

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 System
20 that is to be used: (a) by authorities of any jurisdiction or financial sector to, assess systemic
21 risk and maintain financial stability, conduct market surveillance and enforcement, supervise
22 market participants, conduct resolution activities, prepare high quality financial data and to
23 undertake other official functions; and (b) by the private sector to support improved risk
24 management, increased operational efficiency, more accurate calculation of exposures, and
25 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 protect
119 the broad public interest as expressed in the High Level Principles or in this
120 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
135 of 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,
193 or 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 analysis
213 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
257 Central and South America, Africa, Oceania, and the Middle East. In addition, up to
258 three (3) 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 term,
264 subject to renewal. Initial appointments may include some shorter term appointments
265 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
270 take 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
282 the Executive Committee shall hear at least twice a year, and as deemed
283 necessary by the Executive Committee, a report from the Chair of the Board
284 of Directors 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. To assure sufficient continuity or to avoid turnover of the ROC chairs
337 during the same year as turnover of Global LEI Foundation Board Chair, the ROC can
338 extend the term of one Chair or Vice Chair for an additional year (for a total of 4 years).

339 b) The Chair convenes and chairs the meetings of the Plenary and of the Executive
340 Committee.

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

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

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

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

348 g) The Chair is to be supported by up to three Vice-Chair(s). The Chair and Vice-
349 Chair(s) are to be from different geographic regions. To ensure the appropriate
350 geographical representation, the Chair should rotate at least once during the term.

351

352 **13. Secretariat**

- 353 a) The Plenary is to appoint a Secretariat to support the ROC, taking account of a
354 recommendation from the Chair and the Executive Committee.
- 355 b) The Secretariat is directed by the Chair of the ROC, on behalf of the Plenary and
356 Executive Committee.
- 357 c) The duty of the Secretariat is to support the work of the ROC. The Secretariat does
358 not participate in any ROC decision making.
- 359 d) The Secretariat is to maintain and publish a list of Plenary Members.
- 360 e) The initial Secretariat is to be provided through the establishment of an agreement
361 with an existing public international financial institution, that could help the ROC to
362 mobilise and organise the necessary secretariat services during the first 3 years of
363 formation.
- 364 f) On an ongoing basis, the costs of the Secretariat are to be provided from registration
365 fees levied on registrants consistent with modalities to be established by the Plenary.
- 366 g) The Plenary is to review all aspects of Secretariat arrangements 3 years after the
367 formation of the ROC.

368

369 **14. Funding of the ROC**

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

372

373 **15. Establishment**

- 374 a) The ROC is to be formed following endorsement of this Charter by the Group of
375 Twenty and the FSB, and there being:
- 376
- 377 (1) at least eleven (11) authorities assenting to this Charter, including:
- 378
- 379 (2) at least three (3) from each of three regional groupings: North America
380 (including Mexico and the Caribbean); Europe (including the Commonwealth
381 of Independent States); and Asia (excluding the Middle East); and
382
- 383 (3) at least two (2) from a regional group comprising Central and South America,
384 Africa, Oceania, and the Middle East; and
385
- 386 (4) of those authorities assenting within each of the four regions, at least two (2)
387 deriving from different jurisdictions.
388
- 389 b) Prior to the formation of the ROC and appointment of the Chair of the ROC by the
390 Plenary, assent to the Charter is to be made by letter from eligible authorities to the
391 Chair of the FSB.
392

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

402 **16. Access to information**

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

407 **17. Confidentiality**

408 The ROC Members are to treat all non-public information and documents, provided to or
409 obtained by them under or in connection with LEI oversight activities and this Charter, as
410 confidential. The Members are to ensure that confidential information provided to them in
411 the context of the regulatory oversight arrangements is to be used only for the oversight of
412 the Global LEI System, and is not to be used by them for any other purpose, including in
413 their capacities as users of the LEI services, provided that the foregoing does not prejudice
414 their responsibilities under national laws or regulatory requirements.
415

416 **18. Amendment Clause**

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

421 **19. Review Clause**

422 The ROC may review the Charter as necessary, in an appropriate manner. The review may
423 cover all aspects of the governance arrangements for the Global LEI System. An initial
424 review is to take place by no later than October 2017. By this date, the Plenary is to examine
425 this Charter on the basis of a report from the Executive Committee and is to determine
426 whether the mission and organization of the ROC need to be reviewed. The charter shall be
427 reviewed in the same manner every 5 years thereafter.

428 **20. Legal Effect**

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

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

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

442
443 **21. Annexes**

444
445 The Annexes to this Charter, are considered part of the Charter:

446
447 Annex A: Global LEI System High Level Principles.

448 Annex B: Annex B: Recommendations for the development and implementation of the
449 Global LEI System.

450
451

452

Annex A: Global LEI System High Level Principles

453

454

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

456

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

459

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

462

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

466

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

470

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

473

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

477

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

482

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

485

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

489

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

494

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

499

- 500 13. The LEI system should allow the local provision by Local Operating Units of all LEI
501 functions which the ROC determines are not required to be centralised.
502
- 503 14. The LEI system should promote the provision of accurate LEI reference data at the
504 local level from LEI registrants and ensure global uniqueness of the registrants.
505
- 506 15. Any global universal intellectual property rights should belong to the global LEI
507 system.
508

509 **Annex B: Recommendations for the development and implementation of the Global**
510 **LEI System**

511 **Recommendation 1**

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

515 **Recommendation 2**

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

522 **Recommendation 3**

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

529 **Recommendation 4**

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

532 **Recommendation 5**

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

539 **Recommendation 6**

540 **COMPETITION AND ANTI-TRUST CONSIDERATIONS** The LEI system should be
541 designed to ensure that it is not “locked-in” with a particular service provider for any key
542 system functions or processes, and that the principles of competition are ensured on both
543 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.

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

546 **Recommendation 7**

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

550 **Recommendation 8**

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

554 **Recommendation 9**

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

562 **Recommendation 10**

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

569 **Recommendation 11**

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

579 **Recommendation 12**

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

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

585 **Recommendation 13**

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

590 **Recommendation 14**

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

596 **Recommendation 15**

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

607 **Recommendation 16**

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

612 **Recommendation 17**

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

² Or body of equivalent legal form.

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

623 **Recommendation 18**

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

633 **Recommendation 19**

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

642 **Recommendation 20**

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

650 **Recommendation 21**

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

659 **Recommendation 22**

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

667 **Recommendation 23**

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

675 **Recommendation 24**

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

682 **Recommendation 25**

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

689 **Recommendation 26**

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

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.

695 **Recommendation 27**

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

700 **Recommendation 28**

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

707 **Recommendation 29**

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

712 **Recommendation 30**

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

720 **Recommendation 31**

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

731 **Recommendation 32**

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

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

738 **Recommendation 33**

739 **STRUCTURE OF THE FSB LEI IMPLEMENTATION GROUP** A time-limited FSB
740 LEI Implementation Group of interested and willing experts (legal, IT, and other) from the
741 global regulatory community that includes interested parties from the FSB LEI Expert Group
742 should be formed to take the global LEI initiative forward into the global implementation
743 phase until the Regulatory Oversight Committee is established. The IG should be led by
744 representatives from different geographic areas to reflect the global nature of the LEI
745 initiative and will be supported by the FSB Secretariat. The IG should develop proposals for
746 the global LEI system stand-up as defined in the mandate below for review and endorsement
747 by the FSB Plenary in October 2012 and, as appropriate, final review and endorsement by G-
748 20 Finance Ministers and Central Bank Governors in November 2012.

749 **Recommendation 34**

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

760 **Recommendation 35**

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