

27 October 2015

Mark Carney
Chairman
Financial Stability Board
c/o Bank for International Settlements
Centralbahnplatz 2
4002 Basel
Switzerland

LEI ROC progress report on *the Global LEI System and regulatory uses of the LEI*

Dear Mr Carney,

The Legal Entity Identifier Regulatory Oversight Committee (LEI ROC) was established in January 2013 by public authorities from more than 40 countries, following recommendations by the FSB in its 2012 report “A Global Legal Entity Identifier for Financial Markets”. With this letter and attached report, the ROC would like to inform the FSB of how the Global LEI System is now in place as intended by the FSB and G20, describe the results of a ROC survey on LEI uses by the regulatory community, and explore how these uses could be further encouraged.

Since its establishment in 2013, the ROC has assumed certain tasks of operational oversight and coordination of the Global LEI System, while there was no central operating unit able to assume its functions, including endorsing local operating units (LOUs) as issuers of globally compatible codes after meeting the conditions set out by the ROC. As of 3 October 2015, the ROC had endorsed 27 LOUs that have issued over 390’000 LEIs to entities in 195 jurisdictions. This demonstrates that the LEI system is now available almost anywhere in the world.

An important step in the finalisation of the governance of the Global LEI System (GLEIS) was taken on 7 October, with the confirmation by the ROC that the GLEIF was ready to fully assume the tasks of the central operating unit of the system. This followed the finalisation of a Master Agreement, to be signed between the GLEIF and the LOUs, which defines how the GLEIF will proceed with their accreditation and monitor their compliance with quality requirements and service levels. The ROC, which reviewed the Master Agreement at several stages of its development, has determined that the documentation was adequate to support the implementation of the High Level Principles, FSB recommendations and ROC Charter that define the GLEIS. In addition, the GLEIF has now sufficient staff to define and maintain the GLEIS operational and technical standards, such as data formats, which the ROC had been defining on an interim basis. Once the GLEIF will have finished accrediting existing LOUs and implemented the Master Agreement with each of them, which should be completed within six months of a LOUs’ signing of the Master Agreement, the Foundation will be fully responsible for monitoring their compliance and thereby relieve the ROC of its last operational task.

From the second quarter of 2016, the ROC will be able to focus on its steady-state tasks, which are overseeing the GLEIF, setting policy standards for the system so that the content and quality of the LEI database meet the needs of users (including the so-called “second phase” of the LEI project on the collection of relationship data, as recommended by the FSB), and promoting the use of the LEI, in cooperation with the GLEIF and regulatory bodies.

In this regard, the ROC has initiated a number of actions this year to support further uses of the LEI, including a public consultation on the collection in the Global LEI System of information on the parents of legal entities from 2016, which will support enhanced data aggregation capabilities, and expanding or clarifying the eligibility of certain entities for an LEI, to better cover the population of legal entities subject to financial regulation.

The ROC has also surveyed its members and observers about the use they were making of the LEI. The attached report shows that at least 48 final rules or public drafts, covering 40 jurisdictions, already use the LEI, including for the reporting of OTC derivatives and other transactions, the reporting by supervised financial institutions of their parent entities, their subsidiaries, or their investments or exposures to third parties, or to support enhanced disclosure of assets held in securitised products.

However, as noted by the FSB in its previous progress report to the G20, further progress towards universal coverage is needed to fully reap the collective benefits of the LEI. The attached report encourages jurisdictions and standard setters to develop explicit strategies for LEI adoption that will meet their needs, taking into account the differences in domestic regulatory regimes and circumstances among jurisdictions. The examples in the report show that multiple approaches are possible, but that there are also merits in the various authorities considering the actions of others when assessing the costs and benefits of the LEI. Different policy objectives, or actions by different jurisdictions, can actually cover in part the same population of legal entities. Consequently, assessing a proposed measure in isolation could lead to an overestimate of the cost of the LEI coverage needed to implement a given use of the LEI.

For instance, large financial institutions such as G-SIBs have the potential of being at the intersection of a number of regulatory objectives and could justify a discussion between the relevant jurisdictions and standards setters on how to encourage them to acquire LEIs for entities within their group. This would also support a more meaningful and reliable collection of data on the direct and ultimate parent of entities within the Global LEI System for these groups.

The LEI ROC intends to publish the attached report on 5 November and is looking forward to the feedback of the FSB concerning the actions envisaged in the report.

Yours sincerely,

Matthew Reed
Chairman of the LEI Regulatory Oversight Committee

CC: ROC Vice Chairs Bertrand Couillault and Jun Mizuguchi.
FSB Secretariat

Attachment: LEI ROC Progress report on *the Global LEI System and regulatory uses of the LEI*