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**BUILDING A GLOBAL LEGAL ENTITY IDENTIFIER (LEI)
WEBINAR**

12.15.2011



Dial In Information

For the Audio for this webinar; please dial:

6 AM EST Session

- International: 1-773-799-3664
- US: 888-455-6859
- Passcode: LEI UPDATE 6 AM

9 AM EST Session

- International: 1-773-799-3664
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- Passcode: LEI UPDATE 9 AM

Agenda

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- *Global Update*
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- *Europe Update*
- *Asia Update*
- *International Organization for Standardization (ISO) Standard*
- *Providers Update*
- *Next Steps*
- *Questions and Answers*

How We Got Here

Global Financial Services Industry Engagement on LEI

- Given the need for better systemic risk management and the specific request from the U.S. Office of Financial Research for an industry driven consensus on legal entity identification :
 - The financial services industry, working through GFMA, formed the Global Trade Association group to formulate a proposal
 - Group included firms from around the world and several regional and international trade associations
 - The Trade Associations' objective was to develop a global, consensus-based solution for the accurate and unambiguous identification of legal entities engaged in financial transactions

Benefits to Regulators

A common LEI will be a powerful tool for regulators in monitoring and managing systemic risks.

- **Data aggregation more efficient**
 - Make it much easier to aggregate and analyze data, eliminating the need for cross-referencing and mapping when combining multiple data sets
 - Allows for much more powerful modeling and risk analysis
- **Information sharing & reconciliation**
 - Common identifiers will make it easier to share information on legal entities between regulators and across borders
 - Allows for better supervision of cross-border firms and firms whose business lines are overseen by multiple regulators
- **Identification of Affiliates and Parent Companies**
 - Easier to make connections between parents and affiliates, especially when combined with basic hierarchy data

Benefits to Industry

A global LEI standard will be a powerful tool for firms risk management and operations improvements

Advantages for Risk Management:

- Improve response times for crisis reporting & potential for same with sanctions monitoring
- Holistic view of counterparty & issuer risks
- Easier data aggregation, modeling, and analysis
- Component for developing “Living Wills”

Other operational benefits to the industry include:

- Integrated view of entities across divisions & subsidiaries
- Supports development of hierarchy information
- Processing & settlement efficiency
- Improved vendor feed & corporate actions management
- Supports new client on-boarding
- Post merger integrations

Accomplishments

- **Trade Association group finalized its recommendation to the global regulatory community on July 11, 2011**
 - Transparent process with global participation from firms & other stakeholders
 - Process and requirements document published (May 3) and affirmed by a range of international trade associations
 - Commenced “Solicitation of Interest” process on May 13
 - Evaluated proposals leveraging the resources of numerous firms and trade associations over the next eight weeks
 - Press release on July 11, 2011, recommends the organizations the Trade Association group believes are best suited to operate a global legal entity identifier (LEI) system
 - Through the process, the group has had regular and continuing dialogue with European and Asian firms, regulators, & trade associations to ensure all views were taken into consideration in the final recommendation

LEI Solution Summary

- Standards body- The International Organization for Standardization, i.e., ISO’s proposed new standard, ISO 17442, is recommended for use as the new, authoritative legal entity identification standard.
- Core Issuing and Facilities Manager – The Depository Trust & Clearing Corporation (DTCC) and the Society for Worldwide Interbank Financial Telecommunications (SWIFT), along with DTCC’s wholly-owned subsidiary AVOX Limited, are recommended as key partners to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance.
- Federated Registration – ANNA, through its network of 81 local national numbering agencies (NNAs), is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers, obligors, and other relevant parties in the 118 home markets they serve. The NNAs are envisioned as the “face” 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.

Global Update

Global calls for developing an LEI standard

G-20 – *Cannes Summit Final Declaration (November 4, 2011)*

“We support the creation of a global legal entity identifier (LEI) which uniquely identifies parties to financial transactions. We call on the FSB to take the lead in helping coordinate work among the regulatory community to prepare recommendations for the appropriate governance framework, representing the public interest, for such a global LEI by our next Summit.”

G-20 – *Communiqué issued by G-20 finance ministers and central bankers (October 15, 2011)*

“We underscored our support for a global legal entity identifier system which uniquely identifies parties to financial transactions with an appropriate governance structure representing public interest.”

IOSCO-CPSS – *Report on requirements for OTC derivatives data reporting and aggregation August 24th 2011*

“A system of LEIs would be an essential tool for aggregation of OTC derivatives data, and recommends the expeditious development and implementation of a standard LEI.”

Financial Stability Board – *July 18th 2011 FSB Plenary Session*

“The FSB welcomed the progress of financial regulators and industry to establish a single global system for uniquely identifying parties to financial transactions, and agreed to arrange a workshop in the autumn to discuss the issues that will need to be addressed and how best to coordinate work to take this forward.”

EU Internal Market Commissioner Michel Barnier – *Speech of February 10th, 2011*

“We must also work together in a common identification of market players. This is an area where the U.S. is already committed, but that requires global standards.”

