

**CHARTER OF THE REGULATORY OVERSIGHT
COMMITTEE FOR THE GLOBAL LEGAL ENTITY
IDENTIFIER (LEI) SYSTEM**

5 NOVEMBER 2012

1 **Charter of the Regulatory Oversight Committee**

2 **For the**

3 **Global Legal Entity Identifier System**

4
5 Having regard to:

- 6
7 (1) the call of the Heads of State and Government of the Group of Twenty on the Financial
8 Stability Board (FSB) to take the lead in helping coordinate work among the regulatory
9 community to prepare recommendations for the appropriate governance framework,
10 representing the public interest, for a global Legal Entity Identifier (LEI) (Cannes
11 Summit, November 2011, “*Declaration – Building Our Common Future: Renewed*
12 *Collective Action for the Benefit of All*”); and
13
14 (2) the endorsement by the Heads of State and Government of the Group of Twenty of the
15 FSB recommendations regarding the framework for development of a global LEI system
16 for parties to financial transactions, with a global governance framework representing the
17 public interest (Los Cabos Summit, June 2012); and
18

19 Recognizing the need to develop and maintain for the broad public good a Global LEI
20 System that is to be used: (a) by authorities of any jurisdiction or financial sector to, assess
21 systemic risk and maintain financial stability, conduct market surveillance and enforcement,
22 supervise market participants, conduct resolution activities, prepare high quality financial
23 data, and to undertake other official functions; and (b) by the private sector to support
24 improved risk management, increased operational efficiency, more accurate calculation of
25 exposures, and other needs.
26

27 We, the Finance Ministers and Central Bank Governors of the Group of Twenty, and the
28 Financial Stability Board have set forth this Charter for the Regulatory Oversight Committee
29 (ROC) of the Global Legal Identifier System. The Global LEI System is composed of the
30 ROC together with an operational component, consisting of the LEI foundation (or equivalent
31 legal form) operating the Central Operating Unit (COU), and the federated Local Operating
32 Units (LOUs) providing registration and other services.
33

34 **1. Mission**

35 The mission of the ROC is to uphold the governance principles of and to oversee the Global
36 LEI System, in the broad public interest, in accordance with:

- 37 a) the Global LEI System High Level Principles and FSB recommendations, as endorsed
38 by the Heads of State and Government of the Group of Twenty (Los Cabos, June 2012)
39 (Annex A and B);
40 b) any additional principles adopted by this ROC; and
41 c) any amendment to the provisions of this Charter.

42 In furtherance of this mission, the ROC is to take appropriate action to protect the public
43 interest through regulatory oversight of the Global LEI System.

44 **2. Objectives and responsibilities of the ROC**

45 a) In protecting the broad public interest, the objectives of the ROC are to ensure:

46 (1) open and free access to publicly available data from the Global LEI System,
47 including the following:

48 i. data should be non-proprietary, with no bundling of services, or
49 restrictions on access, usage, or redistribution;

50 ii. all public data should be readily available on a continuous basis, easily
51 and widely accessible using modern technology, and free of charge;

52 iii. confidential data should be safeguarded and with due regard for any
53 applicable data protection legislation;

54 iv. data and operating processes should not be subject to any type of
55 intellectual property restrictions, except those judged necessary by the
56 ROC for protecting the broad public interest;

57 v. restrictions should not be placed on a registrant on the use of its own
58 LEI.

59 (2) open access to obtaining an LEI, including:

60 i. by providing that any entities required, or eligible, to obtain an LEI are
61 able to acquire one under open and non-discriminatory terms;

62 ii. by providing that fees, where and when imposed by the COU, are set
63 on a non-profit cost-recovery basis under the premise that the
64 operational model of the COU is efficient and avoids excessive costs
65 and, that where possible, a parallel arrangement holds for the LOUs;

66 iii. by providing that the intellectual property necessary for or associated
67 with the operation of the Global LEI System is held in a way that
68 facilitates achievement of the High Level Principles.

69 (3) that no entity involved in the Global LEI System exploits its relationship with
70 the system in a way contrary to the broad public interest;

71 (4) that the Global LEI System meets broad public and private sector
72 requirements, including:

73 i. ensuring the uniqueness, consistency, exclusivity, accuracy, reliability,
74 timeliness of access, portability, and persistence of the LEI code and
75 reference data;

76 ii. evaluating continually the relevance of existing standards, and
77 proposing new or adapting existing standards for the Global LEI
78 System that serve the broad public interest or reflect changes in
79 financial markets or other relevant areas as required;

80 iii. promoting the use and scope of the Global LEI System to expand the
81 collective benefit from widespread adoption; and

