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GFMA Legal Entity Identifier Webinar

Wednesday, April 18, 2018

Moderators

- James Fertitta, *Vice President*, Goldman Sachs
- Will Leahey, *VP & Asst. General Counsel*, SIFMA

Panelists

- **Giulia Ferraris**, *Policy Officer*, European Securities and Markets Authority (ESMA)
- **Alan Deaton** (FDIC), *Chair*, LEI Regulatory Oversight Committee (LEI ROC)– Corporate Actions and Data History Working Group
- **Stephan Wolf**, *Chief Executive Officer*, Global Legal Entity Identifier Foundation (GLEIF)

Recent ESMA Guidance on LEIs

- Briefing | Legal Entity Identifier, October 9, 2017
https://www.esma.europa.eu/sites/default/files/library/esma70-145-238_lei_briefing_note.pdf
- Guidelines | Transaction reporting, order record keeping and clock synchronization, under MiFID II, updated August 7, 2017
https://www.esma.europa.eu/sites/default/files/library/2016-1452_guidelines_mifid_ii_transaction_reporting.pdf
- **Scenarios**
 - § 5.30 | Reporting by a Trading Venue of a transaction executed through its systems under Article 26(5) of MiFIR (page 170+)
 - §5.27.1 Example 76 | Investment Firm acting under a discretionary mandate for multiple clients (page 143+)
- Relief | Six Month Temporary Conformance Period issued December 20, 2017 (expires Approx. July 3, 2018)
<https://www.esma.europa.eu/file/24244/download?token=mqJMRiFU>



LEI Regulatory Oversight Committee Update for GFMA

Alan Deaton
Chair of the ROC Committee on Evaluation and Standards

April 18, 2018

Agenda

- ▶ **Committee on Evaluation and Standards (CES)**
- ▶ **CES Workstreams**
 - ▶ Data Quality
 - ▶ Corporate Actions
 - ▶ Funds Relationships
 - ▶ Sector Information
 - ▶ Government Entities and LEI Eligibility

Committee on Evaluation and Standards

- ▶ The Committee on Evaluation and Standards (CES) is a standing body established in the ROC Charter to:
 - ▶ evaluate the adequacy of existing standards and protocols;
 - ▶ propose revised or additional standards, or protocols as necessary;
 - ▶ recommend the development of additional standards and protocols or the modification of existing standards and protocols as necessary; and
 - ▶ perform any other tasks and functions as requested by the ROC Plenary or Executive Committee.

CES Workstreams: Data Quality

- ▶ **Roles and Responsibilities:**
 - ▶ Monitoring the accreditation process for Local Operating Units
 - ▶ Review of the data quality in the GLEIS
 - ▶ Level 1 “business card” information
 - ▶ Level 2 parent entity information

CES Workstreams: Corporate Actions

- ▶ Public consultation conducted in 2017 on incorporating corporate actions into the GLEIS
- ▶ Workshop held with respondents to the public consultation, including GFMA
 - ▶ Corporate action data feeds
 - ▶ Use of effective dates
 - ▶ Priorities for implementation
 - ▶ Cost-benefit analysis
- ▶ ROC policy expected to be finalized in 2018

CES Workstreams: Funds Relationships

- ▶ **Public consultation conducted in 2017 on improving funds relationship information in the GLEIS**
 - ▶ Support for replacing the current “fund family” concept with more granular information and precise definitions
 - ▶ No objection to optional collection of fund relationship information, but some objection to mandatory reporting of such relationships
 - ▶ Further consultation was suggested for areas where there were objections
- ▶ **A workshop with industry is planned for May 3**

CES Workstreams: Sector Information

- ▶ The ROC is exploring the utility of incorporating sector information into the GLEIS
- ▶ The work undertaken so far has included:
 - ▶ analysis of user needs;
 - ▶ review of existing sources of such information; and
 - ▶ discussion of competing options of implementing sector information inside or outside the GLEIS.
- ▶ The ROC expects to make a determination in 2018 whether to proceed with a public consultation or whether to end the workstream



LEI

GLOBAL
LEGAL
ENTITY
IDENTIFIER
FOUNDATION

GFMA-Global LEI Webinar

April, 18th 2018

Stephan Wolf

–

GLEIF CEO

GLEIF unrestricted

1. Current Developments

- Status Level II
- Branches
- BIC Mapping
- ISIN Mapping (if possible)
- LEI in XBRL
- IT Systems Upgrades 2018

