Global Financial Markets Association
International Swaps and Derivatives Association
Investment Industry Association of Canada
ISITC Europe
UK Investment Management Association

November 28, 2013

European Banking Authority

By electronic submission
compliance@eba.europa.eu

Re: European Banking Authority's (EBA) consultation paper on the "use of Legal Entity Identifier (LEI)"

Dear Sir/Madam:

In response to the European Banking Authority's (EBA) consultation paper (10 October 2013) on the use of the Legal Entity Identifier (LEI) for entity identification in EU regulatory reporting, the coalition of financial services firms and trade associations known as the LEI Trade Association Group (the "Trade Associations") is pleased to provide you with our comments. The Trade Associations strongly agree with the EBA's recommendation to support "the adoption of Legal Entity Identification system proposed by the Financial Stability Board (FSB) and endorsed by the G20, aimed at achieving a unique, worldwide identification of parties to financial transactions" and to call for "competent authorities [to] request that all institutions under their supervisory remit obtain a pre-LEI code" and use that LEI when providing information to the EBA concerning institutions.

The industry is strongly supportive of the Global LEI System initiative and the benefits to risk management and financial stability that it would provide. The global industry and regulatory community agree that the LEI is a key enabler to significantly improve systemic risk analysis. Regulators globally can play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices. Consequently, the EBA's requirement to incorporate the LEI into supervisory practices (e.g., by amending legal frameworks or supervisory processes) within the European System of Financial Supervision would be an important step forward, and promote the use and scope of the global LEI system.

We offer a few brief comments on the Draft Recommendation (the "Recommendation") as well respond to the three questions included in the paper.

As stated in the Recommendation, the EBA has developed draft Implementing Technical Standards on Supervisory Reporting (ITS) ensuring uniform reporting requirements across EU Member States for a broad set of data including own funds and capital, financial information, large exposures, liquidity ratios, leverage ratios and asset encumbrance. The ITS will include a requirement for a single supranational identifier of banks to be used to collect and store data – the LEI. While it is very clear that the Recommendation intends to use the LEI to identify the banks (and their subsidiaries) fulfilling the reporting, it is less clear whether the EBA expects the LEI to also be used in the identification of entities within the ITS reporting, for example, to identify the counterparties to which a financial institution has large exposures.

We strongly urge the EBA to recommend that the competent authorities request all institutions under their supervisory remit to use an LEI code, if available, to identify entities where every counterparty, issuer, or other relationship information, is required to be submitted for regulatory reporting. By requiring the use of the LEI for all counterparties identified in the ITS or other regulatory reporting, legal entities in the EU who have not already done so will need to obtain an LEI. Although we acknowledge that the EBA and the competent authorizes cannot require a counterparty, issuer or other reported entity beyond its oversight to obtain an LEI, the broad requirement to use an available LEI to identify all entities in regulatory reporting will reinforce the adoption of LEI as the standard for entity identification. Requirements like this will greatly expand the collective benefit from widespread adoption of the LEI for all legal entities.

The EBA has clearly recognized the benefit from the expanded use of the LEI, specifically: "The National Supervisory Authorities could also benefit from this identification, should this identification be extended to banking activities other than supervisory reporting, to better monitor transactions in their jurisdictions for their every-day tasks (e.g., post-trade supervision of financial transactions, etc.)." We strongly agree with this statement and believe the EBA should make it clear that LEIs should be used to identify the entity undertaking the reporting, as well as any counterparty information included in the required reports.

Our responses on the three questions follow:

Which are you views on the use of pre-LEIs as unique identification codes for supervisory purposes for credit and financial institution in the European Union?

As noted above, the industry is strongly supportive of a federated Global LEI System, and the benefits to financial stability and risk management that it would provide from widespread use of a single and unique identifier – the LEI. We applaud the EBA's initiative and encourage serious consideration of the clarification to the Recommendation we note above.

Can you provide inputs for assessing the costs and benefits of this draft recommendation?

Similar to the EBA's conclusion that, "The benefits in monetary terms from utilising the LEI system cannot be estimated", we have also found it very difficult to quantify costs and benefits of implementing the LEI system. However, there is widespread agreement with the EBA's conclusion that, "The implementation of the LEI system would have a positive net impact on both the EBA and supervisory authorities as well as on the banking sector" as well as the related commentary included in the Recommendation about benefits of "harmonization" for the EU and banks. We support the EBA moving forward in adopting the LEI with this more qualitative assessment of LEI benefits.

Please, provide your feedback on the proposed timeline and the proposal of having less tight deadlines for banks not included in the EBA sample.

We support the proposed timeframes outlined in the Consultation. The process for obtaining an LEI is simple. Registration takes only a few minutes and LEIs are issued within a few business days. There are now five endorsed LOUs and more are likely to follow in the near future, making local service for obtaining an LEI in Europe quite easy. All LEIs issued by these endorsed LOUs are eligible for reporting to all regulators that have assented to the ROC charter. This "mutual acceptance" of LEIs ensures that a single, unique and persistent LEI is assigned to each legal entity.

Use of the LEI within other regulatory reporting, especially existing reporting, would likely take longer to integrate. However, this is an implementation matter and does not prevent the EBA from adopting the use of LEIs in its ITS immediately.

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We appreciate the opportunity to comment on EBA's consultation paper. If you have any questions, please feel free to contact the coalition by contacting David Strongin, at +1-212-313-1213.

Sincerely,

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