- 82 iv. allowing use of local languages and character sets in registration, as
83 well as allowing access to the Global LEI System in a common
84 language and character set.
- 85 b) In carrying out its mission and objectives, the ROC has the following responsibilities
86 and authorities:
- 87 (1) to be the ultimate authority for oversight of the Global LEI System, including
88 guidance, standards, high level plans, policies, and protocols. The capacity to
89 review and approve all decisions relating to the governance and strategy of
90 the global LEI foundation operating the COU;
- 91 (2) to facilitate the establishment of, and to designate the global LEI foundation
92 (or body of equivalent legal form) as the legal entity that operates the COU;
- 93 (3) to oversee standards and general policies for the Global LEI System to ensure
94 that they are in the broad public interest, including, but not limited to:
- 95 i. standards for LEI reference data and for other aspects of the operations
96 of the Global LEI System;
- 97 ii. standards for participation of LOUs in the Global LEI System;
- 98 iii. cost-recovery principles, protocols, and procedures for the COU
99 budget formation;
- 100 iv. material contracts review to ensure that the objectives in section 2 a)
101 are respected; and
- 102 v. standards for business continuity, disaster recovery and automated
103 system safeguards.
- 104 (4) to request and receive independent audits of the Global LEI System for
105 financial control, best business practices, and data quality standards;
- 106 (5) to appoint the initial Board of Directors of the global LEI foundation operating
107 the COU, to review the appointment and continuance of Directors, and to
108 request (or direct, if consistent with the governing law of the global LEI
109 foundation) removal of Directors for cause, according to public-interest
110 protection criteria established by the ROC to be reflected in the governing
111 documents of the global LEI foundation;
- 112 (6) to appoint, public or independent Directors of the global LEI foundation
113 operating the COU from outside of the regulatory community with special
114 powers, determined by the ROC and to the extent permissible under the law
115 governing the LEI foundation, who as individuals are to act in the broad public
116 interest, (pursuant to the criteria established by the ROC and reflected in the
117 governing documents of the global LEI foundation);
- 118 (7) to issue guidance to the COU or other parts of the Global LEI System to
119 protect the broad public interest as expressed in the High Level Principles or
120 in this Charter;

- 121 (8) to monitor the performance of the Global LEI System, through inspections,
122 hearings, reports and other means;
- 123 (9) to promote a high level of transparency in the operation of the Global LEI
124 System;
- 125 (10) to establish or appoint such special advisory, technical, or professional
126 committees, working groups, or panels, as may be useful in carrying out the
127 mission, objectives, and responsibilities of the ROC. The membership of such
128 committees, working groups, or panels may be composed of Members of the
129 ROC, other persons, (including from both the regulatory community or private
130 sector), or both;
- 131 (11) to consider establishment of an appropriate framework for mediating or
132 resolving disputes;
- 133 (12) to adopt, in addition to the provisions of this Charter, such rules or procedures
134 as may be necessary to carry out the mission, objectives and responsibilities of
135 the ROC; and
- 136 (13) to undertake any such other functions and actions as may be necessary and
137 permissible to carry out the mission, objectives, and responsibilities of the
138 ROC.

139

140 **3. Members**

141 a) The following are eligible to be a Member of the ROC:

- 142 (1) any public sector authority and jurisdiction including regulatory and
143 supervisory authorities and central banks;
- 144 (2) public international financial institutions; and
- 145 (3) international public sector standard setting, regulatory, supervisory, and
146 central bank bodies and supranational authorities.

147 on condition that they are dedicated to working actively for the broad public interest
148 in accordance with the Global LEI System High Level Principles and to working
149 actively towards the objectives specified in this Charter. The public international
150 financial institutions that are so dedicated participate as Members in accordance with
151 their respective legal and policy frameworks.

152 b) Membership criteria may be reviewed every 3 years, or earlier under circumstances
153 where needs for review are identified, by the Plenary in the light of the ROC's
154 mission, objectives and responsibilities.

155 c) Recognising the need to support effective decision making and thus to contain the
156 number of decision-making Members, jurisdictions are invited to ensure co-ordination
157 among authorities that meet the eligibility criteria.

158 d) In the event that the number of eligible members wishing to join the ROC reaches
159 such a size that makes decision-making impractical, Plenary Members should review
160 whether new provisions are needed to limit Plenary Membership.

161 **4. Commitments of Members**

162 Assent to the Charter means that a Member is to:

- 163 a) uphold the High-Level Principles and goals set forth in the Charter to protect the
- 164 broad public interest in relation to the Global LEI System;
- 165 b) participate actively in the work of the ROC; and
- 166 c) support the introduction of the Global LEI System for official or international
- 167 identification purposes.

168

169 **5. Observers**

170 a) Public authorities and jurisdictions, public international financial institutions, and

171 international public sector standard setting, regulatory, supervisory, and central bank

172 bodies and supranational authorities, as defined in 3 a) above, that support the High

173 Level Principles and wish to be informed of the proceedings of the ROC, but do not

174 wish to participate actively in the decision making and governance process may

175 become Observers.

176 b) An Observer may attend meetings of the Plenary and participate in the ROC in a

177 manner to be determined by the Plenary, Executive Committee, or any other groups,

178 committees, working groups or panels that invite the Observer.

179

180 An Observer may not participate in the decision making of the Plenary or the Executive

181 Committee.

182

183 **6. Structure**

184 The ROC is composed of the following:

- 185 a) the Plenary;
- 186 b) the Executive Committee;
- 187 c) the Committee on Evaluation and Standards; and
- 188 d) other committees, working groups, or panels as provided for in Section 2 (b) (10)
- 189 above.

190

191 **7. Decision making**

192 a) Decisions by the Plenary, Executive Committee, and any other groups, committees, or

193 bodies established by the ROC should be taken by consensus where possible.

194 b) Members of the ROC have the duty to work towards consensus.

195 c) The Chair has the duty to seek as broad a consensus as possible.

196 d) Members who have stated an objection have the right to delay a decision for a fixed,

197 short period and ask the Chair to seek an alternative solution.

198 e) Voting should only occur in exceptional circumstances where consensus cannot be
199 reached using the procedures outlined above. For such an eventuality, the ROC is to
200 develop voting procedures with a geographically balanced majority for adopting
201 decisions in the event that consensus cannot be reached for either or both the Plenary
202 and the Executive Committee.