2. Strategic Outlook

- Growth strategy and markets
- KYC and the LEI

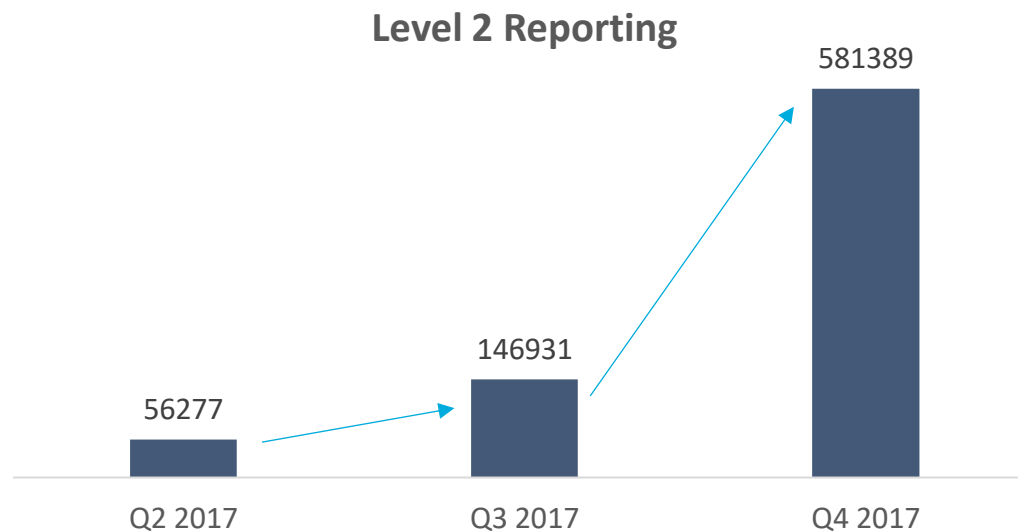
Current Developments

Status Level II

Level 2 data report Q4 2017



- **581,389** legal entities reported Level 2 data. This is already **61%** of the total active LEIs. Q1 2018 report will be published shortly.

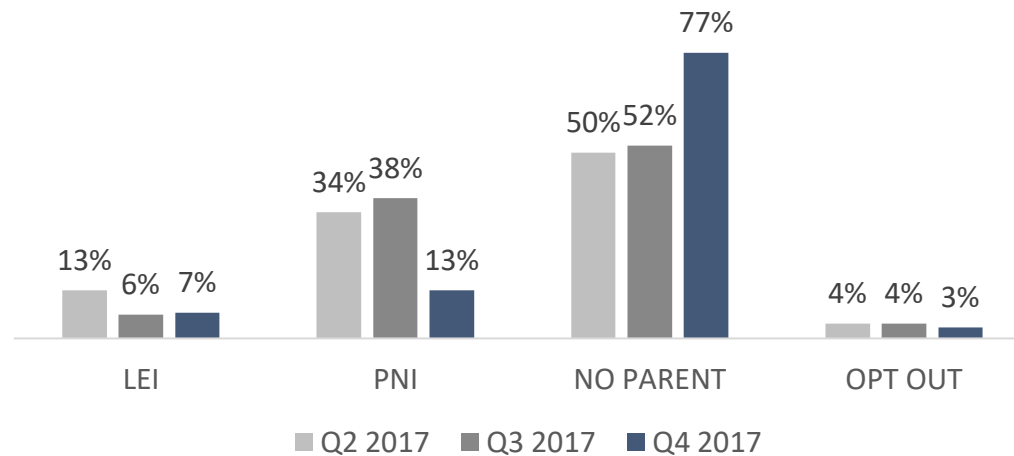


Status Level II

Direct Parent reporting (4Q 2017)



Direct Parent Reporting



Definitions of the labels

LEI: reported parents having an LEI.

PNI: legal entities reported direct parents who do not have an LEI

NO PARENT: legal entities reported having no direct parent according to the definition used.

OPT OUT: legal entities cited legal obstacles preventing them from providing or publishing parent information.

- From 1 March 2018, all LOUs managing LEIs in more than 1 legal jurisdiction are required to offer LEI registration service to branches.

LEI-CDF (Level 1)



Branch

RR-CDF (Level 2)



Head Office



Branch



Branch



Branch

BIC-LEI Mapping



- In February 2018, SWIFT and GLEIF introduced the first open source relationship file that matches a **Business Identifier Code (BIC)** assigned to an organization against its **Legal Entity Identifier (LEI)**.
- The BIC-to-LEI relationship file is built upon a mapping process established by SWIFT and certified by GLEIF. It is published in CSV format and will be updated on a monthly basis.
- The open source BIC-to-LEI relationship file is an important step towards consolidating information. This will significantly reduce the cost associated with entity verification to date.

