Administrative and statistical Business Registers at international level: new developments, new uses and new ideas for unique IDs

How, as INS, deal with this new unique global identifier called LEI?

Abstract

Insee has been solicited by French financial authorities to be part of the Global LEI system (GLEIS) [1] as a local operating unit (LOU). This paper explains why Insee chose to accept this task by giving an objective view of advantages and drawbacks for Insee, as NSI, to be a LOU.

The main advantage for Insee, to be a LOU, is to cover all the identification system of the French units (legal, administrative or statistical) and to be able to move easily from one system to another. Since 40 years, Insee has been maintaining an inter-administrative business register, Sirene, which is the basis for providing the statistical business register (SBR) and thus makes possible the use of administrative data for statistical purposes. Be part of the GLEIS for French legal units gives to Insee the ability to well assure the link with this new identification system.

But Insee identified some drawbacks to perform the function of LOU. First, the GLEIS is built as a Competitive system with private sector LOUs which all can attribute LEI for French entities and also for entities in the worldwide. To be not too involved in worldwide competitive system Insee decided to restrict its scope to only French entities. Second, for the entities themselves, this restriction of the scope complicates the management of multinational groups.

For the GLEIS, the implication of public bodies improves the quality of the LEI characteristics, if these public bodies are the official registering offices in their countries.

Currently the system is being built and LEIs were assigned to only 19,000 French entities (300,000 entities worldwide). But when this global registration will be generalized to all entities, INSEE could be easily able to switch from its current French single identifier to this new global unique identifier.
The main advantage for Insee, to be a LOU, is to cover all the identification system of the French units (legal, administrative or statistical) and to be able to move easily from one system to another. Since 40 years, Insee has been maintaining an inter-administrative business register, Sirene. Apart from its numerous administrative uses, Sirene is the basis for providing the statistical business register (SBR) and thus makes possible the use of administrative data for statistical purposes. Be part of the GLEIS for French legal units gives to Insee the ability to well assure the link with this new identification system.

I - A long time use of a unique business ID for administrative purposes and business statistics purposes

Insee may be one of the very few NSIs to maintain a public administrative business register (SIRENE) designed for both statistical and administrative purposes. This is a considerable advantage, as it is a way to ensure high standards of information quality as well as prompt updates, permitting to use easily administrative data for statistical purposes. This the result of a long experience of administrative data use.

To begin, in 1948, Insee, the French National Institute for Statistics and Economic Studies, already managed a register of business local units for business statistic uses. According to its use, Insee noticed the interest to set up a unique identifier for each business to allow matchings with administrative sources. These administrative sources are managed independently of each other by their respective administration office.

Then, in 1973, by introducing a new system of administrative business register, named SIRENE, Insee began to disseminate, into administrative bodies (Tax office and Social Security at the beginning), the use of a unique identifier for legal units (SIREN) and their local units (SIRET).

The innovative features included in Sirene since its beginning have ensured its sustainability and the constant development of its use in the economic life as in business statistics:

- A nine-digit identifier - SIREN – is assigned to each legal unit (sole proprietor and companies as well). They will keep this identifier during all their life for sole proprietors or during all their duration for companies, even if their activity changes of nature or of location. Each of their local units (locations where they practice their activities) receives also a fourteen-digit number – SIRET – which includes the nine digits of the SIREN, completed by five others. A SIRET characterizes a place of business and the legal unit to which it belongs.

- For each unit SIRENE registers its unique identifier, its identification characteristics and also some statistical characteristics.

- From the beginning, the legislation provided that these identifiers should be used by all administrations in their relations with companies. However, the practical application of this principle has been gradual, given its impact on information systems which often require heavy investments.

The statistical information in the register is useful to professional statisticians, but also to legal, tax, and social-insurance agencies as well. INSEE’s value added is recognized by tax offices and units of the social-protection system, which use the unique identifier to track the units under their supervision. They can thus make the most efficient and cheapest use of the data in their register.

This well-established trend gathered momentum in the early 1990s thanks to INSEE’s all-out drive to promote the register’s statistical applications. The trend was further fueled by the so-called Madelin Law of 1994, which made mandatory the use of a single identification number in dealings between enterprises.
and government departments. The SIREN number has been chosen to be this single identification number. So, Insee has been officially designated to be responsible for identifying all legal entities and their local units, on the basis of documents sent by the business procedures centers (Centres de Formalités des Entreprises). In fact, the SIREN number is also the unique identifier for B to B transactions (e.g. in orders and invoices), for the business to its employees (SIREN number is part of the salary slip) and also between the Social Security bodies and the populations when referring to their employers.

This was a big step for the authorities which could now safely identify legal units. In return, the use of a common unique identifier in all administrative data bases made it possible to improve the information registered into SIRENE, even for small units, which lead to improve sampling frames for business statistics and to decrease the business statistical burden by using administrative data.

Recently Insee chose to separate the administrative and statistical functions of SIRENE by creating besides it a statistical business register called SIRUS[2][3]. But the primary role of SIRENE remains. Indeed, the French inter-administrative business register is the source for updating daily the statistical business register SIRUS.

