1. Introduction

Multinational enterprise groups play an important role in the development of world economy. By being competitively dominant actors, they have significant impacts on employment and productivity at domestic level in the countries where they own or control activities. To provide high quality information on multinational enterprise groups in their host economies, integrated statistical data describing their structure, dynamic and internal organisation has become more and more requested.

At statistical level Eurostat has set up the EuroGroups Register (EGR) in 2008, in order to map the structure of the largest multinational enterprise groups in the EU. The EGR is built up by pooling together micro-level data from the statistical business registers in European Member States and EFTA countries. Statistical business registers use administrative registers as their main source, but legal units do not have a unique identifier valid all over the EU. To reconstruct the groups the EGR uses a code (LEID), issued by a specific module of the system, the EGR Identification Service. The LEID is used for statistical purpose only and for data exchanges between the European Commission (Eurostat) and the national statistical authorities.

At administrative level, the Directive 2012/17/EU of the European Parliament and of the Council on the interconnection of central, commercial and company registers, entered into force on 13th June 2012. It foresees the interconnection of EU administrative business registers in respect to information on limited liability companies, with a special focus on links between parent companies and their branches. The interconnection will be achieved by a code called EUID that will be used for machine-to-machine communication among administrative registers in EU countries. The Business Registers Interconnection System (BRIS) project is under the responsibility of the Commission DG MARKT.

The availability of an interconnected system of administrative registers will mark a significant milestone toward modernisation and standardisation of administrative data in the EU and will increase the quality of administrative data used by national statistical business registers.
As the EGR aims at reconstructing the global structure of the multinational groups, also the LEI initiative is relevant and will have a positive impact on the EGR providing a unique identification of legal units and their relationships worldwide.

The paper briefly describes the EGR process, the Identification Service and the BRIS project. It refers also to the LEI initiative and tries to identify the benefits and the future interrelations of the administrative initiatives for the development of the EGR.

2. The EuroGroups Register and the EGR Identification Service

The EuroGroups Register

The EuroGroups Register (EGR) is created by pooling together micro-level data coming from the statistical business registers of European Member States and EFTA countries.

The legal framework is given by Regulations 177/2008 of the European Parliament and Council and two implementing Commission Regulations. The Annex to Regulation 177/2008 describes all the statistical units and respective characteristics that have to be stored and maintained in the statistical business registers. In particular it requires for each resident legal unit to record either the controlled legal unit (top down) or the controlling legal unit (bottom up). Parents and affiliates can be resident in the country or not and in the latter they are included without any identifier. An example could be that in the French statistical register there is a French legal unit controlled by a German legal unit and the latter does not have its (German) identifier in the French statistical register.

The most challenging part of the EGR business process is to consolidate pairwise relationships coming from the national statistical registers to create the groups’ structures, in particular when the relationship are cross border and there is not a common identifier in the respective registers. In the example above, Germany and France are sending their respective cross-border relationships and the EGR has to link them to create the complete chain of control and groups’ structure.

In order to solve this problem the new EGR version 2.0 integrates a web-based module, called EGR Identification Service (EGR IS), designed to identify all legal units from the national statistical business registers in the ESS and assigning them a unique code (LEID). The LEID must be used for all data exchanges between the EGR and the national statistical registers and in the consolidation of the groups' structures.

The production of the EGR (reference year T) takes place between November (year T+1) when input from national statistical registers and commercial sources are received and March (year T+2), date at which the EGR final frame is disseminated to the national statistical authorities and to the European Central Bank.

In 2014 a first part of the EGR 2.0 process was implemented for producing the EGR frame of reference year 2012. As from 2016 the complete EGR version 2.0 shall be in place for producing frames from reference year 2014 onward.

