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Principles to be observed by Pre-LOUs that wish to integrate into the Interim Global Legal Entity Identifier System (GLEIS)

Executive Summary

This note establishes the principles that should be observed by the Local Operating Units (LOUs) participating in the Interim Global Legal Entity Identifier System as pre-LOUs. Reference documents include the Financial Stability Board (FSB) Recommendations and High Level Principles, the six principles defined by the LEI Regulatory Oversight Committee in March 2013, and other principles published in Progress Notes. Annex A sets out the process for endorsement of pre-LOUs and pre-LEIs into the Interim GLEIS.

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1 Introduction

The GLEIS is an international endeavour that requires world-wide coordination. This coordination is important because processes, systems and data in different parts of the world need to communicate with each other to make the operation of the global system possible. The overall concept is that the GLEIS should have Local Operating Units (LOUs) which coordinate with other LOUs and market participants within the global system.

A current characteristic of the GLEIS is that aspirants to become LOUs under the GLEIS (pre-LOUs) have already started to issue LEI-like identifiers, and more pre-LOUs are expected to operate before the whole set of rules, standards, procedures and systems are implemented by the Central Operating Unit (COU) when it assumes operational oversight of the system. Thus, there is a need to establish interim principles or guidelines to facilitate coordination among existing pre-LOUs so that future integration into the overall system will be smoother and so that those pre-LOUs that have been endorsed by the ROC as adhering to these principles can issue pre-LEIs that are globally accepted for reporting purposes by ROC member authorities now, rather than waiting for COU operational oversight.

This document specifies those principles and requirements that should be followed by pre-LOUs. The note also identifies the documents that are used as a reference to establish the principles that should be observed by the Local Operating Units (LOUs) that wish to participate in the Interim Global Legal Entity Identifier System as pre-LOUs. In particular, these documents include the Financial Stability Board (FSB) Recommendations and High Level Principles, the six principles defined by the LEI Regulatory Oversight Committee in March 2013, and other principles published in Progress Notes. Footnote 1 on page 4 provides additional guidance from the ROC in August 2014.

2 Background

On January 24, 2013, members of the global financial regulatory community created the Regulatory Oversight Committee (ROC) to supervise the high-level design and operation of the

GLEIS. On March 8, 2013, the ROC published high level guidance on pre-LOU integration. The ROC outlined six conditions that are required in order for the ROC to accept pre-LEIs from pre-LOUs as globally compatible¹.

1. The pre-LOU complies with all the FSB recommendations (excluding those addressed to the Central Operating Unit, but including all the others in particular on freedom from IP rights);
2. The pre-LOU only accepts self-registration;²
3. The pre-LOU before issuing a pre-LEI should verify whether the requesting entity has already been recorded by another pre-LOU system and take the appropriate measures to ensure conformance with the principle of uniqueness and to avoid duplication of a

¹ In August 2014, the ROC provided additional clarificatory guidance that the mandatory conditions for endorsement include:

1. Adherence to the Principles as specified in this note of July 27 2013,
2. Application of the Common Data format for pre-LOUs (see notes on the ROC website of 19 June 2014 and 24 February 2014 (http://www.leiroc.org/publications/gls/lou_20140620_2.pdf , http://www.leiroc.org/publications/gls/lou_20140620.pdf and http://www.leiroc.org/publications/gls/lou_20140224.pdf
3. The further conditions set out in the initial endorsement note (http://www.leiroc.org/publications/gls/lou_20131003.pdf) and all subsequent endorsement notes.
4. Agreement to contribute to the funding requirements of the GLEIF in line with the G20 endorsed FSB recommendations (http://www.leiroc.org/publications/gls/gleif_20140629_2.pdf)
5. The further guidance on portability published by the ROC on 24 August 2014 http://www.leiroc.org/publications/gls/lou_20140824.pdf
6. Additional guidance from the ROC, as and when this is provided.

² For global compatibility, reference data for pre-LEIs should be confirmed or certified by the entity at a recognized pre-LOU of the entity's choice. The FSB "Third progress note on the Implementation of the Global LEI Initiative" clarifies the concept of self-registration. The permission/agreement of the LEI registrant to perform an LEI registration on its behalf by a third party is considered to satisfy the requirements of self-registration granted the registrant has provided explicit permission for such a registration to be performed.

http://www.financialstabilityboard.org/publications/r_121024.pdf

pre-LEI. Where a pre-LEI already exists, the pre-LOU should refrain from issuing another pre-LEI, inform the entity that the existing identifier record can be transferred (ported) to the pre-LOU at the entity's request, and inform the entity that it should certify its reference data with the pre-LOU of its choice.

4. The pre-LOU ensures portability of any issued pre-LEI (both outgoing and incoming);
5. The pre-LOU is sponsored by a ROC member;
6. The sponsor authority has verified and confirmed to the ROC that the pre-LOU meets all the conditions included in this statement.

