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Progress and Developments in Establishing the Global
LEI System

MARCH 2014

Progress and Developments in Establishing the Global LEI System

Agenda

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Progress and Developments in Establishing the Global LEI System

Historical Timeline

- **November 2010** – OFR – in response to DFA – asks industry to create an LEI system proposal stating that they will mandate the use of such a standard for data reported to the OFR. GFMA formation of global trade association group to provide industry utility solution
- **November 2011** – G20 mandated the Financial Stability Board (FSB) to convene an Expert Group to develop a framework for an LEI
- **March 2012** – ISO 17442 adopted
- **June 2012** – G20 endorses the FSB's report and forms an Implementation Group
- **July/August 2012** – CFTC designates CFTC Interim Compliant Identifier (CICI) Utility; Utility goes live
- **November 2012** – The G20 endorsed the FSB's proposed charter to create the Regulatory Oversight Committee (ROC)
- **January 2013** – LEI ROC is formed and meets in Toronto Canada
- **March 2013** – ROC is operational and begins oversight, setting criteria for issuance of the pre-LEI as an interim solution for the establishment of the Global LEI System
- **April 2013** – All swap counterparties overseen by CFTC must have CICIs
- **October 2013-March 2014** – First thirteen LOUs endorsed to issue globally accepted LEI
- **January 2014** – Nominees GLEIS Board of Directors announced

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Headline Developments – LOU Endorsement

Entities Endorsed

- Thirteen pre-LOUs have been endorsed by the ROC
- GMEI (CICI) utility, INSEE, WM Datenservice, London Stock Exchange, Takasbank, PRH Finland, Poland Krajowy Depozyt Papierów, Italy (Unione Italiana per le Camere di Commercio Industria, Artigianato e Agricoltura), Czech (Centrální depozitář cenných papírů, a.s), Irish Stock Exchange, Russia (National Settlement Depository), Dutch Chamber of Commerce, Registro Mercantil del Reino de España (Spain)
- We expect additional candidates

Why important?

- Pre-LEIs issued by these pre-LOUs are globally accepted for reporting and other regulatory purposes in the various jurisdictions represented in the ROC
- True beginning of move towards a single, global entity identifier

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Headline Developments – Regulatory Acceptance

Recent

- October 30th CFTC Notice announcing acceptance of any pre-LEI issued by a pre-LOU endorsed by the ROC
- ESMA Trade Reporting Q&A began February 12 and requires pre-LEIs issued by any of the endorsed pre-LOUs to be used for reporting.
- January 14th European Banking Authority (EBA) consultation recommending the use of globally accepted pre-LEIs as the unique identification code for supervisory purposes for every credit and financial institution in the EU

Why important?

- Regulatory and supervisory mandates to use of LEIs will greatly facilitate the uptake of entities with LEIs
- The full benefits of the LEI system will only be achieved when the large majority of companies globally have LEIs

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Headline Developments – Regulatory Acceptance (con't)

Australia

- Guidance on ASIC Market Integrity Rules for Competition in Exchange Markets (ASIC)
- Derivative Transaction Rules (Reporting) 2013 (ASIC)

Canada

- Proposed Requirements for Debt Securities Transaction Reporting (IIROC)
- Derivatives: Product Determination and OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting (OSC)

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EU

- Recommendation: On the use of the Legal Entity Identifier (EBA)
- Implementation of the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)

Hong Kong

- Over-the-Counter Derivatives Trade Repository (HKMA)

Singapore

- Securities and Futures (Amendment) Act (MAS)

US

- OTC Derivatives Reporting (CFTC)
- Form PF (SEC)

Global

- Data Template (FSB)
- Principles for effective risk data aggregation and risk reporting (BIS)