To conclude this part the value added by INSEE by maintaining the inter-administrative business register SIRENE and by providing the SIREN unique ID for legal units offers benefits to the French administrative system but, even more so, to French business statisticians for their sampling frames, for the interlinking of administrative data bases, for the knowledge on the Groups, for the implementing of the new Enterprise units and for the demographic studies on firms and local units. As necessary, the SIRENE tasks are run under administrative laws and regulations and separated from the statistical tasks.

II – The INSEE involvement in the Global LEI system (GLEIS)

In June 2012 the G20 endorsed at the Los Cabos Summit a Global Legal Entity Identifier System (GLEIS) which uniquely identifies parties to financial transactions. By creating and managing a unique identifier for each market participants the GLEIS aims for facilitating risk management and risk control by both the private sector and public authorities.

This unique identifier is known as the « Legal Entity Identifier » (LEI) and its structure and associated data are defined in the ISO 17442 standard.

The use of the LEI is imposed for some derivative instruments in the United States by the Dodd-Frank Act since November 2012 and in EU by the European Market Infrastructure Regulation (EMIR) and the Alternative Investment Fund Managers directive (AIFM directive) since February 2014.

The establishment of the GLEIS is led by the Financial Stability Board (FSB), which enabled a structure made up of Local Operating Units (LOU) providing LEI and a Central Operating Unit (COU) ensuring consistency. The Regulatory Oversight Committee (ROC), representing public authorities, oversees the system, making sure the G20 principles are observed (non profit-making, public interest, ...).

The French Ministry for Economy and Finance assented to the ROC Charter on 9 January 2013 and supported the establishment of the Global LEI System. On 14 March 2013, the Ministry sponsored the Institut National de la Statistique et des Etudes Economiques (INSEE) as a pre-LOU and INSEE has been authorized by the ROC to assign pre-LEI to requested legal entities on 18 March 2013.
A ministerial decree signed on 28 June 2013 by the Minister for the Economy and Finance, specifies the conditions for the allocation of a pre-LEI by INSEE. Article 1 of the decree expressly refers to Article 3 of EU Commission Implementing Regulation (EU) No 1247/2012 of 19 December 2012, directly applicable in France under EU Treaties. Article 3 of this Regulation specifies the conditions that an interim identifier should comply with. These include the requirement that the identifier be unique, neutral, reliable, open source, scalable, accessible and available at a reasonable cost basis.

French entities have the option to choose INSEE or other pre-LOUs operating abroad, but INSEE issues pre-LEIs exclusively to French entities, and not to foreign entities. INSEE started operating the French pre-LOU on 10 July 2013. The pre-LEIs issued by INSEE and associated information are available at [http://lei-france.insee.fr](http://lei-france.insee.fr).

The establishment of GLEIS is designed in two phases:

The first phase, which runs now, is to allocate LEI to legal entities that request it and to publish daily in open data the list of issued LEIs with the identity data of the legal units to which they relate. At this date, more than 19,000 LEIs have been issued by INSEE and almost 300,000 worldwide.

The second phase is to add a set of data on the control links or financial links between these legal units. This phase is being defined. The issue of public dissemination of data links is the most difficult to solve.

### III – The reasons to INSEE involvement in the Global LEI system (GLEIS)

In July 2012, the French financial authorities (Central Bank, Financial Market Authority and Minister for the Economy and Finance) asked INSEE to be the Local Operating Unit. Several reasons prompted INSEE to accept be part of this Global system even if it was designed for administrative purposes.

First, for INSEE, it remains essential to maintain a high quality level of linkage between all ID establish for administrative purposes and those establish for statistical purposes. The priority is to well know the links between LEI and SIREN which are also links between LEI the ID used by the European Business Register (EBR) and also by the European Group Register (EGR). Currently the system is being built and LEIs were assigned to only 19,000 French entities (300,000 entities worldwide). But when this global registration will be generalized to all entities, INSEE could be easily able to switch from its current French single identifier to this new global unique identifier.

Second, the French public statistical services could use these links to improve business statistics by adding purely financial data. Indeed, central banks and financial authorities are imposing this ID in the financial reports.

Third, the second phase of the GLEIS aims to improve the data quality on the relationships between legal units. Knowledge of these relationships will allow INSEE to better update the perimeters of the Groups and to more easily define the Profiled Enterprise. It will help INSEE for the improvement of business statistics at the national level, but, also, it could help in the European perspective of the development of business statistics with the consideration of the Enterprise units in the economic sense.

But being LOU in the GLEIS is not so easy for a NSI which is a public sector body. The GLEIS is being built in an uncertain world. Even if it is clearly a tool for administrative purposes, the GLEIS was created in a competitive environment, with initialy the only participation of private sector. Now the GLEIS accepted
the establishment of public sector LOUs, but keeps putting them in competition with the private sector LOUs.

**Conclusion**

The main advantage for Insee, to be part of the GLEIS in being a LOU, is to cover all the identification systems of the French units (legal, administrative or statistical) and to be able to move easily from one system to another. By this, Insee saves the value added of the national inter-administrative business register Sirene and extends it to an international environment. However this requires to operate in a competitive world.

**Bibliography**