In August 2014, the ROC provided additional clarificatory guidance that the mandatory conditions for endorsement include:

1. Adherence to the Principles as specified in this note of July 27 2013,
2. Application of the Common Data format for pre-LOUs (see notes on the ROC website of 19 June 2014 and 24 February 2014
http://www.leiroc.org/publications/gls/lou_20140620_2.pdf ,
http://www.leiroc.org/publications/gls/lou_20140620.pdf and
http://www.leiroc.org/publications/gls/lou_20140224.pdf
3. The further conditions set out in the initial endorsement note
http://www.leiroc.org/publications/gls/lou_20131003.pdf) and all subsequent endorsement notes.
4. Agreement to contribute to the funding requirements of the GLEIF in line with the G20 endorsed FSB recommendations
http://www.leiroc.org/publications/gls/gleif_20140629_2.pdf)

5. The further guidance on portability published by the ROC in August 2014 [Link to be added]
6. Additional guidance from the ROC, as and when this is provided.

The first principle states that the FSB Recommendations (and the associated High Level Principles) must be followed.³ The FSB Recommendations can be observed in Annex D while the associated FSB High Level Principles can be observed in Annex C. While all FSB Recommendations and High Level Principles apply to the Global LEI System, the recommendations that are particularly relevant for the Interim System are⁴:

- Recommendation 5 – SYSTEM FLEXIBILITY.
- Recommendation 9 - LEI REFERENCE DATA AT SYSTEM LAUNCH.
- Recommendation 13 - LEI OPERATIONAL AND HISTORICAL DATA.
- Recommendation 18 - LEI DATA VALIDATION.
- Recommendation 30 – CONTINGENCY ARRANGEMENTS.
- Recommendation 31 - LEI INTELLECTUAL PROPERTY.

Likewise, the FSB High-Level Principles in Annex C that are relevant for the Interim System are: 3, 4, 5, 6, 11, 13, 14 and 15.

Other relevant documents for the interim system are the FSB third progress note on the implementation of the Global LEI Initiative (http://www.financialstabilityboard.org/publications/r_121024.pdf) which specifies the code structure for the LEI, defines the system for issuing prefixes, specifies that sponsors of pre-LOUs must be ROC members, and clarifies the concept of self-registration (see Principle 2); and the FSB fourth progress note

³ http://www.financialstabilityboard.org/publications/r_120823.pdf
http://www.financialstabilityboard.org/publications/r_120920.pdf
http://www.financialstabilityboard.org/publications/r_121024.pdf
http://www.financialstabilityboard.org/publications/r_121211.pdf
http://www.financialstabilityboard.org/publications/r_130111a.pdf

⁴ All FSB Recommendations and the associated High Level Principles apply to the permanent GLEIS system.

http://www.financialstabilityboard.org/publications/r_121211.pdf) which further clarifies the concept of self-registration and mutual acceptance of pre-LEIs.

3 Principle Mapping

This section shows the mapping of the three sources 1) ROC principles, 2) FSB Recommendations and 3) FSB High Level Principles to a single set. The intention is to avoid duplication and multiple references. Table 1 also shows a mapping of the three sources to the principles and checklist set out for the interim system.

Table 1

	Principles proposed by ROC	Six Principles	FSB Recommendations	FSB Global LEI High Level Principles	Checklist elements
1	Self-registration	2	18	14	2,3,4
2	Uniqueness and Exclusivity	3	14,18	14	5,6,7,8,9
3	Relevant LOU*	1	18	14	-
4	Portability	3,4	5, 19	n/a	10,11,12,13,14
5	Authority sponsorship	5,6	14,17	n/a	-
6	Relevant LOU Survivor	3	14,18	14	15
7	Competition*	3	6	5	-
8	Compatible Reference Data	3	9,10,12,18	14	1
9	Historical Data	3	9,13	n/a	16,17
10	Data Quality	3	2,13,14	n/a	18,19
11	Open Access to IP	1	5,31	15	20,21
12	Global Benefit*	1	2,4	3	-
13	Flexibility	1	5	4	22,23,24,25
14	Federation	1	7	6	-
15	Standards	1	7,11,14,15,29,30	6,11	1,23,24,25

* not applicable

4 Pre-LOU Principles

This section describes the complete set of principles that should be followed by a pre-LOU at the time of its request for endorsement as a globally compatible pre-LOU, and on an ongoing basis.

4.1 Compliance with ISO 17442:2012 and related FSB requirements

Statement: ISO 17442 compliant pre-LEI codes should be assigned by pre-LOUs using a prefix structure allowing different pre-LOUs to assign codes⁵ and the reference data specified in the ISO standard should be collected.

Rationale: The system of prefixes eliminates any risk that two pre-LOUs might assign the same code to different entities.

Implications: In the event of a system disruption, pre-LOUs would be able to continue the steps of pre-LEI assignment up to the point of global checking for exclusivity violations.