Slide 6

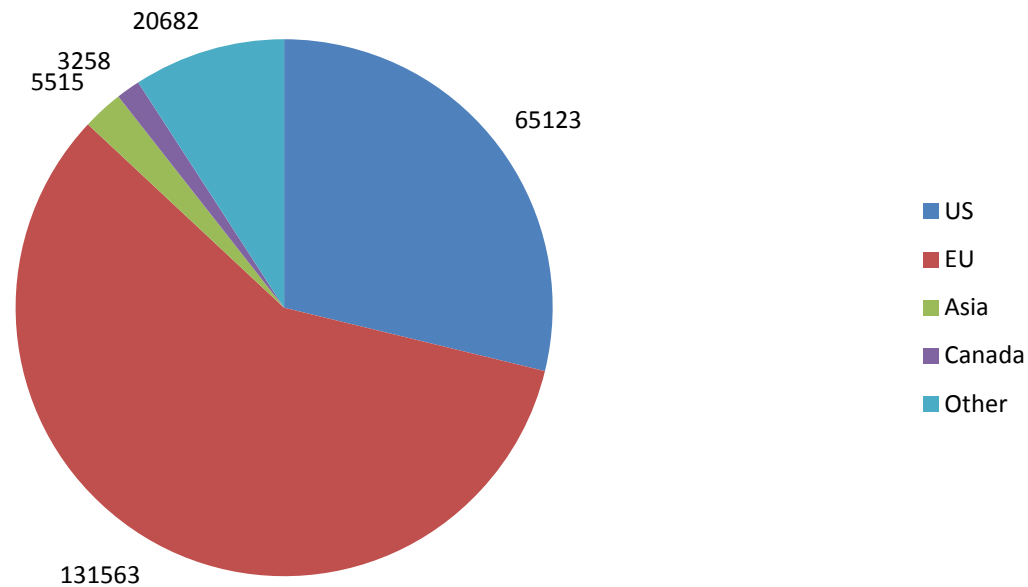
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I added some slides in the Appendix on this for you to draw from
whodash, 3/6/2014

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Headline Developments – EU LEI Registrations Double those in the US

**Pre-LEI Registration by Region
(as of 3/10/14)**

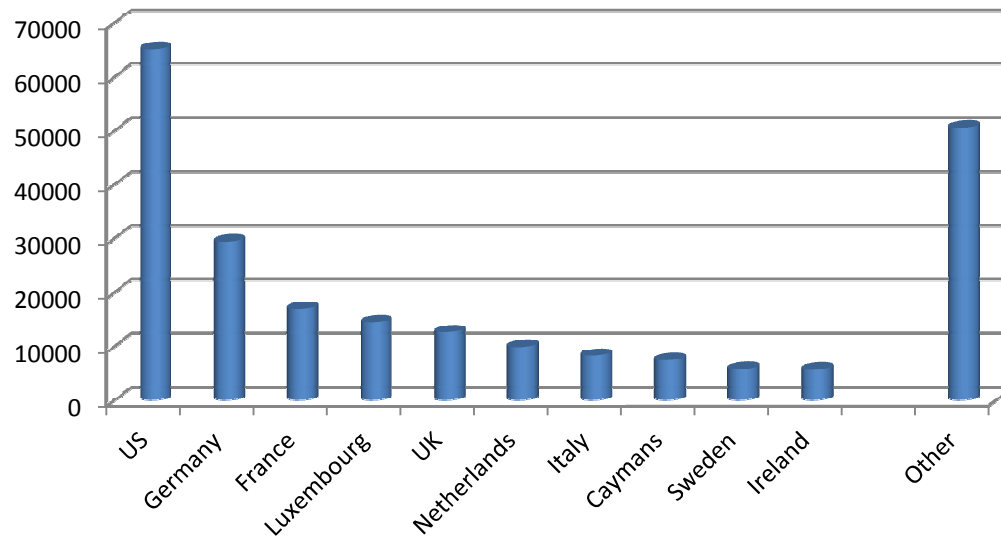


Source: P-LEI.org

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Headline Developments – More Than 226k Pre-LEIs Issued

Pre-LEI Registrations/Top 10 Registrations
(as of 3/10/14)



Source: P-LEI.org

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Headline Developments – GLEIs Status

- Principles and process for pre-LOU endorsement made public
- Thirteen pre-LOUs have been accepted for endorsement
- Statutes finalized, sent to FSB for review
- Funding model proposed
- Board of Directors nominated
- Expect foundation established May/June 2014

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Evolving Benefits

Industry Uptake

- DTCC and a group of large global banks jointly developing a to collect and manage client entity reference data necessary to meet regulatory requirements will leverage pre-LEIs to identify the entities which have one
- ISDA Amend system uses the pre-LEI to identify entities when they amend ISDA Master Agreements; other documents and comply with rules from the CFTC, EMIR, etc., that apply to over-the-counter (OTC) derivatives transactions
- Several vendors beginning to provide KYC data/document services that leverage pre-LEI as gateway to client information
- Large firms have integrated obtaining a pre-LEI into their client on-boarding systems

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Evolving Benefits

Regulatory Usage

- Swaps reporting – CFTC, EMIR, HKMA, MAS, ASIC
- Entity identification – Form PF
- Position reporting – NAIC
- Surveillance
- Emerging – CAT, FSB Data Templates, MiFID, EBA

Opportunities – Endless

- Need broad mandate in US like EBA
- OFR 2013 Annual Report: OFR encouraging Council members adopt. We expect new initiatives and proposed rules to require LEI use by legal entities that are parties to, or associated with, financial transactions and regulatory reporting

Appendix



What is an LEI?

