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LEI INITIATIVE AND IMPLEMENTATION OF THE CFTC  
COMPLIANT INTERIM IDENTIFIER (CICI)

## Agenda

- *Background*
- *Solution Overview*
- *Next Steps*
- *Questions and Answers*

# Background

## Evolution of the LEI Initiative

- Driven by need for systemic risk analysis
  - Office of Financial Research (OFR) Policy Directive
  - Global Trade Association (GFMA) LEI Steering Committee formed
    - International and regional trade associations
    - Objective -- Develop a global, consensus-based solution for the accurate and unambiguous identification of legal entities engaged in financial transactions
- The Financial Stability Board (FSB) involvement
  - FSB delivered initial recommendations to G20 in June 2012
  - FSB Implementation Group to develop LEI governance and central operating framework by March 2013
  - FSB kicked off interaction with Private Sector Participatory Group (many industries and academics) on July 25, chartering 3 Work Streams jointly with FSB Implementation Group (Regulators):
    - Governance and Funding
    - Operations
    - Hierarchy/Ownership

## LEI Trade Association Initiative

- **Recommendation on July 11, 2011**
  - Transparent process – regular input from global firms and regulators
  - Process and requirements document published (May 3, 2011) and affirmed by a range of international trade associations
  - Commenced “Solicitation of Interest” process on May 13, 2011
  - DTCC/SWIFT/ISO/ANNA recommendation on July 11, 2011
  - Endorsed DTCC-SWIFT for selection as CFTC LEI (CICI) solution provider (May 29, 2012)

# CFTC CICI Implementation

- **CFTC Swap Record Keeping and Reporting Rule (Part 45)**
  - Reporting firms must report transactions to registered swap data repositories
  - Reporting firms must identify themselves and counterparties with CICIs
  - Effective Date for CDS and IRS: October 12, 2012 for Interest Rate and Credit
  - Effective Date for FX, Commodity and Equity Derivatives: Three months following CDS and IRS – January, 2013
  - Transactions between two non swap dealers or two non major swap market participants follow 3 months later
- **CICI Utility Designation on July 24, 2012**
  - Transparent process – Firms were invited to make proposals
  - Clear set of principles, requirements and criteria for demonstrating compliance
  - DTCC/SWIFT proposal/solution met all requirements and was designated by CFTC as the CICI Utility
  - CICI expected to transition into full global LEI solution; implementation targeted for March 2013
  - Launch Date for CICI Utility: August 21, 2012

# Solution Summary

# Financial Services Industry Solution Summary

Objective: Enable consistent and accurate identification of all legal entities that are parties to financial transactions