As outlined in the G20 endorsed FSB report ‘A Global Legal Entity Identifier for Financial Markets’⁶, Recommendation 9, the technical code for the LEI should be a 20 digit alphanumeric code as set out in the LEI standard (ISO 17442:2012) published by the International Organisation for Standardisation in May 2012.

The following set of reference data attributes are regarded as the minimum set of information that should be available at the launch of the LEI as specified in ISO 17442:2012:

⁵ As recognized in the FSB third progress note on the implementation of the Global LEI Initiative http://www.financialstabilityboard.org/publications/r_121024.pdf of 24 October 2012 prefixes are required for pre-LEIs issued after 30 November 2012.

⁶ See http://www.lei.org/publications/gls/roc_20120608.pdf

1. The official name of the legal entity;
2. The address of the headquarters of the legal entity;
3. The address of legal formation;
4. The date of the first LEI assignment;
5. The date of last update of the LEI;
6. The date of expiry, if applicable;
7. For entities with a date of expiry, the reason for the expiry should be recorded, and if applicable, the LEI of the entity that acquired the expired entity;
8. The official business registry where the foundation of the legal entity is mandated to be recorded on formation of the entity, where applicable;
9. The reference in the official business registry to the registered entity, where applicable.

Minimum Requirement:

1. Pre-LOUs must comply with ISO 17442:2012 when issuing pre-LEIs and must assign pre-LEI codes in compliance with ROC requirements as outlined in the FSB third progress note on the implementation of the Global LEI Initiative.

4.2 Self-registration

Statement: The entity interested in obtaining a pre-LEI (or its authorized agent) must be the only one performing the application process. ISO 17442 data fields associated with a pre-LEI code shall not be altered, except through the actions (including corporate actions and related events) of the registrant or its authorized agent.

Rationale: To ensure a high-quality data environment, the entity interested in obtaining a pre-LEI should be the one that performs the due diligence to obtain it. No unauthorized third-party registration should be allowed. Self-registration will be a cornerstone of GLEIS data quality. As noted in the FSB third progress note published on 24 October 2012: 'Given the importance to the system of ensuring high data quality, recommendation 18 of the FSB LEI report highlighted that the LEI system should promote the provision of accurate LEI reference data at the local level from LEI registrants, and that self-registration should be encouraged as a best practice

for the global LEI system.’ To provide force to this recommendation, the FSB agreed that pre-LEI services should be based on self-registration⁷ after 30 November 2012.

For global compatibility, reference data for pre-LEIs should be confirmed or certified by the entity at a recognized pre-LOU. The FSB third progress note on the implementation of the Global LEI Initiative clarifies the concept of self-registration. The permission of the LEI registrant to perform an LEI registration on its behalf by a third party is considered to satisfy the requirements of self-registration granted the registrant has provided explicit permission for such a registration to be performed.⁸

Implications: Self-registration should be the first measure to avoid exclusivity violations. Allowing third-party registration could increase the likelihood of exclusivity errors where there could be more than one pre-LEI issued to a given entity—for example, with a pre-LEI being issued to a third-party registrant while the legal entity itself may be unaware of such third-party registration. Where possible, facilitated registration of entities in a complex hierarchy or other grouping should be enabled, although this is not a required minimum standard.

While self-registration is expected to improve the accuracy of reference data because the entity itself should be the one that has the best knowledge of the relevant data, and third-party registration could contribute to incomplete or inaccurate reference data, monitoring for accuracy to ensure that data continues to be of high quality remains important.

Minimum requirements to meet the interim standards:

2. Only an entity eligible to receive a pre-LEI or its authorized representative may obtain a pre-LEI code.
3. Only an entity or its authorized representative may request the transfer of its pre-LEI code from one pre-LOU to another.

⁷ The permission/agreement of the LEI registrant to perform an LEI registration on its behalf by a third party is considered to satisfy the requirements of self-registration granted the registrant has provided explicit permission for such a registration to be performed.

⁸ http://www.financialstabilityboard.org/publications/r_121024.pdf

4. Pre-LOUs must provide a transparent means for entities to provide the necessary information to register for a pre-LEI or to update their information.

4.3 Uniqueness and Exclusivity

Statement: No pre-LEI code should be duplicated (uniqueness), and no entity should have more than one pre-LEI (exclusivity). Each unique pre-LEI code may only be issued at most once globally and codes will not be recycled by any pre-LOU.

Rationale: The main objective of global identification is to have a single code that identifies a single legal entity on a global basis, not just within a given pre-LOU. To guarantee global uniqueness, each pre-LOU must restrict itself to the assignment of pre-LEIs that utilize the proper prefixes assigned to that pre-LOU and check within its list of previously assigned pre-LEIs to ensure that the number has not already been assigned. Before issuing a pre-LEI, a pre-LOU must verify uniqueness. This means it must ensure that the code has not previously been issued by another pre-LOU. Likewise it must verify exclusivity, meaning that the entity has not already been assigned a pre-LEI either from the pre-LOU or elsewhere in the Interim GLEIS.⁹

Implications

It should be possible to ensure uniqueness to a high level of certainty. However, because the determination of exclusivity is based on complex information, a small number of such violations may occur from time to time despite all controls and verifications. Exclusivity violations require cooperation between pre-LOUs.