- The LEI is a unique 20-character alphanumeric code that will be assigned to all entities that are counterparties to financial transactions through ISO 17442. The LEI itself will be neutral, with no embedded intelligence or country codes which would create unnecessary complexity for users. The FSB has endorsed and recommended ISO Standard 17442.
- Legal Name – Echo Street Capital Partners, LP
- Address – 2711 Centerville Road, Suite 400, Wilmington, DE 19808
- Country of formation – USA
- Entity Status – Active
- Legal Form – Limited Partnership
- Dates of first assignment, last update
- Date and reason for expiry
- Business Registry name and number (pending)

5493003K1A1C2R3JL544



How is the number constructed?

- On October 24, 2012, the FSB announced its decision on the number structure to facilitate a federated operating model¹
- The structure is:
 - Characters 1-4: A four character prefix allocated uniquely to each LOU
 - Characters 5-6: Two reserved characters set to zero
 - Characters 7-18: Entity-specific part of the code generated and assigned by LOUs according to transparent, sound and robust allocation policies
 - Characters 19-20: Two check digits as described in the ISO 17442 standard
- The GMEI (CIC)I Utility prefix is 5493; WM Datenservice prefix is 5299

http://www.financialstabilityboard.org/publications/r_121024.pdf

¹All CICs issued prior to November 30, 2012 have been constructed using a fully random 18 character alphanumeric string, followed by two check digits. The CIC Utility has implemented the new structured number as of Nov. 30, 2012.



How do I register for an LEI?

- **Self-Registration via Portal** – Registrations are completed via LOU portals, e.g., the GMEI (CICI) Utility Portal at www.ciciutility.org or the GEI Portal at www.geiportal.org
- **Assisted Registration via Portal** – A third party can register another entity for an LEI via the if they have the entity's explicit permission to do so. All Assisted Registration records are certified upon registration and the entity is required to maintain/certify the record annually.
- **Bulk Registration** – Self or Assisted Registration can be completed via a bulk file submission, e.g., such as at bulksubmission@ciciutility.org or service@wmdaten.com
- **Portability** – All pre-LOUs must support portability of records between pre-LOUs. We expect that this will be at the request of the entity, and that the entity must Certify the reference data at the successor pre-LOU.



CFTC CICI Implementation

- **CFTC Swap Record Keeping and Reporting Rule (Part 45)**

- Reporting firms must identify themselves and counterparties with CICIs on transactions submitted to registered swap data repositories
- Effective Date for CDS and IRS: October 12, 2012 for Interest Rate and Credit or upon registering as a swap dealer or MSP (Dec 31, 2012 for many)
- Effective Date for FX, Commodity and Equity Derivatives: January 10, 2013 or upon registering as a swap dealer or MSP
- Transactions between two non swap dealers or two non-major swap market participants follow 3 months later - - April 10, 2013
- **All non-major swap market participants are expected to self-register for a CICI or certify its CICI record, if registered by another party, by April 10, 2013 and to maintain the record thereafter**
- The CFTC's Q&A on the start of swap data reporting clarifies all this at:
http://www.cftc.gov/ucm/groups/public/@newsroom/documents/file/startreporting_qa_final.pdf

- Users may submit any updated information **without** being charged
- As a result of the user's submission, the record will be revalidated to publicly available information

ESMA Guidance (Oct. 2013)

- **TR Question 10** [last update 22 October 2013] – **Codes LEI (Legal Entity Identifier)**
- *Can a client code be used (e.g. account no. or member id) for customers who do not have a BIC, a LEI or interim LEI?*
- Yes, where customers are individuals. For customers other than individuals see (b) on the ID of counterparties below.

- *Q. ****modified**** What code should be used to identify counterparties (LEIs, interim LEIs or BICs)?*
- *A. ****modified**** A pre-LEI issued by any of the endorsed pre-LOUs (Local Operating Units) of the Global Legal Entity Identifier System. The list of endorsed pre-LOUs is available at:*

http://www.leiroc.org/publications/gls/lou_20131003_2.pdf



OTC Trade Reporting in Canada (Nov. 2013)

