of its vLEI operations.