To support global uniqueness, the pre-LEI code assigned will include a 4-digit prefix assigned by the ROC Secretariat, 2 reserve spaces as endorsed by FSB and subsequently the ROC, 12 digits specific to the registered entity, and 2 check digits as specified in ISO 17442.

To facilitate the verification of uniqueness and exclusivity, there should be a facility for challenging the accuracy of published data. Violations of uniqueness or exclusivity should be

⁹ A pre-LOU may compare requests from potential registrants prior to issuance against databases of individual pre-LOUs or against consolidated databases provided by third-party providers such as p-lei.

open to challenge by any third party world-wide. All pre-LEI challenges should be independently validated by the pre-LOU in accordance with the ROC quality standards.

An exclusivity violation must follow survival rules that will be developed by the ROC. The Pre-LOU should record the reason for any discontinued pre-LEI (in accordance with Item 6 of ISO 17442) and to point to the surviving pre-LEI and associated reference data, where there is a surviving entity.

Minimum requirements to meet the interim standards:

5. Each unique pre-LEI code may only be issued at most once globally and codes will not be recycled by any pre-LOU.
6. Each legal entity shall only receive one pre-LEI code and robust controls must be implemented to avoid exclusivity violations.
7. All pre-LEI registrations, challenges and updates must be independently validated by the pre-LOU in accordance with any quality standards approved by the ROC.
8. Pre-LOUs must cooperate with other pre-LOUs to avoid exclusivity violations.
9. Pre-LOUs must record the reason for any discontinued pre-LEIs (in accordance with Item 6 of ISO 17442) and point to the surviving pre-LEI and associated reference data, where there is a surviving entity.

4.4 Portability

Statement: The maintenance of reference data for any pre-LEI can be transferred without any constraint from one pre-LOU to another pre-LOU at the request of the registered entity or its authorized representative.

To enable the transfer from an endorsed pre-LOU, the receiving pre-LOU must have been endorsed as well. This condition does not apply if the original pre-LOU is not endorsed.

Rationale: To provide an unambiguous identifier, uphold the principle of uniqueness, and to provide an accurate audit trail of the history of an entity, the original pre-LEI assigned to a legal entity by an original pre-LOU should be kept if the entity decides to transfer the maintenance of its pre-LEI reference data to another pre-LOU. For instance, if a corporation acquires pre-LEIs

for all its affiliated legal entities from a given pre-LOU and then a particular legal entity of this group decides to move its pre-LEI to another pre-LOU, the receiving pre-LOU should maintain the original code assigned to the legal entity. Responsibility for the accuracy of reference data should rest with the pre-LEI registrant.

Implications: Portability should create the basis for tracking a given legal entity, regardless of its legal or physical location, the location of the LOU maintaining its reference data, or any changes in those locations, as long as the entity is recognized as the same legal entity.

Only an entity or its authorized representative may request the transfer, following the same rules as the Self-Registration Principle (section 4.2). The transfer of the maintenance of a pre-LEI will not lead to any change in the pre-LEI code or in its prefix. The reference data, including historical data, must also be ported, maintained and readily accessible.

Minimum requirements to meet the interim standards:

10. An entity is free to port the maintenance of its data from one pre-LOU to another, and may do so without any constraint by the original pre-LOU.
11. No funding charge may be levied by the pre-LOU originally maintaining the code for any port to another pre-LOU.
12. Only an entity or its authorized representative may request the transfer of a pre-LEI code from one pre-LOU to another.
13. Transfer of the maintenance of a pre-LEI between pre-LOU's will not lead to any change in the pre-LEI code, its prefix, or in the reference data, which must also be ported and maintained.
14. Both the pre-LOU porting the pre-LEI and the pre-LOU receiving the ported pre-LEI must complete the exercise without undue delay. The pre-LOU porting the pre-LEI should clearly mark it as transferred, pointing to the new pre-LOU, and remove it from the publicly available records of pre-LEIs maintained by the original pre-LOU after a reasonable period of time to ensure that the pre-LEI was transferred and to ensure that there is only one actively maintained pre-LEI for an entity in the interim system.

4.5 Relevant pre-LEI Survivor

Statement: If any exclusivity violation in respect of the principle that there should only be one pre-LEI for an entity is discovered, only one pre-LEI should survive as the active pre-LEI, based on further guidance provided by ROC. The other pre-LEI(s) will be inactivated and marked as duplicate(s). The reference data of the surviving pre-LEI must contain the inactivated pre-LEI(s) as reference data. The inactivated pre-LEIs should conform to ISO 17442 Item 6 to indicate the reason for expiry and the pre-LEI of the survivor.

Rationale: Exclusivity violations should be avoided in the system. When such violations are identified, prompt action should be taken to eliminate them.