203

204 **8. Plenary Membership and Responsibilities**

205 a) The Plenary consists of one designated representative of each Member of the ROC.

206 b) The Plenary is the ultimate decision-making body of the ROC.

207 c) The Plenary is presided over by the Chair of the ROC.

208 d) The Plenary:

209 (1) decides on the manner in which the Plenary conducts its affairs;

210 (2) approves the work program of the ROC;

211 (3) oversees the standards and general policies for the Global LEI System, to
212 ensure that they protect the broad public interest, taking account of the
213 analysis and recommendations of the Executive Committee;

214 (4) exercises oversight of the adherence of the Global LEI System to the High
215 Level Principles and the goals specified in this Charter, and promotes
216 transparency throughout the system;

217 (5) reviews membership criteria every 3 years or earlier where needs for review
218 are identified, in the light of the ROC mission, objectives and responsibilities;

219 (6) appoints the Chair, the Vice Chair(s), and the Executive Committee;

220 (7) provides the Executive Committee with specific dedicated responsibilities and
221 powers to take forward the work of the ROC and assigns responsibility for
222 decisions on operational oversight issues to the Executive Committee;

223 (8) facilitates the establishment of, and designates the global LEI foundation (or
224 body of equivalent legal form) as the legal entity that operates the COU and
225 terminates this designation;

226 (9) appoints the initial Board of Directors of the global LEI foundation operating
227 the COU and reviews appointment and continuance of Directors, and
228 thereafter requests removal of Directors, as specified in 2 (b) (5) of this
229 Charter, taking due account of the recommendations of the Executive
230 Committee;

231 (10) appoints, public or independent Directors as foreseen in section 2 (b) (6);

232 (11) hears at least twice a year, and as deemed necessary by the Plenary, a report
233 from the Chair of the Board of Directors of the global LEI foundation
234 operating the COU;

235 (12) establishes the Committee on Evaluation and Standards and appoints its chair;

- 236 (13) establishes other committees, working groups and panels, as necessary,
237 including membership and responsibilities;
- 238 (14) appoints the Secretariat;
- 239 (15) reviews and approves any amendments to this Charter; and
- 240 (16) decides on any other matter governing the business and affairs of the ROC.

241 **9. Plenary Representation and Attendance**

- 242 a) All Members are entitled to attend and participate in the Plenary.
- 243 b) The Chair of the ROC presides over the Plenary.
- 244 c) The Plenary is expected to meet at least 2 times each year.
- 245

246 **10. Executive Committee**

- 247 a) An Executive Committee is established and composed of an initial maximum of
248 twenty-three (23) Members selected by, and from among the Plenary Membership.
249 Regional Executive Committee Members are to be selected by and from the Plenary
250 Members for that region. Members representing global public international financial
251 institutions and standard setting bodies are to be selected by the Plenary.
- 252 b) Membership of the Executive Committee is to be balanced jurisdictionally and
253 regionally. The initial composition of the Executive Committee is to consist of a
254 maximum of five (5) Members from at least 2 jurisdictions in each of the following
255 regions: North America (including Mexico and the Caribbean); Europe (including the
256 Commonwealth of Independent States); Asia (excluding the Middle East); and Central
257 and South America, Africa, Oceania, and the Middle East. In addition, up to three (3)
258 Members may be appointed to represent global public international financial
259 institutions and standard setting bodies. The maximum size and composition of the
260 Executive Committee is to be reviewed every 3 years, in accordance with criteria to
261 be developed and approved by the Plenary. The Chair and the Vice Chair(s) are to be
262 appointed from the Membership of the Executive Committee.
- 263 c) Members of the Executive Committee are to be appointed for a maximum 3 year
264 term, subject to renewal. Initial appointments may include some shorter term
265 appointments to facilitate rotation in each region upon the decision of a region.
- 266 d) The Executive Committee is to take forward the work of the ROC including decisions
267 on operational oversight issues, under specified delegated responsibilities and powers
268 provided by the Plenary.
- 269 e) The Executive Committee may establish working groups and panels as needed to take
270 forward the work of the Executive Committee.
- 271 f) In addition to its delegated responsibilities, the duties of the Executive Committee
272 include the following:
- 273 (1) providing regular information and recommendations to the Plenary to keep the
274 Plenary fully engaged and capable of action;

- 275 (2) informing the Plenary on the fulfilment of the delegated oversight
276 responsibilities provided to the Executive Committee;
- 277 (3) monitoring and guiding the progress of the ROC's ongoing work;
- 278 (4) preparing options for decision for matters reserved to the Plenary;
- 279 (5) conducting ongoing oversight of the Global LEI System to monitor adherence
280 to the High Level Principles and other agreed principles, policies and
281 standards to protect the broad public interest. In furtherance of this mission the
282 Executive Committee shall hear at least twice a year, and as deemed necessary
283 by the Executive Committee, a report from the Chair of the Board of Directors
284 of the global LEI foundation operating the COU;
- 285 (6) analysing and developing recommendations for principles, standards and
286 general policies for the Global LEI System, ensuring that they serve the broad
287 public interest, including, but not limited to:
- 288 i. standards for LEI reference data and for other aspects of the Global
289 LEI System's operations;
- 290 ii. standards for participation of LOUs in the Global LEI System;
- 291 iii. cost-recovery principles, protocols, and procedures for the COU
292 budget formation;
- 293 iv. material contracts review to ensure that the objectives in section 2 a)
294 are respected; and
- 295 v. standards for business continuity, disaster recovery, and automated
296 system safeguards.
- 297 (7) reviewing and commissioning work from the Committee on Evaluation and
298 Standards or other committees, working groups and panels and co-ordinating
299 work across those groups;
- 300 (8) requesting and receiving independent audits of the system for: financial
301 control, best business practices, and data quality standards;
- 302 (9) performing on site reviews of the COU, subject to COU security
303 requirements;
- 304 (10) requesting on as needed basis information from the Directors of the global
305 LEI foundation operating the COU;
- 306 (11) issuing guidance to the COU or other parts of the Global LEI System to
307 protect the broad public interest as expressed in the High Level Principles or
308 in this Charter;
- 309 (12) considering establishment of an appropriate framework for mediating or
310 resolving disputes;
- 311 (13) overseeing the work of the ROC Secretariat;
- 312 (14) preparing the Plenary meetings, including making recommendations as
313 appropriate in order to allow the Plenary to efficiently fulfil its mandate; and

