



The LEI „Policy Conformity Flag” as a solution for fighting on-line frauds

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In March 2024, the Regulatory Oversight Committee (ROC) introduced new principles for quality of records related to assigned LEI code. These are connected to increased transparency and enhanced risk monitoring.

This is the compliance of records with the transparency principles, which is indicated with the „Policy Conformity Flag“ in the international GLEIF database. This approach enables users to quickly and effectively determine whether the records on legal entities meet transparency criteria specified under the new rules.

The Policy Conformity Flag principles were created as reaction to the global economy's struggle with unprecedented level of identity related fraud, particularly in the digital space. According to Ľubomír Demčák, the Head of the Issues Department in CDCP SR, on a global scale, *„high level of frauds is causing financial damage and loss of trust among cooperating organisations, namely those acting in multiple markets and jurisdictions“*. The recent financial crisis also demonstrated the need for unique identification of counterparties. *„This involves mainly their identification in financial transactions and description of interconnections between legal entities for the purpose of proper monitoring of financial risk not only by government authorities, but market participants as well“*, adds Demčák

However, meeting the Conformity Flag criteria may bring multiple benefits. These includes more efficient fighting financial crime, easier detection of links among the companies required to monitor market risk or enhancement of operational processes. Ľubomír Demčák from CDCP SR calls attention to the fact, that company will meet criteria only *„if the LEI registration is current, timely renewed and, at the same time, the legal entity reported data on its direct and ultimate parent, or one of the acceptable reasons for not reporting such data“*.

By enabling closer monitoring of transactions data and supporting greater clarity in their ownership structures through compliance with „Policy Conformity Flag“ criteria, entities demonstrate their commitment to transparency. They also signal to partners and other organisations that their LEI can be used to reliably rationalise due-diligence process, admittance and other counterparty processes, making them easier to do business with.

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