Month	BIC-to-LEI Relationship Files
February 2018	BIC-LEI-2018-02-23.csv
January 2018	BIC-LEI-2018-01-26.csv

- ANNA and GLEIF are in the process to finalize an agreement for making the LEI-ISIN relationships available for free
- ANNA has published guidelines to the National Numbering Agencies on how to collect LEIs when issuing new ISINs



- Creating and maintaining the LEI-to-ISIN mapping
 - (Joint) Promotion
 - Distribution
 - Additional product development
- Certification of LEI-to-ISIN mapping
 - Support with mapping historic ISINs
 - Global Challenge process
 - (Joint) Promotion
 - Distribution

- The European Securities and Markets Authority (ESMA) published the final draft **Regulatory Technical Standards (RTS)** setting out the new European Single Electronic Format (ESEF).
<https://www.esma.europa.eu/press-news/esma-news/new-rules-make-eu-issuers%E2%80%99-annual-financial-reports-machine-readable>
- To allow for structured electronic reporting using XBRL, ESEF uses an extension of the **IFRS Taxonomy**, issued by the IFRS Foundation. This taxonomy provides issuers with a set hierarchical structure to be used to classify financial information.
- The **LEI XBRL taxonomy** will be mandated for all issuers to prepare their annual financial reports.



GLEIF 2018 major IT projects

Preview: Golden Copy File and Delta Files (page 1 of 2)



GLEIF Golden Copy File

- In first quarter 2018, GLEIF started publishing a **preview** of the Golden Copy file. This is a derived file from a GLEIF database.
- Unlike the concatenated file, the Golden Copy file does not contain technical duplicates and includes all LEIs ever published in a GLEIF Golden Copy File version as well as all new LEIs published by the LEI issuers since the previous release of a Golden Copy File.

Delta Files

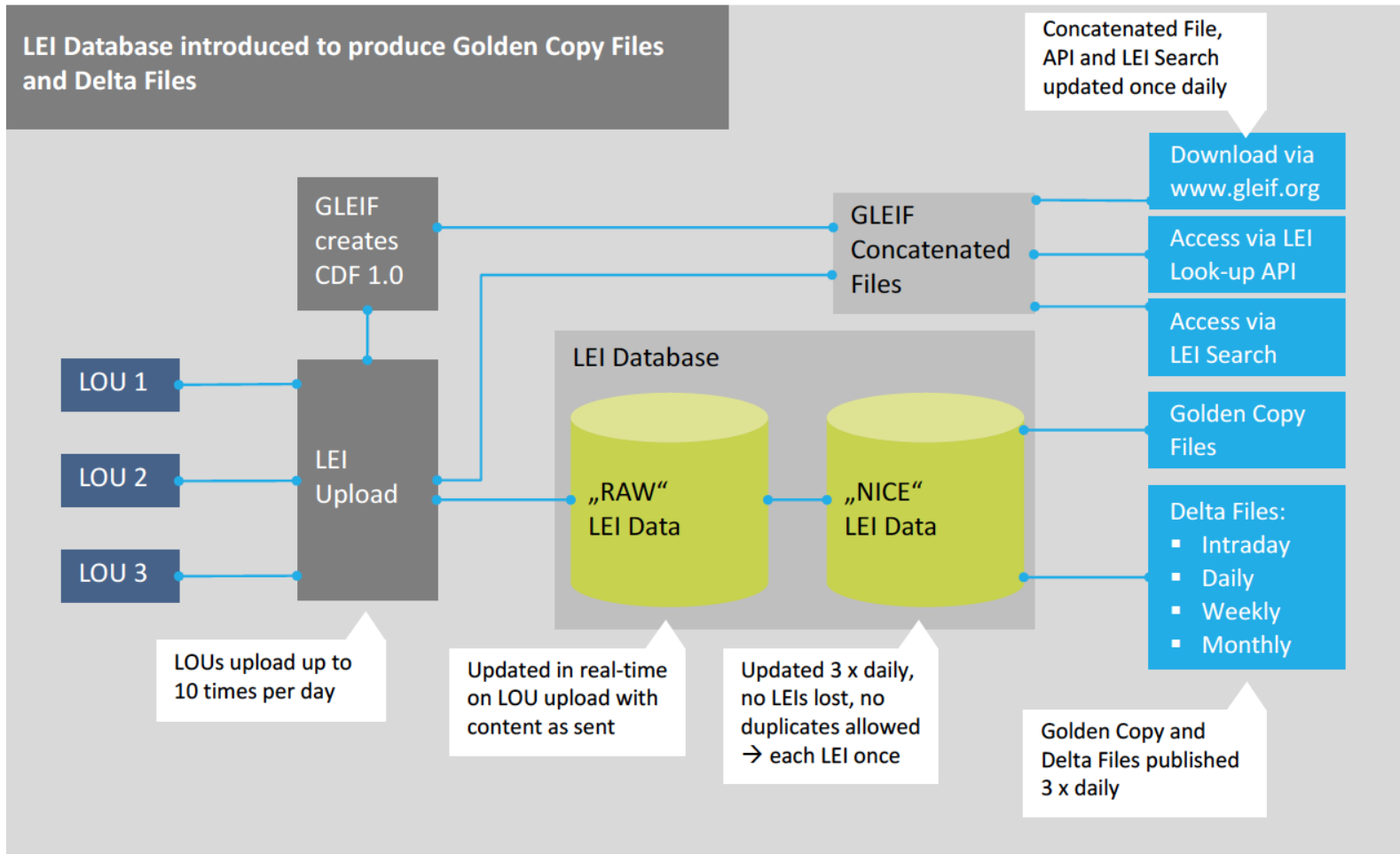
- With each updated version of the Golden Copy file, GLEIF publishes delta files identifying newly issued LEIs and/or revisions to reference data historically reported in a Golden Copy File. The 4 delta files represent different time intervals:
8 hours - 1 day - 1 week - 1 month