On November 14, 2013, the Ontario Securities Commission (OSC) published [OSC Rule 91-506 Derivatives: Product Determination and OSC Rule 91-507 Trade Repositories \(TR\) and Derivatives Data Reporting \(DR\)](#), the first set of harmonized derivatives rules which intend to bring greater transparency to the OTC derivatives market and pave the way for future rules. **The rule requires use of the LEI/Pre-LEI (“substitute LEI complying with ROC standards”) to identify counterparties to the trades.** The TR and DR rules take effect December 31, 2013 and the reporting requirements will begin July 2, 2014.

http://www.osc.gov.on.ca/documents/en/Securities-Category9/rule_20131114_91-506_91-507_derivatives.pdf



Hong Kong OTC Derivatives Reporting (Nov. 2013)

Identifiers for reporting or transacting parties

As set out in the enumerations and coding schemes in the Reporting Service AIDG, the HKTR can support several types of third party-assigned identifier for indicating the identity of the reporting or transacting party of a transaction. If none of such third party-assigned identifier is available for a party, a unique internal customer/counterparty reference code assigned by the reporting entity (same code to be used for identifying the same party in all transactions reported by the reporting entity) meeting the specifications in the AIDG can be used. Where a party possesses several types of third party-assigned identifiers, the identifier to be reported for indicating the identity of the party should be determined by the order of priority applicable to the different types of identifier specified by the HKTR, except where the party is a TR Member*. Specifically, among the various types of third party-assigned identifier that may be available, the one of the highest level of priority in the following list should be reported to represent the identity of the party:

1st Priority: Global Legal Entity Identifier (“Global LEI”) issued under the Global LEI System established by the Regulatory Oversight Committee (ROC) of the Global LEI System.

If the Global LEI is not yet available, pre-LEI identification codes (“pre-LEIs”) issued by pre-Local Operating Units (pre-LOUs) that have been endorsed by the ROC. The ROC will make an announcement when a pre-LOU is endorsed to issue pre-LEIs. The HKTR will notify TR Members the announcements made by the ROC.

*Since TR Members are required to supply and update their own third party-assigned identifiers to the HKTR, a reporting entity can opt to report any one of such identifiers for a party if the party is a TR Member

Note: The first phase of reporting to HKTR involves about 160 FIs and we have assigned pre-LEIs to about 120 of them. As for their counterparties outside the group of 160 FIs, the rules allow for 2nd (BIC), 3rd (number of certificate of incorporation or registration) and 4th (Business Registration number issued by HK Inland Revenue) priorities, so the rules do not require LEIs for the counterparties outside the 160.



Singapore OTC Derivatives Reporting (Oct. 2013)

Identifiers for reporting or counterparties

- Where the reporting party or counterparty is a significant derivatives holder (“specified person”), **to use LEI or pre-LEI if LEI is not available.**
- Where the reporting party or counterparty is not a significant derivatives holder (“specified person”), **to use LEI or pre-LEI if LEI is not available, or to use SWIFT BIC code if the reporting party or counterparty does not have any LEI or pre-LEI.**

Note: Phase 1A reporting for CDS and IRS by 19 Banks is voluntary until 2/3/14 when it becomes mandatory. The remainder of the 163 FIs registered with MAS must begin reporting by 4/1/14. Our interpretation of the reporting rules is that all 163 significant derivatives holders must have LEIs but their counterparties who are not significant derivatives holders do not have to have LEIs and their BICs can be input on reporting by the 163 FIs. The schedule for other asset classes and inclusion of other counterparties is still to be determined by MAS.

<http://www.mas.gov.sg/~media/MAS/Regulations%20and%20Financial%20Stability/Regulations%20Guidance%20and%20Licensing/Securities%20Futures%20and%20Fund%20Management/Regulations%20Guidance%20and%20Licensing/Regulations/Reporting%20Regs.pdf>



Australia OTC Derivatives Reporting (August 2013)

Reporting of counterparty information using a Legal Entity Identifier

The common data that is **required to be reported** in relation to reportable transactions and reportable positions **includes Legal Entity Identifiers (LEIs) or interim LEIs (if available)** for:

- (a) the counterparties to the transaction;
- (b) the beneficiaries to the transaction (if different to the counterparties);
- (c) the person making the report (if not the reporting counterparty);
- (d) the broker (if any) that executed the transaction; and
- (e) the clearing member (if any) that cleared the transaction: see Tables S2.1(1) and S2.2(1) of Schedule 2.

Ahead of the establishment of Local Operating Units that can issue LEIs, the ROC has agreed to establish an interim pre-LEI system for global acceptance of pre-LEIs that meet global standards. **The ROC will endorse certain pre-Local Operating Units to issue pre-LEIs. We consider a pre-LEI to be an interim entity identifier for the purposes of the derivative transaction rules (reporting).**