Implications. Before issuing a pre-LEI, a pre-LOU should verify whether the requesting legal entity has already been issued a pre-LEI, and take appropriate measures to ensure conformance with the principle of exclusivity and to avoid duplication of a pre-LEI. Where a pre-LEI already exists and is assigned to a particular legal entity, a pre-LOU should refrain from issuing a new pre-LEI and inform the entity that the existing pre-LEI record can be ported to the pre-LOU at the entity's request.

A separate category of survival rules in relation to corporate actions will be defined by national laws and its application will require additional work.

Minimum requirements to meet the interim standards:

15. Where an exclusivity violation has been detected, only one pre-LEI among the one(s) assigned to an entity may survive.

4.6 Compatible Reference Data

Statement: The data set of a pre-LOU should contain all attributes established in the data standards of the system. These standards must include ISO 17442 reference data and any interim standard for a common structure for public pre-LEI files.

Rationale: The GLEIS will operate as a global federated system. Reference data could be stored locally, but should be made available across the GLEIS by each pre-LOU to a set of common and compatible standards. Compatibility will allow the consolidation of information across multiple pre-LOUs within the interim global system. The interim GLEIS should avoid creating discontinuities that may complicate the transition to the longer-run GLEIS.

Implications: Basic data models should have the same minimum attributes and these attributes should have the same essential meaning. Although those attributes may be expressed differently at different pre-LOUs, they must be capable of being mapped seamlessly to a common form. The minimum set should be the attributes of ISO 17442 as set out above.

For entities with a date of expiry, the reason for the expiry should be recorded, and, if applicable, the pre-LEI of the entity or entities that acquired the expired entity should be stored in the reference data.

In addition to ISO 17442, additional compulsory reference data could be established by the ROC for the Interim GLEIS at both global and local level.

4.7 Historical Data

Statement: Every pre-LOU should maintain historical data of any transaction occurring in their own system. These data should include corporate events affecting the entities such as mergers. In addition, the pre-LOU should be able to maintain an audit trail of all changes to the reference data, including technical record creation, updating and retirement.

Rationale: Historical data are necessary to trace patterns in the evolution of an entity and to serve as the basis for system audits. Log information is necessary to verify the authenticity of updates and to track the sources of any data problem. Once issued, all pre-LEI codes will

remain in the local database along with the associated historical data, unless the maintenance of a pre-LEI has been ported to another pre-LOU at which time the historical data must be deleted from the database of publicly available records maintained by the original pre-LOU from which the data has been ported, observing the portability principle.

Implications: The pre-LOU should be able to maintain an audit trail of records that store the life of the status of an entity. The timing of events such as creation, mergers, splits, bankruptcies as well as the source of other data updates should be recorded.

The pre-LEI system should maintain an auditable trail of records that retain relevant information on the source of the information recorded in the database to facilitate the surveillance and control of the system by auditors. The audit trail shall be maintained for all actions affecting the content or status of a pre-LEI record.

Minimum requirements to meet the interim standards:

16. All pre-LEI codes meeting the global standards will remain in the Interim System along with the associated historical data, subject to the application of pre-LEI survivor rules.
17. A complete audit trail of ISO 17442 data attributes shall be maintained for all actions affecting the content or status of a pre-LEI record and continue to be published as per ROC requirements. Responsibility for publication will pass to the receiving pre-LOU if the maintenance of a pre-LEI has been ported to another pre-LOU.

4.8 Data Quality

Statement: Every pre-LOU has the responsibility to exercise due diligence in guarding against errors and promoting a high quality data environment. Data quality is the paramount principle which will shape all other operational decisions.

Rationale: Authorities and financial institutions will only be able to use the GLEIS data effectively to perform risk analysis and other functions if the data are complete, consistent, near error free, credible, timely and accessible.

Implications: Data accuracy should be ensured primarily at the local level by the registered entities themselves. Prior to publishing a registered pre-LEI for the first time, the pre-LOU has the responsibility to check registrations for global uniqueness and exclusivity and to coordinate reconciliation where necessary. Pre-LOUs should have sound and robust data validation processes and check each entry against reliable sources prior to publishing it. Pre-LOUs should maintain a facility to allow the public to challenge the accuracy of the pre-LEI data.

Metrics of data quality applicable throughout the system should be established. These metrics should include both objective and subjective measures. Objective measures are metrics such as completeness, number of errors, and number of duplicates. Subjective measures could include surveys of both internal and external users of the GLEIS.

Low-quality data might have significant reputational effects on the system, leading to a low implementation rate.

Minimum requirements to meet the interim standards:

18. Pre-LEI reference data should be validated against public official sources and private legal documents before the pre-LEI data is first published and thereafter on a regular basis.
19. Pre-LOUs must validate pre-LEI reference data as a result of corporate actions, challenges or modifications made by the entity in a timely manner after such modifications are received by the pre-LOU.

4.9 Open Access to Intellectual Property (IP)

Statement: IP related to the interim GLEIS should be freely available in the public domain, without limits on the use or redistribution of reference data.