G-20 – *Progress report on the actions to promote financial regulatory reform; Issued by the U.S. chair of the Pittsburgh G-20 Summit (September 25, 2009)*

“All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories.”

Americas Update

Americas Update

United States

- Working with regulators to advocate use of the LEI where appropriate, including with:
 - *Commodity Futures Trading Commission (CFTC)*: Working on rules for swap data reporting, including an entity ID component
 - *Office of Financial Research (OFR)*:
 - OFR's mission to support data standardization across regulatory reporting
 - OFR Policy Statement provided early impetus for industry's response on LEI
 - OFR workshop on data & macroprudential oversight
 - *Securities & Exchange Commission (SEC)*: LEI used in Form PF, advocating incorporation of LEI in programs such as CAT & Larger Trader ID

Canada

- Submitted comment letter to Canadian Securities Administrators (CSA) advocating use of LEI in Trade Repositories

Europe Update

Europe Update

- Secured meetings with European bodies
- Engaged with several European regulators
- Met with various European buy and sell side trade associations
- Collective or individual meetings with banks
- Participated on industry panels dedicated to broadening knowledge of LEI (e.g. ISITC)

Asia Update

Asia Update

- Asia LEI Committee: intro and activities
- Outreach:
 - ASEAN +3 (Korea, Japan and China) Bond Market Forums (ABMF)
 - FIMMDA in India
 - CBRC, NAFMII and others in China
 - distribution list of 150+ regional regulators, think tanks and other stakeholders
 - selected media
- Cooperation with ISDA on OTC reporting time table and compliance
- HKMA trade repository rule-making: possible LEI inclusion

International Organization for Standardization (ISO) Standard

ISO 17442 Scope and Purpose

The ISO LEI standard is aimed at fulfilling the needs for Legal Entity Identification of the global financial services firms and global regulators.

- Key principles of the standard are:
 - enables unique identification of global entities requiring a legal entity identifier;
 - defines an LEI that contains no embedded intelligence;
 - is persistent;
 - Includes an ISO governance process for the development and maintenance of international standards according to the ISO Directives;
 - leverages the expertise of ISO TC68 in defining and maintaining identifier standards;
 - is based on a freely available international standard;
 - is free from assignment limitations and usage restrictions;
 - can be applied globally to support the financial services industry;
 - defines a scheme that is scalable.

Code structure and Data attributes

ISO 17442 LEI = 20 characters – 18 alphanumeric characters plus 2 numeric check digits

- Check digit validation using ISO 7064, Data Processing, Check Character Systems

The ISO data record attributes at a minimum includes

- The official name of the legal entity as recorded in the official registers, or with the fund manager for collective investment vehicles
- The address of the headquarters of that legal entity or the address of the fund manager.
- The country of formation denoted by ISO 3166, Codes for the representation of names of countries and their subdivisions
- The date of the first LEI assignment
- The date of last update of the LEI information
- The date of expiry, if applicable