2018.01.10

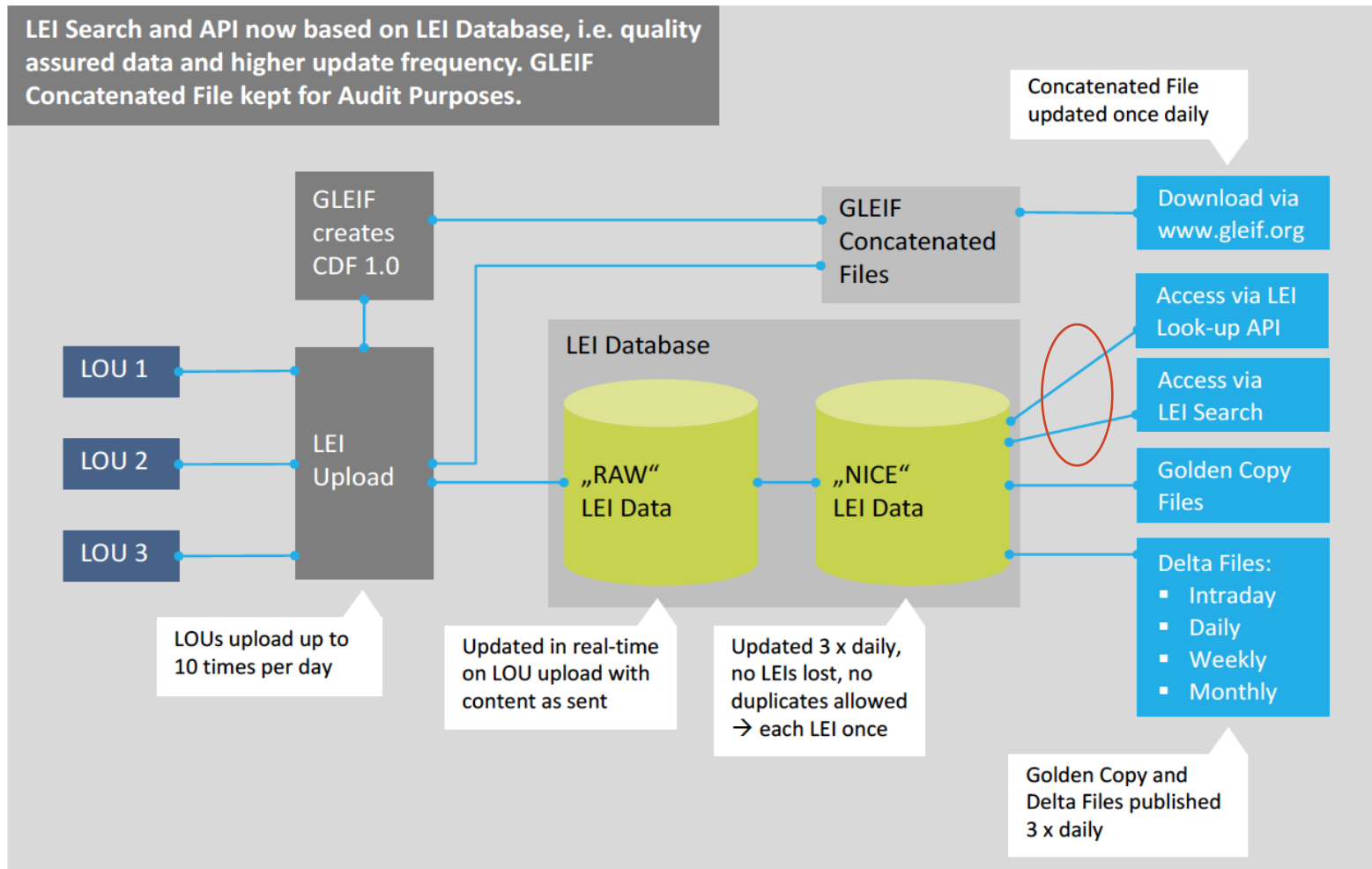
GLEIF 2018 major IT projects

Golden Copy File (2 of 2)



GLEIF 2018 major IT projects

LEI Search and API data access based on database



Strategic Outlook

McKinsey & Company and GLEIF

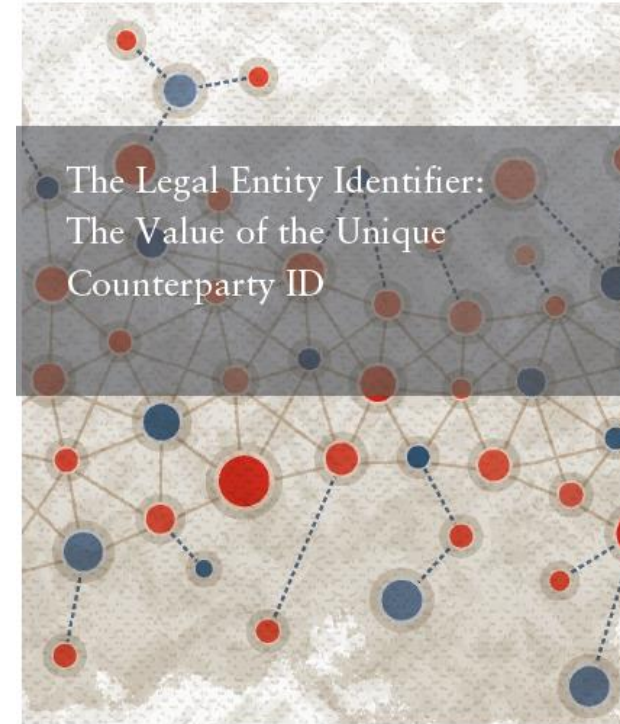
Creating business value with the LEI (page 1 of 2)



White Paper suggests combined potential savings of at least U.S. \$650m annually just in core banking

Two broad areas in which the LEI has business value :

- Reduces transactional and operational friction, both within and among organizations.
- The LEI makes important information about the background of a legal entity in a transaction more accessible and traceable.



McKinsey&Company



Available on
<https://www.gleif.org>

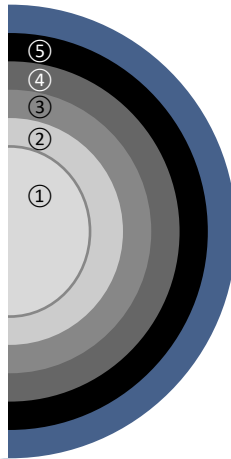
McKinsey & Company and GLEIF

Creating business value with the LEI (page 1 of 2)



McKinsey & Company and GLEIF white paper identifies three new use cases for LEI:

- **In capital markets**, the LEI's primary value is derived from reducing the cost of onboarding clients and of middle-and back-office activities related to the processing of stocks, bonds and other securities trades. All such activities could be simplified and streamlined if LEI usage was more broadly adopted throughout the lifecycle of the client relationship. The use of the LEI would also reduce the time spent on data correction and reconciliation necessitated by inconsistent identification of legal entities.
- **In commercial transactions**, LEIs would enable faster processing of letters of credit and better identification of sellers on e-invoicing networks.
- **In the extension of commercial credit**, LEIs would allow for more robust and efficient KYC diligence on borrowers, as well as better traceability of information on borrowers from multiple sources.