Rationale: The LEI is a public good. Critical software and other relevant elements must be defined and made publicly available without any licensing, intellectual property or similar restrictions under open source principles. All pre-LEI and ISO 17442 data and associated

metadata designated by the ROC should be available at no costs to the users and with unrestricted use and redistribution rights. A pre-LOU must abide by the public disclosure requirements of the ROC.

Implications: Critical software and other relevant elements must be defined and made publicly available without any licensing, intellectual property or similar restrictions under open source principles. This means that a pre-LOU should not charge users for the access, use, reuse or distribution of pre-LEI data, including reference data.

Some reference data might not be publicly available in some countries due to legal restrictions.

Minimum requirements to meet the interim standards:

20. Public disclosure requirements of all pre-LEI reference data and procedures should be followed.
21. Pre-LEIs and their related ISO 17442 data and associated metadata must be made available for free and unrestricted use and redistribution to the public.

4.10 Flexibility

Statement: Flexibility must be built into the interim GLEIS to provide the capability to expand, evolve, and adapt to accommodate innovations in financial markets.

Rationale: The interim GLEIS must allow the seamless introduction of new participants and accommodate new uses. To these ends, critical software and other relevant elements necessary to access the data must be clearly defined and made publicly available as necessary without any licensing, intellectual property or similar restrictions under open source principles.

The standards and operating principles may further evolve under the direction of the ROC and/or COU as the global LEI infrastructure is implemented.

Implications: The design of the interim system should consider the possibility of users accessing the system in many different ways. These interactions should be clearly defined and must follow widely accepted international standards.

A system too strongly tied to particular technology or without many connecting options could limit innovation and new developments.

Minimum requirements to meet the interim standards:

22. Provide a transparent means for entities to provide the necessary information to register for a pre-LEI or to update their reference data.
23. Recognize that there may be additional ROC standards and operating principles that reveal themselves as necessary for global compatibility, which may be promulgated before the establishment of the COU, to which a pre-LOU is required to adhere to preserve global acceptance of pre-LEIs.
24. Recognize that standards and operating principles may further evolve under ROC or COU direction as the global LEI infrastructure is implemented, subject to reasonable implementation periods.
25. Acknowledge that satisfying these requirements only enables acceptance as a pre-LOU and that other, possibly more stringent requirements, may apply to LOUs.

4.11 Federation

Statement: The Global LEI System should support a high degree of federation and local implementation under agreed and implemented common standards. Moreover, the interim GLEIS should be established in a way capable of transitioning to the long-run GLEIS.

Rationale: The GLEIS cannot operate as a monolithic centralized system. Particular local needs such as language, local verification and legal restrictions should be managed by local service providers as necessary.

Implications: To each end user the system should appear as a single, consistent utility. Regardless of where an entity is registered, its reference data should be available everywhere. Retrieval of the data should be subject to access controls according to local legal limitations.

The operation of a local node should not be disrupted if other nodes of the network are disrupted.

4.12 Standards

Statement: The LEI system should apply standards in order to meet, to the degree possible, evolving requirements of both the regulatory community and industry participants in terms of information content, scope, timeliness and availability. ISO 17442 is the first standard but other standards are likely to follow.

Rationale: A federated system can only operate with a well-defined set of standards that are strictly followed by all participants. The standards must include processes, data, interface communications and applications.

Implications: The ROC is responsible for determining any standards for the pre-LEI to be utilised in the interim global LEI system. When proposing new standards, the ROC should strongly consider utilising existing standard setting organizations, provided that such organizations incorporate the requirements for the standards as determined and communicated by the ROC.

5 Conclusions

These principles and requirements are the first step to harmonize the operation of the system. Further work is needed to define the necessary detailed standards for processes, communication protocols, data models, and system functionality for the Interim GLEIS.

Annex A: Process for endorsement of pre-LOUs and acceptance of pre-LEIs into the Interim Global LEI System

Overview of the process

- Step 1: The ROC member sponsoring the candidate pre-LOU for endorsement would provide any necessary documents to the ROC, affirming to the ROC in writing that the pre-LOU meets the minimum conditions established by the ROC for endorsement of pre-LOUs into the Interim Global LEI System.
- Step 2: ROC members would review the proposal and raise any questions or issues.
- Step 3: Subject to questions and issues being raised, the sponsor would provide responses to the questions for further ROC review.
- Step 4a: Subject to a satisfactory ROC review and confirmation that the pre-LOU meets the principles and standards, the pre-LOU would be endorsed by the ROC and pre-LEIs accepted as meeting the interim standards. The endorsement would be published on the ROC website, after approval by the Chairs.
- Step 4b: If the further ROC review identifies unresolved issues, the Executive Committee would be tasked to reconcile the outstanding points.
- Step 4b (i): If the Executive Committee resolves the issues satisfactorily, following a fatal flaws review by the ROC, the process outlined in step 4a would be followed to provide endorsement.
- Step 4b (ii): If the Executive Committee cannot resolve the outstanding points, then either the application could be revised and resubmitted (starting at Step 1) or withdrawn.