ISO Time line – Progress to date

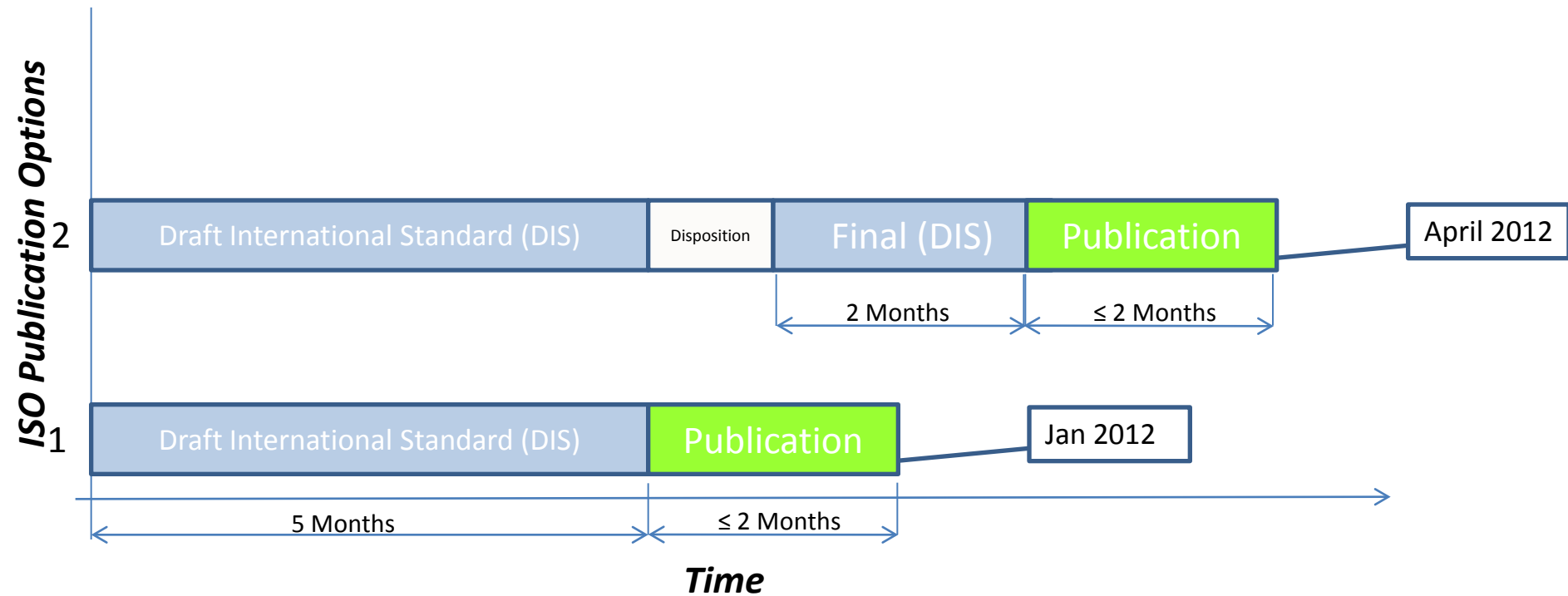
This Week

- ISO 17442 LEI – Draft International Standard 5 month ballot closing 14th December

Scenarios based on level of international consensus:

1. No negative votes & no comments = publication in January 2012
2. No negative votes & minor substantive comments = publication April 2012 post review with ISO working group in Jan 2012
3. Negative vote(s) & substantive comments affecting the code, data attributes or operating structure = publication TBD post review with ISO working group in January 2012

Timeline Overview



Anticipated Next Steps for ISO

- Review results of ballot and conduct a first pass analysis of comments received against the DIS ISO 17442.
- Synchronise with FSB global LEI initiative on key governance issues.
- Time line option 1 may no longer be achievable.
- Exact timing for the next steps will be agreed by ISO after the results of the ballot on 14th December are known.

Implementation & Providers Update

Issuance Capability

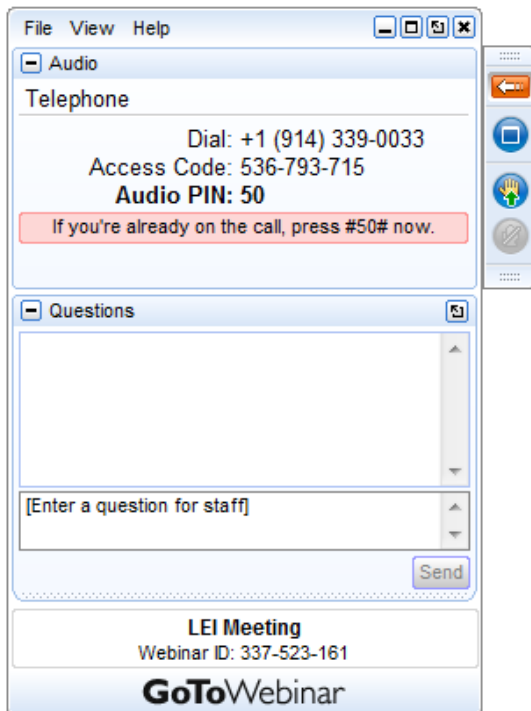
- FSB Process - - Industry and regulators continue to work on long term Utility solution
- First phase is moving forward to prepare for OTC Derivative Reporting Rules based on:
 - ISO Draft LEI standard 17442,
 - SWIFT’s registration authority capabilities
 - Enhancements alongside DTCC’s Avox platform for legal entity validation including a web portal with:
 - Third Party Registration
 - Self-Registration
 - Self-Validation of information entered by third parties
 - Downloads of the database
- Development requirements for these enhancements and the business rules for recording states and provenance rules have been distributed to industry working groups
- 12,000 CDS counterparties have been validated in preparation for the first phase
 - 3,000 with full core record/9,000 “Funds” building core records
 - DTCC and SWIFT can issue provisional legal entity identifiers for these 12,000 entities and release these to the industry to help firms with OTC Derivative reporting responsibilities prepare to meet the rules. Work can then commence on additional asset classes

Next Steps

- Consult further with the international regulatory community, as well as the recommended organizations and other parties, to understand fully the requirements that could make the global implementation and adoption of the LEI solution possible.
- Work cooperatively with these parties in defining and establishing the LEI governance structure.
- Respond to proposed rulemaking advocating the use of the recommended LEI system where ever legal entity identification is intended to be required.
- Continue to educate and share information about the solution and the benefits of global adoption as needed to ensure all market participants have the facts necessary to support and adopt the solution, which is phased-in according to local requirements
- Develop and implement governance and privacy standards

Question & Answer

- All questions will be taken electronically
- To ask a question please utilize the Question portion of your GotoWebinar Screen as shown below and hit send.
- Participants who are not logged into the webinar can send questions during the presentation to: leiwebinar@sifma.org



For further information, please contact:

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Additional resources available at:

<http://www.sifma.org/issues/operations-and-technology/legal-entity-identifier/overview/>