



Enabling global identity  
Protecting digital trust

## Policy Conformity Flag Initiative to Increase Transparency in Global Financial Markets

### Introduction of the "Policy Conformity Flag" creates more trust in international transactions

The global economy is wrestling with never-before-seen levels of identity related fraud. This increase in digital crime is causing financial damage globally and destroying vital trust between counterparty organizations, particularly those operating across borders and legal jurisdictions. Furthermore, financial crises have demonstrated the need for unique identification of parties to financial transactions as well as description of interconnections between legal entities, for authorities and participants to properly track financial risks.

The Policy Conformity Flag is a simple, clear tool for global data users to determine whether individual LEI records meet certain Regulatory Oversight Committee (ROC) policies. The ROC coordinates and oversees the Global LEI System.

An LEI labelled as 'conforming' indicates the following criteria have been met:

- **LEI registration is current** – the LEI registration has been timely renewed.
  - ⇒ **Accelerate the identifiability of legal entities across global marketplaces and data-driven Investing**
  - ⇒ **Enable easier due diligence via up to date party information, especially for cross-border transactions**
  
- **Level 2 reporting is complete** – the legal entity has reported data on its direct and ultimate parents, or one of the acceptable reasons for not reporting this data.
  - ⇒ Advance the ability to detect and monitor risks via connections across entities
  - ⇒ Easy-to-use measure of corporate transparency

By enabling closer monitoring of transaction data and supporting greater clarity in their ownership structures, entities with 'conforming' status demonstrate their unwavering commitment to transparency. Their conforming status also signals to partners and other organizations that their LEI can be used to reliably streamline due-diligence checks, onboarding and other counterparty processes, making them easier to do business with. In contrast, an LEI marked as 'non-conforming' indicates that the legal entity needs to renew and/or update its LEI record.

The Policy Conformity Flag is not an indicator of data quality. It complements the data quality management program established in the Global LEI System, which assesses the technical compliance of LEI records with the official file formats and lifecycle rules.

## [The Benefits of the Policy Conformity Flag](#)

By demonstrating your commitment to transparency by ensuring your LEI record is up-to-date and complete with relationship reporting, your organization stands to realize various benefits:

- **Fighting financial crime** – the Policy Conformity Flag promotes increased accuracy and completeness that enable critical data sets to be more efficiently shared and matched, thereby enabling the enhanced analytics needed to detect and combat financial crime.
- **Monitoring market risk** – the Policy Conformity Flag permits easier detection of interconnections and the analytics needed to monitor risks in financial markets.
- **Enhancing Operational Processes** - the Policy Conformity Flag enhances transparency of policy compliance relevant to operational processes including more timely analysis thereby reducing transaction failures, lowering dataset connectivity, reconciliation, cleaning, and aggregation costs; and trimming reporting costs.

## [Accessing the Policy Conformity Flag](#)

The Policy Conformity Flag initiative consists of two main components. An interactive dashboard displays the level of conformity around the world and supports data quality management in the Global LEI System in a proactive and transparent way.

Information is also included in the LEI search so that data users can easily identify whether an individual LEI record is compliant with the ROC policies.

Organizations are encouraged to take steps to ensure that their LEI complies with the ROC guidelines in the Global LEI System. An LEI labeled as 'conforming' is a simple way for companies to ensure compliance with the myriad of international regulations.