Annex B: Principles Framework

A principle defines the general policies that ought to be followed within a system. Since the ROC will not have operational activities it will need to define the set of principles and standards to guide the intended operation of the system. The Open Group Architecture Framework (TOGAF)¹⁰ proposes the following:

Enterprise principles provide a basis for decision-making throughout an enterprise, and inform how the organization sets about fulfilling its mission. Such principles are commonly found as a means of harmonizing decision-making across an organization. In particular, they are a key element in a successful architecture governance strategy.

The standardized TOGAF template has four fields:

- Name - Should represent the essence of the principle and be easy to remember.
- Statement - Should succinctly and unambiguously communicate the fundamental principle.
- Rationale - Should highlight the business benefits of adhering to the principle, using business terminology.
- Implications - Should highlight the requirements, both for the business and IT. Some of the implications will be identified as potential impacts only and may be speculative rather than fully analysed.

¹⁰ TOGAF is a framework defined and developed by the international consortium Open Group that is used to define the desired state of a system. The full documentation can be found in the Open Group web site [HTTP://www.opengroup.org/TOGAF](http://www.opengroup.org/TOGAF).

Annex C: Global LEI System High Level Principles

1. The Global LEI system should uniquely identify participants to financial transactions.
2. The LEI system should meet the requirements of the global regulatory community for accurate, consistent and unique entity identification.
3. The LEI system should be designed in a manner that provides benefits to financial market participants.
4. Flexibility must be built into the global LEI system to provide the capability for the system to expand, evolve, and adapt to accommodate innovations in financial markets.
5. The LEI system should not be “locked-in” with a particular service provider for any key system functions or processes. The principles of competition should be ensured on both global and local levels where appropriate.
6. The global LEI system should support a high degree of federation and local implementation under agreed and implemented common standards.
7. The LEI system should meet evolving requirements of both the regulatory community and industry participants in terms of information content, scope of coverage, timeliness and availability.
8. The LEI Regulatory Oversight Committee should have the responsibility of upholding the governance principles and oversight of the global LEI system functioning to serve the public interest. The Committee has the ultimate power and authority over the global LEI system.
9. The mission, role and responsibilities of the ROC shall be specified by the global LEI Regulatory Oversight Committee Charter, which shall establish the Committee.

10. Participation in the global LEI Regulatory Oversight Committee shall be open to all authorities subscribing to the High Level Principles and to the objectives and commitments in the Charter.
11. The LEI Central Operating Unit should have the mission and role to ensure the application of uniform global operational standards and protocols set by the ROC and act as the operational arm of the global LEI system. It shall be established as a foundation or legal equivalent.
12. The LEI Central Operating Unit should have a balanced representation of industry participants from different geographic areas and sectors of economy. Its Board of Directors should be selected from industry representatives, plus independent participants.
13. The LEI system should allow the local provision by Local Operating Units of all LEI functions which the ROC determines are not required to be centralized.
14. The LEI system should promote the provision of accurate LEI reference data at the local level from LEI registrants and ensure global uniqueness of the registrants.
15. Any global universal intellectual property rights should belong to the global LEI system.

Annex D: FSB LEI Recommendations

Recommendation 1

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

Recommendation 2

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

Recommendation 3

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

Recommendation 4

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

Recommendation 5

SYSTEM FLEXIBILITY Flexibility must be built into the global LEI system to provide the capability for the system to expand, evolve and adapt to accommodate innovations in financial markets. It must also allow the seamless introduction of new participants. To these ends, critical software and other relevant elements must be defined and made publicly available

without any licensing, intellectual property or similar restrictions under open source principles. The LEI should be portable¹¹ within the global LEI system.

Recommendation 6

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

Recommendation 7

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

Recommendation 8

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

Recommendation 9

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

Recommendation 10

¹¹ 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.

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

Recommendation 11

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

Recommendation 12

LEI REFERENCE DATA ON OWNERSHIP The FSB LEI Implementation Group should as soon as possible develop proposals for additional reference data on the direct and ultimate parent(s) of legal entities and relationship or ownership data more generally and to prepare recommendations by the end of 2012. The group should work closely with private sector experts in developing the proposals.

Recommendation 13

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

Recommendation 14

CENTRAL OPERATING UNIT The mission and role of the Central Operating Unit should be to ensure the application of uniform global operational standards and protocols that deliver global uniqueness of the LEI, seamless access to the global LEI and to high quality reference data for

users with depth of access controlled by appropriate access rights, as well as protocols and methods for how local systems can connect to the Central Operating Unit.

