



June 7, 2013

Governor Mark Carney  
Chairman  
Financial Stability Board  
Bank of Canada  
234 Wellington Street  
Ottawa, Ontario, Canada  
K1A 0G9

**Re: Global Legal Entity Identifier – The Necessity for  
Mutual Acceptance and Interim Standards**

Dear Chairman Carney:

We are writing to you in your capacity as Chairman of the FSB, and in advance of the June 11-12 meeting of the LEI Regulatory Oversight Committee (ROC). The ROC was entrusted by the FSB to be the self-standing governance body for the LEI and to support the introduction of the Global LEI System (GLEIS) as a foundational tool for risk management analysis and financial stability. In this regard, the June 11-12 ROC meeting is critical to the future of the Global LEI System, as the ROC will need to make important decisions on the Mutual Acceptance for pre-LEI identifiers, as well as the development of standards for pre-Local Operating Units (LOUs). These decisions will be integral to determining the ultimate success of the GLEIS; striking the delicate balance of requiring quality and cooperation standards among LOUs while at the same time supporting competition and alternative business models.

Expedient agreement by the ROC on these issues has become of critical importance as we have entered a period where current and future regulatory reporting will require LEIs at a time when the global LEI system is still under development. Indeed, to date, there are already eight “pre-LOUs” globally, some at the initial planning stages and others assigning “pre-LEIs”, such as the CICI Utility (U.S.) and WM Datenservice (Germany). So agreeing that all pre-LEIs are equally acceptable for regulatory reporting and having “rules of the game” are critical during this interim period.

First, Mutual Acceptance of pre-LEIs is the *sine qua non* of a successful Global LEI System. To achieve global adoption of pre-LEIs, each regulator that requires use of LEIs should provide assurance to other such regulators that mutual acceptance of pre-LEIs will be provided. This will ensure that as each new pre-LOU system gets approved, and moves into production, the universe of regulators accepting all pre-LEIs from all pre-LOUs will grow. Absent consensus by the ROC that regulators will agree to accept pre-LEIs from each sponsored utility, market participants would be forced to seek multiple identifiers for a single entity, violating the most critical principle of uniqueness that underpins the entire GLEIS.

Alternatively, market participants would use a pre-LEI that was not accepted by all regulators and be out of compliance with reporting rules. Both outcomes undercut the principles and requirements necessary for the establishment of the global system.

Second, it is essential that the ROC agree to an interim operating framework around LEI issuance by pre-LOUs. The development of high standards and principles for pre-LOUs will ensure that the core elements embodied in the FSB's LEI principles are upheld, including high quality data, preservation of uniqueness, preventing duplicate LEIs, and ensuring persistence. In this regard, we welcome guidance from the ROC that sets forth criteria for issuance of the pre-LEI identifiers that would provide the interim framework for the establishment of the Global LEI System consistent with FSB LEI principles (attached). It is essential that the ROC now agree to and operationalize this guidance.

The industry is strongly supportive of a federated Global LEI System, and the benefits to financial stability that it would provide. For this goal to be met, the ROC must make important decisions to both Mutually Accept pre-LEIs, as well as develop robust standards for pre-LOUs, immediately. We will continue to work closely and in an inclusive way with regulators, supervisors and central banks globally to develop the LEI solution as a new tool to help promote industry and supervisory efforts to enhance financial stability.

Sincerely,

British Bankers' Association  
Global Financial Markets Association  
ISITC Europe  
International Swaps and Derivatives Association, Inc.  
Investment Industry Association of Canada

**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.

<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)