



## **2011 Sibos Conference Panel: "LEI Implementation and BIC Evolution"**

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### **Remarks**

*As prepared for delivery*

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Good Afternoon – My name is Tom Price, Managing Director of Operations and Technology with the Securities Industry and Financial Markets Association. I want to thank Paul Janssens and SWIFT for inviting me to participate in today's session.

My role in today's discussion is to briefly highlight the good work that a coalition of financial firms and global trade associations has undertaken to:

- 1) Develop a set of requirements for a global LEI solution
- 2) Organize an open and inclusive Solicitation of Interest process to evaluate potential solution providers
- 3) Finally, to make a recommendation on the right combination of solution providers to deliver a global LEI framework.

The industry organized around a fundamental principle that the accurate and unambiguous identification of legal entities engaged in financial transactions is foundational and critically important towards the improved measurement and monitoring of systemic risk. A global standardized LEI will help enable organizations to more effectively measure and manage risk, while providing substantial operational efficiencies. The need for accurate counterparty exposure measurement and good data to support such measurement has been recognized by significant international bodies such as the Financial Stability Board (the "FSB") and the G20.

Last December, the U.S. Treasury's Office of Financial Research, in its role to support the Financial Stability Oversight Council's mandate to monitor systemic risk, issued a policy statement regarding its preference to adopt through rulemaking a universal standard for identifying parties to financial contracts that is established and implemented by private industry and other relevant stakeholders through a consensus process. In addition, the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) have proposed analogous proposals for a universal, global reporting standard. And, most recently, IOSCO CPSS, Hong Kong Monetary Authority and the Canadian Securities Administrators have pointed to the benefits of a global LEI standard.

### ***I. Engaging Global Industry Participants***

In response to the calls from the global regulatory community, the coalition of trade associations and financial services firms came together this January to start a consensus process to develop a set of requirements for the Global LEI Solution and . Recognizing that global cooperation is key to establishing an effective LEI Solution, the Coalition engaged financial services firms from a broad range of countries, representing many different types of industry participants from across the globe through three different forums.

The three different groups included a Steering Committee, Evaluation Committee, and a much broader Industry group. The Steering Committee included 17 members representing financial firms and associations. The Evaluation Committee comprised 68 members representing 23 different firms and associations. Finally, the broader industry group consisted of 251 members from 73 different firms and associations.

## ***II. Developing Legal Entity Identifier Requirements***

As result of this huge industry effort on May 3<sup>rd</sup>, the Coalition released a comprehensive set of requirements for establishing an LEI system to aid global regulators and industry in monitoring systemic risk. Given the large number of organizations involved and the international scope of the effort, a formalized process was established to gather input and build consensus. The very exhaustive requirements document delivered a framework that included the following eight categories: 1) Scope of coverage 2) Data Model 3) Operating Model 4) Governance Model 5) Business Model 6) Implementation 7) Compliance and 8) Technical principles.

## ***III. Solicitation of Interest (SOI) Process***

Having developed a comprehensive set of requirements for the LEI system, the Coalition then initiated a public Solicitation of Interest (the "SOI") process where service providers were invited to submit proposals based on the industry's requirements. The goal of the SOI process was to identify one or more solution providers who, individually or collectively, could build, manage and run the LEI solution in a way that meets or exceeds the industry's requirements. 21 Solution Providers expressed interest in participating in the SOI, and approximately half submitted a formal response. Four candidates were ultimately invited in for final presentations, which, coupled with detailed responses, formed the basis for the final recommendation.

A very comprehensive and robust evaluation process was critical to assess which solution providers were best suited to deliver the global LEI solution. Members of the Evaluation Committee brought deep functional expertise and industry experience, with 68 members from 23 financial firms and associations across the globe.

## ***IV. Final Recommendations***

After careful consideration, discussion, and extensive due diligence, the industry made the following recommendation for the LEI solution providers on July 11. The recommended providers together possess the strong scope, scale and experience necessary to make the LEI solution successful. The Coalition fully expects several of the other organizations who responded to the proposal to participate in the future in complementary roles.

### **Data Standards Body**

ISO's new standard 17442 is recommended as the new authoritative LEI standard. This standard meets the characteristics set forth by the Trade Associations, specifically, that the identifier is persistent, neutral, singular, unique, extensible, structurally fixed, reliable, and interoperable. Created through the robust ISO process, it has the foundation to become the internationally recognized data standard for the identification of legal entities.

### **Registration Authority/Facilities Manager**

The recommendation includes Depository Trust & Clearing Corporation (DTCC) and SWIFT, along with DTCC's wholly owned subsidiary AVOX as the registration authority and facilities manager. They would operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance. SWIFT, as the Registration Authority, will register and assist entities with self-registration. DTCC, as Facilities Manager, will collect requests for new LEIs to be created, validate the information provided by leveraging AVOX's capabilities, maintain and store the reference data associated with each LEI, and maintain the public distribution of the LEI database.

## **Federated Registration**

ANNA, through its network of local national numbering agencies, is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers and obligors in their home markets. The NNAs are envisioned to serve as LEI agents or "faces" of the LEI utility to those markets while leveraging the functionality of the centralized LEI utility for the assignment, further validation and global distribution of LEIs.

The engagement of ANNA in the LEI process is a critical element in managing the relationship between the LEI utility and the issuers and obligors in each NNA's home market. The participation of the NNAs in the process will improve the quality of the database and help cover an important, international segment of entities eligible for a LEI. Given the robust process it has undertaken, the Coalition feels it is putting forth the group of organizations that has the best opportunity to implement the LEI operational system. Notwithstanding, the Coalition fully expects other market participants to become involved with the LEI solution in a complementary manner as the concept matures and is adopted globally. These partnerships will serve to extend and enhance the acceptance of the LEI as the global standard for legal entity identification.

## **V. Next Steps**

The Coalition will continue to actively work with the global regulatory community as well as the aforementioned organizations and other parties to facilitate the appropriate implementation and adoption of the LEI solution in line with current and future regulatory requirements.

Next steps also include working cooperatively with these parties in defining and establishing the LEI governance structure with oversight and input from regulators. It is this governance body that will provide oversight to ensure the LEI solution be properly administered in accordance with the requirements set forth in the "Requirements" document as well as the needs of the regulatory community.

Implementation of the LEI solution will rely on global cooperation among the regulators to take the next steps in moving the LEI solution forward. The Coalition will also be collaborating with providers to define the solution structure and design, and to identify the necessary architecture, timeframes and deliverables critical to the implementation process. Finally, the Group recognizes the importance of key areas like data access and data confidentiality, and therefore will be working to ensure that these needs are addressed and that data usage meets local and global regulatory requirements.

We have made tremendous progress in a very short amount of time – in my many years working in the industry, I can say with confidence that this effort has been second to none in its global outreach. We are committed to working with regulators and supervisors globally to develop this essential new LEI tool to help measure and monitor systemic risk and counterparty risk, as well as help institutions achieve operational efficiencies.

We very much look forward to our continued dialogue.

Thank you.