

8 March 2013

## **LEI Regulatory Oversight Committee (ROC): 1<sup>st</sup> progress note on the Global LEI Initiative**

*This is the first of a series of notes from the LEI ROC on the implementation of the Global Legal Entity Identifier (LEI) Initiative. It follows five progress notes published by the Financial Stability Board, available on the FSB website (see [here](#)). Please also see the G20 endorsed FSB LEI report [here](#), the LEI ROC Charter [here](#), and allocation of pre-LOU prefixes for pre-LEI issuance [here](#).*

The Regulatory Oversight Committee (ROC) of the Global Legal Entity Identifier (LEI) System was established in January 2013 by Charter. The ROC has the responsibility to uphold the governance principles of, and to oversee, the Global LEI System, in the broad public interest, in accordance with the Global LEI System High Level Principles and FSB recommendations, as endorsed by the Heads of State and Government of the Group of Twenty. The ROC has taken over responsibility for the leadership and direction of the Global LEI initiative from the FSB. The first meeting of the Committee was held in Toronto on 24/25 January (see [here](#)). The ROC will publish regular progress reports on the work of the Committee.

**Establishment and Launch of the ROC:** The ROC took a number of decisions to establish the Committee as a working body (including decisions on working procedures and communications policies). Matthew Reed (US Treasury Department) was selected as the first Chair, and Jun Mizuguchi (Financial Services Agency, Japan) and Bertrand Couillault (Banque de France) as Vice-Chairs. The initial Executive Committee was appointed (see [here](#)). The ROC asked the FSB Secretariat to provide secretariat support to stand up the Committee. Members agreed that the PSPG Knowledge Central Forum would continue for communications with, and take input from, the Private Sector Preparatory Group.

**Establishment of the Global LEI Foundation:** As a key next step to launch the Global LEI System, the ROC agreed that the global LEI foundation operating the Central Operating Unit (COU) should be formed as a foundation in Switzerland. Once the necessary constitutional documents have been filed, the process for appointing the initial Board of Directors will be initiated. The ROC confirmed the broad selection criteria for the initial Board as set out in the Annex to the 4<sup>th</sup> progress note published by the FSB (see [here](#)), and tasked a working group: to develop the process, timeline and sequencing to solicit nominations; and to finalise the selection criteria.

The Working Group is tasked to address a number of outstanding questions and issues in relation to the Board selection. These include: likely time commitments; term of appointment; reimbursement; process and timelines for soliciting and reviewing nominations; as well as building on and developing the selection criteria for the Board outlined in the 4<sup>th</sup> FSB progress note on the LEI initiative. With respect to the latter, the progress note emphasised the importance of selecting a Board with a range of technical skills, sectoral experience and geographical balance. The note set out initial criteria in each area, drawing heavily on advice and input from the PSPG.

**Integration of pre-LOUs (Local Operating Units) and LOUs into the Global LEI System:** Members discussed plans for LEI implementation in Europe, North America and elsewhere, and the importance of co-ordination. An important objective was to set out clear criteria for issuance of the pre-LEI identifiers that could be considered as providing an interim solution for the establishment of the Global LEI System consistent with FSB LEI principles. Building on the six principles for pre-LOU identifiers set out in the [FSB 4<sup>th</sup> progress note](#)<sup>1</sup>, ROC members agreed a statement to provide additional clarity (see Annex 1).

The ROC formally established the Committee on Evaluation and Standards (CES) and invited nominations from ROC members and observers to lead and carry forward the work of the CES. It also established a plan for CES work. The ROC also agreed to continue the process for the release of four digit prefixes for pre-LOU solutions sponsored by ROC members in line with the agreed principles. New applications for prefixes would be processed and published by the [ROC Secretariat](#).

### **Private Sector Preparatory Group**

The ROC welcomed the development work undertaken by the FSB LEI Private Sector Preparatory Group of close to 300 private sector experts from across the globe. Extensive work has been undertaken on a wide range of issues, which will form a strong basis for further development and implementation of the global LEI system. A major volume of detailed and substantive work has been prepared by the PSPG in the operational area. The ROC is studying the PSPG recommendations on a number of operational issues in greater detail and looks forward to build on and deepen this work with the continued assistance of the PSPG experts. High quality analysis and recommendations have also been prepared by the PSPG on relationship data to complement the work of the FSB Implementation Group on this topic. The ROC endorsed the accounting consolidation approach as a first step for development of the LEI relationship data, while emphasising the importance of continuing to develop a long-term flexible and robust system, which remains the ultimate objective of the Committee. The CES will take this work forward on behalf of the ROC to operationalise the approaches, and will liaise closely with the PSPG on this important work. More broadly, the ROC looks forward to continue active co-ordination with the PSPG to further the development of the Global LEI System, including the operational framework, governance issues, relationship data, intellectual property, data privacy and confidentiality among other topics.

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<sup>1</sup> The six principles refer to: self-registration; portability; mutual recognition of pre-LEIs, openness of systems; checking for duplicates; and avoidance of intellectual property restrictions.

## Annex: Launch of an interim system for globally accepted pre-LEIs

The LEI Regulatory Oversight Committee (ROC) agreed at its meeting of 24-25 January to accept as globally compatible any pre-LEI which is issued by a pre-LOU (Local Operating Unit)<sup>1</sup> meeting the following conditions at the time of its request for being recognized as a global compatible LOU and on an on-going basis :

- 1) The pre-LOU complies with all the FSB recommendations<sup>2</sup> (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<sup>3</sup> ;
- 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 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.

ROC members intend to mutually accept for regulatory purposes pre-LEIs that fulfill the above conditions.

The detailed procedure for obtaining the global recognition, the relevant prefix and for settling remaining issues related to the transition towards the LEI will shortly be disclosed by the LEI ROC.

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<sup>1</sup> An entity would be considered as a pre-LOU when attributed a prefix by the secretariat of the ROC under the sponsorship of a ROC member. This includes the entities allocated prefixes by the FSB prior to the formation of the ROC.

<sup>2</sup> [http://www.financialstabilityboard.org/publications/r\\_120608.pdf](http://www.financialstabilityboard.org/publications/r_120608.pdf)

<sup>3</sup> 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](http://www.financialstabilityboard.org/publications/r_121024.pdf)