Market Segments	Key Markets
① Derivatives	USA & Europe, Singapore 450.000 LEIs
② Capital and Money Markets	Prospectus Directive Europe MiFID/MiFIR Solvency II 1,500,000 LEIs
③ Banking Services	LEI in payments (correspondent banking) LEI in credits (AnaCredit, USA mortgage act) LEI in trade finance Potential of 30 – 40 million LEIs
④ Supply-Chain-Management	Global reach on manufacturer, supplier, logistics and merchants supporting their Know Your Customer (KYC) and Know Your Supplier (KYS) All industries 40 – 50 million LEIs
⑤ Digital Economy	Global reach for all entities requiring a digital identity of legal entities for their transactions Includes Industry 4.0 and Internet of Things 50 – 100 million LEIs, up to 1 bn

Done

In progress

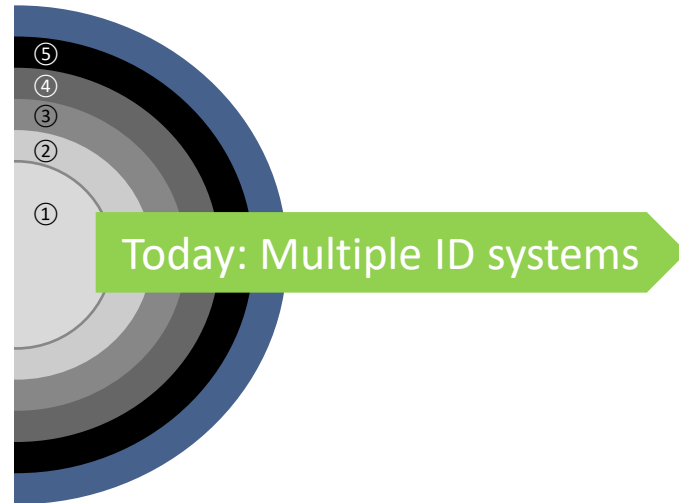
Next

Drawing board

Drawing board

Strategic GLEIF Initiatives will target KYC/KYS/CRM*

Beyond Regulatory Mandate (Policy)



KYC using the LEI

- One identity behind every business (customer)
- Combination of Digital IDs based on cryptographic algorithms and LEI
- Requires regulatory support (legal)
- Core unique selling points of the Global LEI System:
 - Entity and ownership validation
 - Data verification
 - Trusted, open data

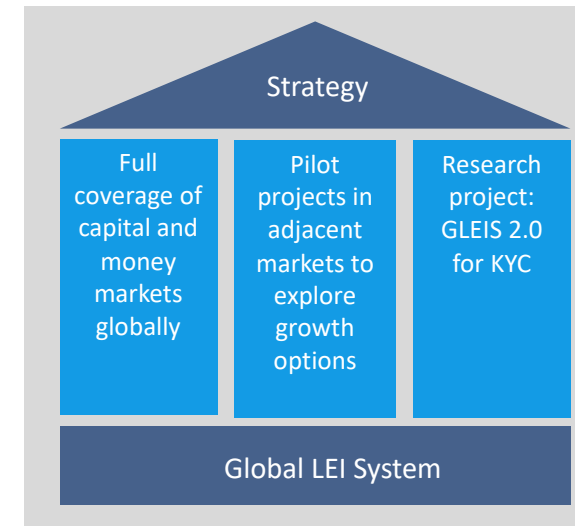
* KYC – Know Your Customer (and your customer’s customer)
KYS – Know Your Supplier
CRM – Client Relationship Management

- At the introduction of the LEI in 2012, authorities identified that implementation of the Global LEI System could address KYC challenges in the long-term.
- *.....In addition, a global LEI would provide long-term benefits by enhancing the ability to perform business functions such as “know your customer” and improving enterprise risk management.**



*Source: https://www.treasury.gov/initiatives/wsr/ofr/Documents/LEI_FAQs_August2012_FINAL.pdf

- Such an initiative however presupposed a **wide adoption of the LEI**. With the implementation of MiFID II/MIFIR in 2018, the number of issued LEI has topped **1 million** and the Global LEI System continued operations stably during this period of high growth.
- GLEIF believes it is a time to initiate a KYC project to engage relevant stakeholders on leveraging the LEI to address KYC challenges.
- This initiative aligns with GLEIF long-term strategy, “Pillar 3 project - GLEIS 2.0 for KYC”. GLEIF will develop a new business model for this project.



Limitations



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