314 (15) taking forward, after consultation and consistent with the directions of the
315 Plenary, any other work necessary for the ROC to meet its mandate.

316

317 **11. Committee on Evaluation and Standards (CES)**

318 The CES has the following responsibilities to support the regulatory oversight functions of
319 the ROC and the Executive Committee:

320 a) to evaluate the adequacy of existing standards and protocols in the light of the High
321 Level Principles and other principles adopted by the ROC and that serve the broad
322 public interest;

323 b) to propose revised or additional standards, or protocols as necessary;

324 c) to recommend to the Executive Committee the development of additional standards and
325 protocols or the modification of existing standards and protocols as necessary; and

326 d) to perform any other tasks and functions as requested by the Plenary or Executive
327 Committee.

328 Members of the CES do not necessarily need to be the individuals or organisations
329 participating in the ROC.

330 The CES reports to the Executive Committee on a regular basis and to the Plenary when
331 requested.

332

333 **12. Chair**

334 a) The Chair and the Vice Chair(s) are appointed by the Plenary from the Membership of
335 the Executive Committee for a term of 2 consecutive years extendable for a maximum
336 of one year.

337 b) The Chair convenes and chairs the meetings of the Plenary and of the Executive
338 Committee.

339 c) The Chair is the principal spokesperson for the ROC and represents the ROC
340 externally. The Chair should be informed of all significant matters that concern the
341 ROC.

342 d) The Chair is to take all decisions and act as necessary to achieve the objectives of the
343 ROC, in accordance with directions given by the Plenary or the Executive Committee.

344 e) The Chair is to act in the best interests of the ROC and ROC Membership.

345 f) The Chair has a duty to seek as broad a consensus as possible.

346 g) The Chair is to be supported by up to two Vice-Chair(s), appointed by the Plenary
347 from the Membership of the Executive Committee for a term concurrent to the Chair.
348 The Chair and Vice-Chair(s) are to be from different geographic regions.

349

350 **13. Secretariat**

351 a) The Plenary is to appoint a Secretariat to support the ROC, taking account of a
352 recommendation from the Chair and the Executive Committee.

353 b) The Secretariat is directed by the Chair of the ROC, on behalf of the Plenary and
354 Executive Committee.

355 c) The duty of the Secretariat is to support the work of the ROC. The Secretariat does
356 not participate in any ROC decision making.

357 d) The Secretariat is to maintain and publish a list of Plenary Members.

358 e) The initial Secretariat is to be provided through the establishment of an agreement
359 with an existing public international financial institution, that could help the ROC to
360 mobilise and organise the necessary secretariat services during the first 3 years of
361 formation.

362 f) On an ongoing basis, the costs of the Secretariat are to be provided from registration
363 fees levied on registrants consistent with modalities to be established by the Plenary.

364 g) The Plenary is to review all aspects of Secretariat arrangements 3 years after the
365 formation of the ROC.

366

367 **14. Funding of the ROC**

368 On an ongoing basis, the funding of the ROC is to be provided from registration fees levied
369 on registrants consistent with modalities to be established by the Plenary.

370

371 **15. Establishment**

372 a) The ROC is to be formed following endorsement of this Charter by the Group of
373 Twenty and the FSB, and there being:

374

(1) at least eleven (11) authorities assenting to this Charter, including:

376

(2) at least three (3) from each of three regional groupings: North America
377 (including Mexico and the Caribbean); Europe (including the Commonwealth
378 of Independent States); and Asia (excluding the Middle East); and

380

(3) at least two (2) from a regional group comprising Central and South America,
381 Africa, Oceania, and the Middle East; and

383

(4) of those authorities assenting within each of the four regions, at least two (2)
384 deriving from different jurisdictions.

386

387 b) Prior to the formation of the ROC and appointment of the Chair of the ROC by the
388 Plenary, assent to the Charter is to be made by letter from eligible authorities to the
389 Chair of the FSB.

390

- 391 c) On formation of the ROC, and appointment of the Chair of the ROC by the Plenary,
392 assent to the Charter is to be made by letter from eligible authorities to the Chair of
393 the ROC. Membership becomes active once the Chair has provided confirmation.
394
- 395 d) A Member may terminate its Membership by letter to the Chair of the ROC.
396
- 397 e) A request for Observer status is to be made by letter from eligible authorities to the
398 Chair of the FSB prior to the formation of the ROC, and thereafter by letter to the
399 Chair of the ROC.

400 **16. Access to information**

401 The ROC is to have access to documents of the global LEI foundation operating the COU as
402 well as those of the COU. The non-public information contained in these documents is to be
403 treated as confidential information by the Members of the ROC. Provisions regarding such
404 access are to be reflected in by-laws of the LEI foundation.