The EGR Identification Service

The EGR Identification Service is a web application deployed in a secure environment at Eurostat (SICON) that all national statistical authorities in the ESS can access for requesting identification of legal units in cross-borders relationships. For accessing the EGR Identification Service statistical users in the ESS must be registered using the European Commission Authentication Service (ECAS) that authenticates their identity on all European Commission websites.
The request for identification of legal units (resident in the compiling country or not resident) can be done for entire files or for single records. The minimum level of information required for not resident units is the name and the country of the searched legal unit. In this case the EGR IS applies fuzzy search algorithm and provides back one or more results. In case of multiple results the user has to intervene manually, via the web interface, and choose the best one. For resident units normally a numeric identifier is available therefore search provides one single result.

The EGR IS has a central repository to search for the legal units. This is fed by different sources. For legal units resident in the EU each statistical office that has the status of authentic store and source is responsible for the maintenance of its resident legal unit in the central repository. For legal units not resident in the EU and for statistical office without status of authentic store and source, the repository is updated using commercial sources.

When the identification is done the Service issues the EGR legal entity identifier (LEID) and transmits it back to the requester. The response is provided by file or by record. The LEID must be used in all data exchanges between the Commission (Eurostat) and the statistical authorities and it is for statistical use only.

The LEID is a 25 alphanumeric characters code, built up from the ISO 2-digit country code (CC), a 5-digit register code (RRRRR), that is assigned by the EGR, and a 18-digit national ID code decided by the NSIs at national level (NNNN...). Example: France (country code =FR) Register: Institut National de la Statistique et des Etudes Economiques (NIS_EGR code 09695) – National ID 322904079. The resulting LEID is: FR09695322904079.

Inside the EU the national ID code should be the official designated company identification given by a national official register, preferable based on Directives 2009/101/EC and 89/666/EEC. In case a NSI keeps more than one national identifiers, it is allowed to choose a second one. For legal units resident outside the EU or for legal units coming from commercial providers it is not possible to create a dependency on their IDs, therefore in place of the national ID there will be a 9-digit meaningless identifier created by the system.

The EGR Identification Service can be seen as a first step toward the more general and ambitious objective of achieving full interoperability of the national statistical business register in the ESS (see the ESBRs project).

The use of administrative data for statistical business registers and EGR in the EU

The EGR is the result of the national statistical registers, which in turn are built up by using administrative data in the ESS. Picture below shows a complex reality made of different typologies of administrative sources used in the Member States for updating their national statistical business registers. They are characterised by different information contents and structure, different rules for accessibility and timeliness in updating. The EGR being the result of pooling of the national statistical registers reflects all these differences.

In a small number of Member States the statistical business registers are closely linked to (or the same as) the administrative business register, but in general they are different and the statistical business registers uses more than one administrative source to produce the statistical frame. In such case how sources are integrated and processed is defined by methodologies developed at national level according to the specific needs. The harmonisation of statistical business registers in the ESS is based on the structure of data (statistical units and characteristics) required by Regulation 177/2008 and by the Business Registers Recommendation Manual, for the statistical methodology.
However significant differences exist in the role of the statistical business registers in the Member States, in the way they are produced, updated and used.

In some Member States the statistical registers are live registers, updated monthly and in some cases even daily, while in others the update is done by stock and it is annual. In some cases data from administrative sources are accompanied by significant reference metadata\(^3\), while in other such information is quite limited.


For the majority of the Member States access to administrative sources is not free of charge and there are contractual clauses that limit the usage of the source itself and, most important for the EGR, its circulation to other users.

The EGR can be used also as an indicator to address the most relevant differences in national administrative and statistical registers and a vehicle to promote common solutions for improvement. The EGR version 2.0 is designed with this objective in mind and it will need national statistical registers to contribute on such improvements.