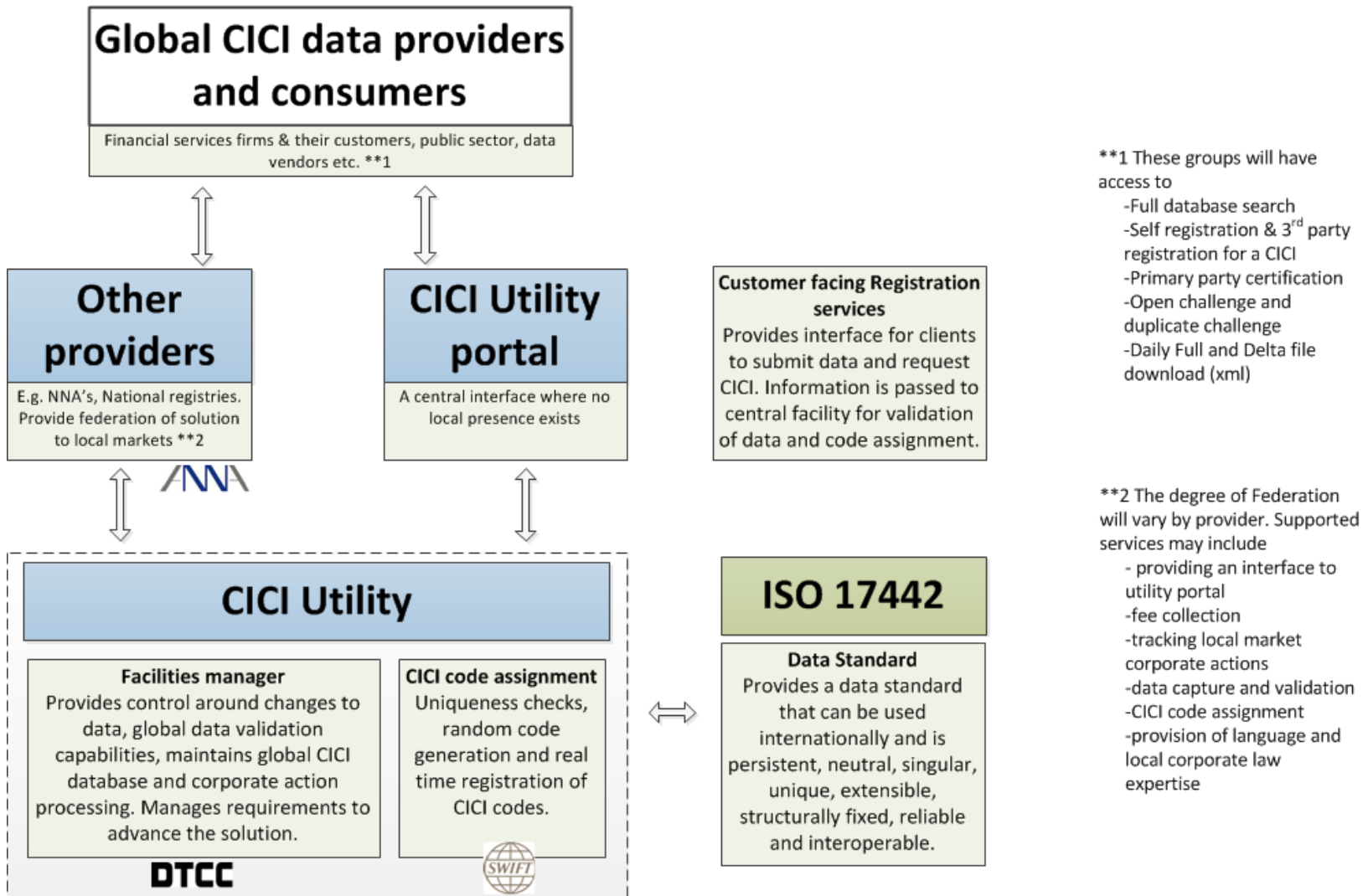
- Standards body- The International Organization for Standardization (ISO 17442)
  - Standard approved in May 2012
  - Endorsed in FSB report
  - Non-intelligent number that is unique, persistent and freely available
- Core Issuing and Facilities Manager – Data collection, maintenance, LEI assignment, QA
  - The Depository Trust & Clearing Corporation (DTCC)
  - Society for Worldwide Interbank Financial Telecommunications (SWIFT)
  - Federated Registration – ANNA<sup>1</sup>



# Financial Services Industry's LEI Utility Overview

- **Global**
  - Can immediately support reporting across all jurisdictions and asset classes
  - Can easily support federation of registration, data maintenance, validation
  - Extensive global industry input to shape solution
- **Public good**
  - Cost recovery model
  - Free and unrestricted access for all including all vendors
  - No fees for accessing/downloading database
- **Control**
  - Built to deliver ISO 17442 standard
  - High quality data is a key focus
  - Utility strength infrastructure
- **Expertise**
  - Ten years of entity reference data validation expertise through Avox
  - Database already houses 24,000 ISO-compliant CICs

# Financial Services Industry's CICI Utility Structure



**\*\*1** These groups will have access to

- Full database search
- Self registration & 3<sup>rd</sup> party registration for a CICI
- Primary party certification
- Open challenge and duplicate challenge
- Daily Full and Delta file download (xml)