Recommendation 15

FORMATION OF THE CENTRAL OPERATING UNIT The LEI Implementation Group should develop a detailed plan for the formation of the Central Operating Unit via the establishment of a not-for-profit LEI foundation¹² by interested industry participants under the oversight of the formed LEI Regulatory Oversight Committee. The foundation would rely on industry participants, their expertise and knowledge to identify and develop the most technologically, financially and legally sound methods to implement the global LEI system in line with the standards and framework defined by the Regulatory Oversight Committee. Representatives from all geographic areas and industry sectors would be invited to participate in the preparatory work underpinning the formation of the LEI foundation as the Central Operating Unit in a manner defined by the Implementation Group.

Recommendation 16

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

Recommendation 17

LOCAL OPERATING UNITS The LEI system should allow the local provision of all LEI functions which the Regulatory Oversight Committee determines do not need to be centralised. The LEI system should enable the use of local languages, organisation types and relationship structures as required. Procedures to integrate local systems into the global LEI system should be developed by the LEI Implementation Group in consultation with local jurisdictions and potential Local Operating Units (when available) in a way and manner that meets the global LEI system High Level Principles. The Central Operating Unit of the LEI system should be able to provide support to Local Operating Unit operations when necessary according to criteria and requirements established by the Regulatory Oversight Committee and administered by the Central Operating Unit.

¹² Or body of equivalent legal form.

Recommendation 18

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

Recommendation 19

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

Recommendation 20

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

Recommendation 21

GLOBAL REGULATORY OVERSIGHT COMMITTEE CHARTER The governance framework of the global LEI system should be developed at the international level in an open and

transparent manner that supports collective governance of the global system. A global LEI Regulatory Oversight Committee Charter should set out the formation and operations of the Regulatory Oversight Committee. The global LEI Regulatory Oversight Committee Charter should be prepared by the FSB LEI Implementation Group for endorsement by the G-20 at the Finance Ministers and Central Bank Governors meeting in November 2012 or by the FSB Plenary in October.

Recommendation 22

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

Recommendation 23

POWER AND AUTHORITY OF THE REGULATORY OVERSIGHT COMMITTEE The Regulatory Oversight Committee has the ultimate power and authority over the global LEI system. Any power delegated to the Central Operating Unit, Local Operating Units and other entities can be reversed by the Regulatory Oversight Committee¹³. The Regulatory Oversight Committee should establish a formal oversight plan to ensure that its directives to the Central Operating Unit or other parts of the system are enforced and that the governance principles are upheld.

Recommendation 24

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

¹³ 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.

Recommendation 25

LEVERAGING INFRASTRUCTURE OF AN INTERNATIONAL FINANCIAL ORGANISATION

In developing proposals to establish the Regulatory Oversight Committee following agreement on the Charter, the Implementation Group should if possible and, subject to agreement, leverage on the existing infrastructure of an international financial organisation to initiate and stand-up the global LEI governance structure in a timely manner, utilising the experience of the international organisation in executing international initiatives.

Recommendation 26

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

Recommendation 27

BOARD OF DIRECTORS OF THE CENTRAL OPERATING UNIT The Central Operating Unit shall have a Board of Directors. The Regulatory Oversight Committee has the right to veto membership of the BOD, as well as to remove members. The ROC has the right to appoint independent members¹⁴.

Recommendation 28

FORMATION OF THE INITIAL BOARD OF DIRECTORS OF THE CENTRAL OPERATING UNIT

The Central Operating Unit's initial Board of Directors should be appointed by the Regulatory Oversight Committee, taking into account the need for geographic and sectoral diversity. The Implementation Group should develop the fitness criteria, size, role etc for the BOD that should be reviewed in two years by the Regulatory Oversight Committee.

Recommendation 29

POWERS AND FUNCTIONS OF THE BOD OF THE CENTRAL OPERATING UNIT The Board of Directors of the Central Operating Unit should be granted powers to direct the

¹⁴ In this context independent members mean non-industry representatives.

management and operations of the Central Operating Unit in line with the overall standards set by the Regulatory Oversight Committee.

Recommendation 30

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

Recommendation 31

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

Recommendation 32

FSB LEI IMPLEMENTATION GROUP Subject to the G-20 supporting further work to launch the global LEI, and entrusting implementation planning to the FSB, an FSB LEI Implementation Group (IG) should be established with a clear mandate to launch the global LEI system on a self- standing basis. The LEI Implementation Group should cease to exist upon formation of the Regulatory Oversight Committee which should be by 31 March 2013 at the latest.

Recommendation 33

STRUCTURE OF THE FSB LEI IMPLEMENTATION GROUP A time-limited FSB LEI Implementation Group of interested and willing experts (legal, IT, and other) from the global regulatory community that includes interested parties from the FSB LEI Expert Group should be formed to take the global LEI initiative forward into the global implementation phase until

the Regulatory Oversight Committee is established. The IG should be led by representatives from different geographic areas to reflect the global nature of the LEI initiative and will be supported by the FSB Secretariat. The IG should develop proposals for the global LEI system stand-up as defined in the mandate below for review and endorsement by the FSB Plenary in October 2012 and, as appropriate, final review and endorsement by G-20 Finance Ministers and Central Bank Governors in November 2012.

Recommendation 34

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

Recommendation 35

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