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3 Reference metadata are metadata describing the contents and the quality of the statistical data. The category comprises conceptual metadata, describing the concepts used and their practical implementation to allow users understanding what the statistics are measuring and, thus, their fitness for use; methodological and processing metadata, describing methods used for the generation of the data (e.g. sampling, collection methods, editing processes); quality metadata, metadata describing the different quality dimensions of the resulting statistics (e.g. timeliness, accuracy).
On the other hand the legal framework in the EU is changing and administrative registers are introducing substantial innovations, too. They can create new opportunities for statistical users that have to be analysed and explored. This is the case of the BRIS project, implementing the European Directive 2012/17 on the interconnection of company registers and of the LEI initiative, introducing a unique and worldwide identifier for all legal units.

The implementation of the Directive 2012/17 and the introduction of the LEI will have an impact on future administrative data and national statistical offices should take into account this changing context for their statistical processes. A forward looking vision, aware of what would be the scenario in the next years and what the administrative sources could offer as new opportunity and services would be an advantage.

3. **BRIS project for implementation of Directive 2012/17/EU**

Directive 2012/17/EU of the European Parliament and of the Council as regard the interconnection of central, commercial and company registers was adopted on 7 July 2012. The directive requires the establishment of a new system called Business Registers Interconnection System (BRIS). The implementation of the BRIS project is coordinated by the Directorate General for Internal Market and Services of the European Commission. The term “business register” in BRIS refers to administrative business registers and not to statistical ones.

In terms of scope, BRIS covers public and private limited liability companies and their branches registered in another EU country.

BRIS will consist of the administrative business registers in the EU member states, a European central platform (ECP) and the Commission’s e-Justice portal. The Commission is responsible for the development and operation of the central platform, as well as the access point on the e-Justice portal. BRIS will support three main business cases:

1) **Exchange of information between registers in relation to branches of companies registered in another EU country.** According to the directive, Member States have to make available, via BRIS, information on the striking-off of a company in their register. If this company has a branch registered in another EU country, then the register of the branch has the obligation to ensure receipt of the notification sent by the register of the parent company. Upon this notification the register of the branch should ensure that the branch is struck-off as well (since a branch cannot "exist" without its parent).

2) **Exchange of information between administrative registers in relation to the conclusion of cross-border mergers.** More precisely, the administrative register where the new company is registered following a cross-border merger has the obligation to notify the correspondent register(s) of the merged companies and following this notification, and as a result the administrative register of the merged companies should strike-off these companies.

3) **Search service on the e-Justice portal providing electronic access to information on companies for end-users (general public, companies and public administrations).** The service will consist of a web interface available in all EU languages allowing users to search for company data stored in all and each administrative business registers in the EU.

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The European Unique Identifier (EUID)

According to Directive 2012/17/EU, Member States must ensure that companies and their foreign branches have a unique identifier allowing them to be unequivocally identified in communication between registers via BRIS. The identifier, which has been named EUID, must contain at least the following elements:

- the Member State's country code (MS)
- the domestic business register of origin (BR)
- the company or branch registration number (RN), in the domestic business register, and
- optionally, features to avoid syntax errors (VC).

The EUID could be represented as follows:

MS  BR  Registration Number  VC

The main role of these identifiers is to enable the interoperability of administrative registers and to facilitate the exchange of information between them, in particular in relation to branches and the striking-off of their parent companies.

The Commission will have to propose and then adopt via implementing act the final structure and use of the identifier. The deadline for adoption of this implementing act, which will include other technical specifications for BRIS, is 7 July 2015. The aim is however to adopt by end of 2014/ beginning of 2015. After the adoption of the implementing acts Member States will have two years to ensure interoperability of the administrative business registers via the central platform.

4. Coverage, timing and potential benefits for the EGR from administrative data identifiers

The BRIS and the LEI initiatives can improve the quality of global information held in public administrative registers and the EuroGroups Register as well as national statistical registers can benefit from that.

At the moment there are differences in coverage and timing of each project and therefore it is not possible to draw a complete and realistic plan on how and when the EGR could make use of their results.