405 **17. Confidentiality**

406 The ROC Members are to treat all non-public information and documents, provided to or
407 obtained by them under or in connection with LEI oversight activities and this Charter, as
408 confidential. The Members are to ensure that confidential information provided to them in the
409 context of the regulatory oversight arrangements is to be used only for the oversight of the
410 Global LEI System, and is not to be used by them for any other purpose, including in their
411 capacities as users of the LEI services, provided that the foregoing does not prejudice their
412 responsibilities under national laws or regulatory requirements.
413

414 **18. Amendment Clause**

415 Amendment of any of the provisions of this Charter may be proposed by the Executive
416 Committee or Plenary and if adopted by the Plenary modifies this Charter. Such adoption is
417 subject to the decision-making framework for the ROC, or by specific procedures to be
418 defined by the Plenary.

419 **19. Review Clause**

420 The ROC may review the Charter as necessary, in an appropriate manner. The review may
421 cover all aspects of the governance arrangements for the Global LEI System. An initial
422 review is to take place by no later than October 2017. By this date, the Plenary is to examine
423 this Charter on the basis of a report from the Executive Committee and is to determine
424 whether the mission and organization of the ROC need to be reviewed.

425 **20. Legal Effect**

426 This Charter does not create any legal rights or obligations or modify or supersede any
427 national or international laws or regulatory requirements in force in any applicable
428 jurisdiction, or applying to, any of the Members.

429
430 Nothing in this Charter is to require or to be deemed to require any of the Members to act in a
431 manner which amounts to or may amount to violation of any of the provisions of any such
432 national or international laws, legal frameworks, or regulatory requirements, or to prejudice
433 or affect the exercise of any of their rights and discretions thereunder.

434
435 By endorsing or assenting to this Charter or becoming a Member of the ROC, no Member
436 waives any immunity from suit or privilege to which it may otherwise be entitled and no
437 Member submits to the jurisdiction of any court or arbitral body that would not otherwise
438 have jurisdiction.

439

440 **21. Annexes**

441

442 The Annexes to this Charter, are considered part of the Charter:

443

444 Annex A: Global LEI System High Level Principles.

445 Annex B: Annex B: Recommendations for the development and implementation of the

446 Global LEI System.

447

448

449

Annex A: Global LEI System High Level Principles

450

451

452 1. The Global LEI system should uniquely identify participants to financial transactions.

453

454 2. The LEI system should meet the requirements of the global regulatory community for
455 accurate, consistent and unique entity identification.

456

457 3. The LEI system should be designed in a manner that provides benefits to financial
458 market participants.

459

460 4. Flexibility must be built into the global LEI system to provide the capability for the
461 system to expand, evolve, and adapt to accommodate innovations in financial
462 markets.

463

464 5. The LEI system should not be “locked-in” with a particular service provider for any
465 key system functions or processes. The principles of competition should be ensured
466 on both global and local levels where appropriate.

467

468 6. The global LEI system should support a high degree of federation and local
469 implementation under agreed and implemented common standards.

470

471 7. The LEI system should meet evolving requirements of both the regulatory community
472 and industry participants in terms of information content, scope of coverage,
473 timeliness and availability.

474

475 8. The LEI Regulatory Oversight Committee should have the responsibility of upholding
476 the governance principles and oversight of the global LEI system functioning to serve
477 the public interest. The Committee has the ultimate power and authority over the
478 global LEI system.

479

480 9. The mission, role and responsibilities of the ROC shall be specified by the global LEI
481 Regulatory Oversight Committee Charter, which shall establish the Committee.

482

483 10. Participation in the global LEI Regulatory Oversight Committee shall be open to all
484 authorities subscribing to the High Level Principles and to the objectives and
485 commitments in the Charter.

486

487 11. The LEI Central Operating Unit should have the mission and role to ensure the
488 application of uniform global operational standards and protocols set by the ROC and
489 act as the operational arm of the global LEI system. It shall be established as a
490 foundation or legal equivalent.

491

492 12. The LEI Central Operating Unit should have a balanced representation of industry
493 participants from different geographic areas and sectors of economy. Its Board of
494 Directors should be selected from industry representatives, plus independent
495 participants.

496

- 497 13. The LEI system should allow the local provision by Local Operating Units of all LEI
498 functions which the ROC determines are not required to be centralised.
499
- 500 14. The LEI system should promote the provision of accurate LEI reference data at the
501 local level from LEI registrants and ensure global uniqueness of the registrants.
502
- 503 15. Any global universal intellectual property rights should belong to the global LEI
504 system.
505

506 **Annex B: Recommendations for the development and implementation of the Global LEI**
507 **System**

508 **Recommendation 1**

509 **SETTING UP A GLOBAL LEI SYSTEM** The FSB strongly supports the development and
510 implementation of a global LEI system that uniquely identifies participants to financial
511 transactions.

512 **Recommendation 2**

513 **GLOBAL REGULATORY COMMUNITY REQUIREMENTS** The LEI system should
514 meet the requirements of the global regulatory community (including supranational
515 organisations). The potential benefits of the LEI include: to support authorities in fulfilling
516 their mandates to assess systemic risk and maintain financial stability; conduct market
517 surveillance and enforcement; supervise market participants; conduct resolution activities;
518 prepare high quality financial data and undertake other regulatory functions.