**\*\*2** The degree of Federation will vary by provider. Supported services may include

- providing an interface to utility portal
- fee collection
- tracking local market corporate actions
- data capture and validation
- CICI code assignment
- provision of language and local corporate law expertise

# CICI Utility Functionality

Requirement	CICI Utility (Phase 1)
Registration	<ul style="list-style-type: none"><li>• Self-registration (and self-certification)</li><li>• Third-party registration</li><li>• Fast CICI assignment</li></ul>
Validation	<ul style="list-style-type: none"><li>• Platform links to over 230 jurisdictional business registries and other validation sources</li><li>• Free, public challenges to any CICI record from registered users</li><li>• The process to promote annual re-validation of a record</li></ul>
Access	<ul style="list-style-type: none"><li>• Free access to CICI database for on-line search</li><li>• Free download of CICI database file (full or delta) for registered users</li></ul>
Language	<ul style="list-style-type: none"><li>• Supports native language for Name and Address fields and local forms of organizations</li></ul>
Transparency	<ul style="list-style-type: none"><li>• Provision of Record State and Certification State fields enables users to understand provenance of a record</li></ul>
Funding	<ul style="list-style-type: none"><li>• Nominal fees for registrations and certifications via credit card</li></ul>

## DTCC SDR Plan for CICI

- The SDR encourages all submitting firms to submit transactions identifying themselves and their counterparties with CICIs.
- The SDR will submit these CICI on all output to the CFTC to allow compliance with the CICI requirement of Part 45.
- If a submitting firm submits another identifier to identify their counterparty and that identifier is mapped by DTCC to the CICI for that counterparty, the SDR will include the CICI on all output to the CFTC.
- If a submitting firm submits another identifier to identify their counterparty and that identifier is NOT mapped by DTCC to the CICI for that counterparty, the SDR will include the submitted identifier on all output to the CFTC.
- SDR members can access the SDR mapping table listing all clients with CICIs that are mapped to other identifiers on the SDR Portal. Such identifiers that may be mapped include: DTCC Participant ID, AVID SWIFT BIC and EIC.

# FSB Recommendations

## FSB Recommendations - Overview

FSB recommendations:

- Endorsement of ISO 17442 Standard
- Federated Model
  - Central Operating Unit (COU) to coordinate and maintain standards globally
  - Local Operating Units (LOUs) in a different countries
- Rapid timeline for launch of utility
  - Governance in place by October 2012
  - Central Operating Unit in place no later than March 2013
- Established 15 high levels principles to guide the 35 recommendations and implementation
- Next phase driven by Implementation Group of international regulators
  - In dialogue with private sector through Private Sector Preparatory Group

## FSB Recommendations – High Level Reactions

### Strengths

- 1 Encouraged FSB laid out principles for global LEI broadly in line with the industry's LEI requirements
- 2 Acknowledges need for a strong central control/governance process to ensure the integrity of the data in the LEI database
- 3 Aggressive schedule calling for an LEI system to be launched by the end of this year and independently functional by March 2013
- 4 Stated intention to engage industry experts in the design and implementation of the system

### Questions

- 1 Questions remain as to how high-level principles will be implemented
- 2 Strong emphasis on federation needs to be balanced to ensure that data quality and cost efficiency is preserved
- 3 Federated network needs the right standards for validation and quality set by central operating unit
- 4 Implementation Group of regulators will need industry dialogue for timely and effective implementation - - industry is one of many involved in PSPG

# Next Steps



## Next Steps

- Work within the ongoing FSB process to promote the industry's recommendations
- Promote use of our utility and/or services in the global LEI framework
- Help define and establish the global LEI governance structure
- Continue to advocate for adoption of the utility with regulators internationally
- Build out global federation in partnership with the ANNA and others
- Continue to educate and share information about the solution
- Develop and implement governance and privacy standards