Concerning the coverage of Directive 2012/17/EU, the EUID has to be assigned to all public and private limited liability companies and their branches of EU countries. BRIS will also be implemented by the European Economic Area (EEA) countries and in the future non-EU countries may also be allowed to connect to BRIS (this possibility is yet under discussion). Its wide coverage of all limited liabilities companies and corresponding branches should ensure that the majority of legal units involved in multinational groups are covered. With respect to the EGR IS data base, limited liability companies account for almost 90% of all legal units.

Even though the BRIS does not aim at achieving a full standardisation in the structure and content of administrative data across the EU, positive spill overs on quality are expected, especially in term of timeliness for the national statistical registers and, thus, for the EGR.

The LEI initiative has a wider and global perspective even if it starts with a limited coverage that in the first phase is defined not by the legal form, but by their activity performed by the legal entities. The LEI
is mandatory for all reporters and counterparts of derivative contracts regulated by the Dodd-Frank act and by the European Market Infrastructure Regulation (EMIR). Branches are not eligible to register for LEI at this stage. The LEI is also recommended by the European Banking Authority in the standardized reporting framework for the Capital Reporting Directive \(^5\) and, as from November 2014, shall be used in the implementation of the Single Supervisory Mechanism (SSM) \(^6\) of the European Central Bank. The population will not be homogeneous and it is difficult to estimate the coverage with respect to the EGR. As soon as the financial institutions will be more systematically targeted (from 2015), at least the financial sector should be fully covered. At the moment an interim system is already operating, and more than 300,000 codes have already been assigned to legal entities. More than a dozen Local Operating Units are active in the EU.

The LEI is making progress at global level. The Foundation that will run the Central Operating Unit has been set up, and has started working. It will now finalise the transition plan to move the system from the current interim phase to its final phase.

Beyond the current level, the LEI initiative has another ambitious feature that is the extension of the LEI to the relationships between legal units. The LEI system should collect “reference data on the direct and ultimate parent(s) of legal entities and relationship or ownership data more generally” \(^7\). This will open the scope to universal coverage, including all types of entities relevant to any financial transaction and all types of relationships that can be tracked. Coverage can thus go beyond the financial sector and beyond the narrower descriptions of what a “legal entity” should be. However the complexity of this task, and the standardisation needs to achieve it on a global scale are very significant. There is no timeline for this development.

Once it will expand the registration to direct and ultimate parents of the entities in scope, it could open the possibility to have standardized information on ownership and control worldwide as data sources for the EGR. The picture below reflects the different coverage of the three projects at the moment, the dotted lines indicate what is expected as future enlargement of coverage.

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\(^5\) Directive transposing the new global standards on bank capital adequacy, also known as Basel III.

\(^6\) Supervision of the most significant banking groups at the highest level of consolidation.

\(^7\) Recommendation 12, Annex B (page 16/17) of the charter of the ROC.
Despite the similarity in overall purpose, i.e. identification of legal units, the BRIS and the LEI projects still remain different in terms of coverage (EU versus worldwide; types of legal units) and in terms of timeline. At technical level, Directive 2012/17 sets out clear requirements on the elements that the EUID must contain (as explained in point 3), and these requirements would not allow for using the LEI instead of the EUID. If other synergies (technical or otherwise) would be possible, these have not been assessed yet.

In any case, the two initiatives are expected to bring the following benefits to EGR:

1. From the EUID: a better integration of administrative registers in EU for limited liabilities companies and an improved quality of the administrative data especially as regard cross-border demographic events: information on branches, consistency of data on cross-border mergers, etc.

2. From the LEI: a unique code at global level will help resolving the problem of identifying foreign units in national statistical registers and in the EGR.

Before the benefit could become tangible at the level of the EGR the following concrete objectives should be achieved:

1. Administrative registers in the EU consider adopting the LEI;
2. National statistical registers using administrative sources incorporate the LEI in their statistical data models;
3. National statistical registers send the LEI to the EGR IS as an additional numeric code to improve the identification and the assignment of the LEID or in the long term to substitute the LEID directly.

In terms of timing the following picture indicate the milestones achieved and for the next years of the three projects.