519 **Recommendation 3**

520 **GLOBAL LEI SYSTEM GOVERNING DOCUMENTS** Global LEI system High Level
521 Principles set out the principles and commitments that specify and define the governance and
522 structure of the global LEI system. A global LEI Regulatory Oversight Committee Charter
523 should specify the mission, role and responsibilities of the Committee as well as the process
524 for its establishment. Support for the High Level Principles agreement and Charter will
525 indicate a desire to participate in the global LEI system.

526 **Recommendation 4**

527 **SUPPORT OF FINANCIAL MARKET PARTICIPANTS** The LEI system should be
528 designed in a manner that provides benefits to financial market participants.

529 **Recommendation 5**

530 **SYSTEM FLEXIBILITY** Flexibility must be built into the global LEI system to provide the
531 capability for the system to expand, evolve and adapt to accommodate innovations in
532 financial markets. It must also allow the seamless introduction of new participants. To these
533 ends, critical software and other relevant elements must be defined and made publicly
534 available without any licensing, intellectual property or similar restrictions under open source
535 principles. The LEI should be portable¹ within the global LEI system.

536 **Recommendation 6**

537 **COMPETITION AND ANTI-TRUST CONSIDERATIONS** The LEI system should be
538 designed to ensure that it is not “locked-in” with a particular service provider for any key
539 system functions or processes, and that the principles of competition are ensured on both
540 global and local levels where appropriate. The governance framework should provide

¹ In this context a portable LEI means that the code could be transferred from one LOU to another LOU. This may be necessary, for example, in case of the LEI being obtained originally from a foreign LOU before a local LOU was established or if an entity changed its legal address or headquarters, etc.

541 safeguards to ensure that competition principles and anti-trust considerations are upheld. The
542 local implementation of the global LEI system should meet local anti-trust requirements.

543 **Recommendation 7**

544 **FEDERATED NATURE OF THE LEI SYSTEM** The global LEI system should support a
545 high degree of federation and local implementation under agreed and implemented common
546 standards.

547 **Recommendation 8**

548 **SCOPE OF COVERAGE** Eligibility of ‘legal entities’ to apply for an LEI should be
549 broadly defined, in order to identify the legal entities relevant to any financial transaction. No
550 more than one LEI shall be assigned to any legal entity.

551 **Recommendation 9**

552 **LEI REFERENCE DATA AT SYSTEM LAUNCH** The official name of the legal entity,
553 the address of the headquarters of the legal entity, the address of legal formation, the date of
554 the first LEI assignment, the date of last update of the LEI, the date of expiry, business
555 registry information (if applicable), alongside a 20 digit alphanumeric code should form the
556 basis for the global system at the launch of the global LEI initiative. For entities with a date
557 of expiry, the reason for the expiry should be recorded, and, if applicable, the LEI of the
558 entity or entities that acquired the expired entity.

559 **Recommendation 10**

560 **REVIEW OF SCOPE OF COVERAGE AND REFERENCE DATA** The Regulatory
561 Oversight Committee should undertake regular reviews of the scope and extent of coverage
562 of the LEI to reflect emerging regulatory and market requirements for the LEI use according
563 to an agreed schedule. The Regulatory Oversight Committee should undertake regular
564 reviews of the LEI reference data according to a set schedule to monitor the required changes,
565 additions, retirements and modifications.

566 **Recommendation 11**

567 **STANDARDS FOR THE LEI SYSTEM** The LEI system should meet, to the degree
568 possible, evolving requirements of both the regulatory community and industry participants
569 in terms of information content, scope, timeliness and availability. The Regulatory Oversight
570 Committee is responsible for the final determination for any standards for the LEI to be
571 utilised in the global LEI system. When proposing areas for the development of new
572 standards, the Regulatory Oversight Committee should strongly consider utilising existing
573 standard setting organizations to develop such standards, provided that such organizations
574 incorporate the requirements for the standards as determined and communicated by the
575 Regulatory Oversight Committee.

576 **Recommendation 12**

577 **LEI REFERENCE DATA ON OWNERSHIP** The FSB LEI Implementation Group should
578 as soon as possible develop proposals for additional reference data on the direct and ultimate

579 parent(s) of legal entities and relationship or ownership data more generally and to prepare
580 recommendations by the end of 2012. The group should work closely with private sector
581 experts in developing the proposals.

582 **Recommendation 13**

583 **LEI OPERATIONAL AND HISTORICAL DATA** The LEI system should maintain high
584 quality records that retain relevant information on amendments (query, add, modify or delete
585 of any data element) to data items as well as additional data to facilitate the surveillance and
586 control of the system by the COU where appropriate.

587 **Recommendation 14**

588 **CENTRAL OPERATING UNIT** The mission and role of the Central Operating Unit should
589 be to ensure the application of uniform global operational standards and protocols that deliver
590 global uniqueness of the LEI, seamless access to the global LEI and to high quality reference
591 data for users with depth of access controlled by appropriate access rights, as well as
592 protocols and methods for how local systems can connect to the Central Operating Unit.

593 **Recommendation 15**

594 **FORMATION OF THE CENTRAL OPERATING UNIT** The LEI Implementation Group
595 should develop a detailed plan for the formation of the Central Operating Unit via the
596 establishment of a not-for-profit LEI foundation² by interested industry participants under the
597 oversight of the formed LEI Regulatory Oversight Committee. The foundation would rely on
598 industry participants, their expertise and knowledge to identify and develop the most
599 technologically, financially and legally sound methods to implement the global LEI system in
600 line with the standards and framework defined by the Regulatory Oversight Committee.
601 Representatives from all geographic areas and industry sectors would be invited to participate
602 in the preparatory work underpinning the formation of the LEI foundation as the Central
603 Operating Unit in a manner defined by the Implementation Group.

604 **Recommendation 16**

605 **BALANCED REPRESENTATION IN THE CENTRAL OPERATING UNIT** The
606 Regulatory Oversight Committee and LEI Implementation Group should ensure that the
607 global LEI foundation takes account of the interests of financial and non-financial industry
608 participants from different geographic areas and economic sectors.

609 **Recommendation 17**

610 **LOCAL OPERATING UNITS** The LEI system should allow the local provision of all LEI
611 functions which the Regulatory Oversight Committee determines do not need to be
612 centralised. The LEI system should enable the use of local languages, organisation types and
613 relationship structures as required. Procedures to integrate local systems into the global LEI
614 system should be developed by the LEI Implementation Group in consultation with local
615 jurisdictions and potential Local Operating Units (when available) in a way and manner that

² Or body of equivalent legal form.

616 meets the global LEI system High Level Principles. The Central Operating Unit of the LEI
617 system should be able to provide support to Local Operating Unit operations when necessary
618 according to criteria and requirements established by the Regulatory Oversight Committee
619 and administered by the Central Operating Unit.

620 **Recommendation 18**

621 **LEI DATA VALIDATION** The LEI system should promote the provision of accurate LEI
622 reference data at the local level from LEI registrants. Responsibility for the accuracy of
623 reference data should rest with the LEI registrant, but Local Operating Units have
624 responsibility to exercise due diligence in guarding against errors, as consistent with
625 Regulatory Oversight Committee standards, and to encourage necessary updating. The
626 Central Operating Unit has responsibility to check registrations for global uniqueness and to
627 coordinate reconciliation by Local Operating Units where necessary. Accuracy should be
628 ensured at the local level by the registered entities. Self-registration should be encouraged as
629 a best practice for the global LEI system.

630 **Recommendation 19**

631 **LEI ISSUANCE WHEN NO LOCAL REGISTRAR AVAILABLE** Whenever possible
632 the LEI registration should take place with the relevant Local Operating Unit. When a Local
633 Operating Unit is not available, the Regulatory Oversight Committee and a local jurisdiction
634 (when willing to engage) should agree on approaches for local entities to obtain LEIs. The
635 Implementation Group should develop proposals for such mechanisms via: (1) establishing a
636 mechanism of obtaining LEIs through other Local Operating Units; (2) establishing a
637 mechanism of obtaining LEIs from a registration facility in the Central Operating Unit; and
638 (3) any other mechanisms that are appropriate.

639 **Recommendation 20**

640 **SUSTAINABLE FUNDING** The steady state funding of the global LEI system should be
641 self-sustainable and reliable. The funding system should be based on an efficient non-profit
642 cost-recovery model. The system should have two components: a local discretionary charge;
643 and a common fee based on the number of registrations in each LOU to pay for the
644 centralised operations in the Central Operating Unit, alongside any costs of implementing and
645 sustaining the governance framework. Fees should be sufficiently modest not to act as a
646 barrier to acquiring an LEI.

647 **Recommendation 21**

648 **GLOBAL REGULATORY OVERSIGHT COMMITTEE CHARTER** The governance
649 framework of the global LEI system should be developed at the international level in an open
650 and transparent manner that supports collective governance of the global system. A global
651 LEI Regulatory Oversight Committee Charter should set out the formation and operations of
652 the Regulatory Oversight Committee. The global LEI Regulatory Oversight Committee
653 Charter should be prepared by the FSB LEI Implementation Group for endorsement by the G-
654 20 at the Finance Ministers and Central Bank Governors meeting in November 2012 or by
655 the FSB Plenary in October.

656 **Recommendation 22**

657 **REGULATORY OVERSIGHT COMMITTEE** A Regulatory Oversight Committee, as
658 specified in the Charter, should have the responsibility of upholding the governance
659 principles and oversight of the global LEI system functioning to serve the public interest. The
660 Regulatory Oversight Committee should be a body representing regulators and other
661 government or supranational entities engaged in regulating or monitoring the financial system
662 or markets. Membership and decision making processes would be established by the Charter.
663 Wherever possible, decisions would be reached by consensus.

664 **Recommendation 23**

665 **POWER AND AUTHORITY OF THE REGULATORY OVERSIGHT COMMITTEE**
666 The Regulatory Oversight Committee has the ultimate power and authority over the global
667 LEI system. Any power delegated to the Central Operating Unit, Local Operating Units and
668 other entities can be reversed by the Regulatory Oversight Committee³. The Regulatory
669 Oversight Committee should establish a formal oversight plan to ensure that its directives to
670 the Central Operating Unit or other parts of the system are enforced and that the governance
671 principles are upheld.

672 **Recommendation 24**

673 **PARTICIPATION IN THE REGULATORY OVERSIGHT COMMITTEE** To
674 participate in the LEI Regulatory Oversight Committee, an authority should indicate support
675 for the global LEI High Level Principles and Charter for the Regulatory Oversight
676 Committee. Authorities may elect to be a full member of the Regulatory Oversight
677 Committee or an observer. The rights and responsibilities of members and observer status
678 participants should be defined in the Charter.

679 **Recommendation 25**

680 **LEVERAGING INFRASTRUCTURE OF AN INTERNATIONAL FINANCIAL**
681 **ORGANISATION** In developing proposals to establish the Regulatory Oversight
682 Committee following agreement on the Charter, the Implementation Group should if possible
683 and, subject to agreement, leverage on the existing infrastructure of an international financial
684 organisation to initiate and stand-up the global LEI governance structure in a timely manner,
685 utilising the experience of the international organisation in executing international initiatives.

686 **Recommendation 26**

687 **GOVERNING DOCUMENTS FOR THE CENTRAL OPERATING UNIT** Alongside
688 the development of the global Charter, the Implementation Group should develop legal
689 documents governing the mandate provided by the Regulatory Oversight Committee to the
690 Central Operating Unit as well as other legal documents needed to specify the full
691 governance framework for the global LEI system.

692 **Recommendation 27**

³ Local authorities may also reserve rights to be engaged in decisions on local registration operations to the extent that they act in accordance with the High-Level Principles of the LEI system.

693 **BOARD OF DIRECTORS OF THE CENTRAL OPERATING UNIT** The Central
694 Operating Unit shall have a Board of Directors. The Regulatory Oversight Committee has the
695 right to veto membership of the BOD, as well as to remove members. The ROC has the right
696 to appoint independent members⁴.

697 **Recommendation 28**

698 **FORMATION OF THE INITIAL BOARD OF DIRECTORS OF THE CENTRAL**
699 **OPERATING UNIT** The Central Operating Unit's initial Board of Directors should be
700 appointed by the Regulatory Oversight Committee, taking into account the need for
701 geographic and sectoral diversity. The Implementation Group should develop the fitness
702 criteria, size, role etc for the BOD that should be reviewed in two years by the Regulatory
703 Oversight Committee.

704 **Recommendation 29**

705 **POWERS AND FUNCTIONS OF THE BOD OF THE CENTRAL OPERATING UNIT**
706 The Board of Directors of the Central Operating Unit should be granted powers to direct the
707 management and operations of the Central Operating Unit in line with the overall standards
708 set by the Regulatory Oversight Committee.

709 **Recommendation 30**

710 **CONTINGENCY ARRANGEMENTS** The Regulatory Oversight Committee is responsible
711 for setting and overseeing the application of business continuity standards for the global LEI
712 system in line with best practices for key financial infrastructure. Rules and procedures
713 should be defined that the Central Operating Unit and Local Operating Units must follow in
714 case of insolvency, bankruptcy, etc in order to ensure continuity of the global LEI system. A
715 protocol should also be developed for maintenance of secure parallel copies of the LEI, in a
716 manner that respects local laws.

717 **Recommendation 31**

718 **LEI INTELLECTUAL PROPERTY** The LEI Implementation Group should conduct
719 analysis and provide recommendations on the treatment of the "LEI" intellectual property
720 (such as the LEI code, software, reference data, any other LEI data, operational protocols,
721 etc) according to the principles of open access and the nature of the LEI system as a public
722 good. The objective of this analysis shall be to ensure a regime that assures the availability in
723 the public domain, without limit on use or redistribution, of LEI data, reference data, and
724 processes. Any intellectual property rights should be held by, or licensed to the global LEI
725 foundation unless defined otherwise by the Regulatory Oversight Committee. Copyright
726 should be used to the extent possible to promote the free flow or combination of information
727 from disparate sources.

728 **Recommendation 32**

729 **FSB LEI IMPLEMENTATION GROUP** Subject to the G-20 supporting further work to
730 launch the global LEI, and entrusting implementation planning to the FSB, an FSB LEI

⁴ In this context independent members mean non-industry representatives.

731 Implementation Group (IG) should be established with a clear mandate to launch the global
732 LEI system on a self- standing basis. The LEI Implementation Group should cease to exist
733 upon formation of the Regulatory Oversight Committee which should be by 31 March 2013
734 at the latest.

735 **Recommendation 33**

736 **STRUCTURE OF THE FSB LEI IMPLEMENTATION GROUP** A time-limited FSB
737 LEI Implementation Group of interested and willing experts (legal, IT, and other) from the
738 global regulatory community that includes interested parties from the FSB LEI Expert Group
739 should be formed to take the global LEI initiative forward into the global implementation
740 phase until the Regulatory Oversight Committee is established. The IG should be led by
741 representatives from different geographic areas to reflect the global nature of the LEI
742 initiative and will be supported by the FSB Secretariat. The IG should develop proposals for
743 the global LEI system stand-up as defined in the mandate below for review and endorsement
744 by the FSB Plenary in October 2012 and, as appropriate, final review and endorsement by G-
745 20 Finance Ministers and Central Bank Governors in November 2012.

746 **Recommendation 34**

747 **RESPONSIBILITIES OF THE FSB LEI IMPLEMENTATION GROUP** The mandate
748 of the FSB LEI Implementation Group should be to prepare a draft global LEI Regulatory
749 Oversight Committee Charter, proposals for the establishment of the LEI Regulatory
750 Oversight Committee and related structures, develop all necessary legal documents for
751 Regulatory Oversight Committee operations, develop necessary intellectual property
752 agreements and contracts, conduct research and provide recommendations on LEI related
753 information sharing arrangements; set up the process and any necessary legal documentation
754 necessary for establishment of the Central Operating Unit and its Board of Directors; and set
755 up the process for establishment of the necessary standards, protocols, rules and procedures
756 and organizational design for the Central Operating Unit.

757 **Recommendation 35**

758 **ESTABLISHMENT OF THE GLOBAL LEI SYSTEM** The global LEI system will be
759 established by the endorsement of the high level Charter for the Regulatory Oversight
760 Committee by the G-20 Finance Ministers and Governors in November or by the FSB
761 Plenary in October