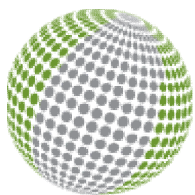


# Global Legal Entity Identifier

*Industry's Process &  
Recommendations*

*8 July 2011*



**gfma** afme / asifma  sifma 

## I. Background

The accurate and unambiguous identification of legal entities engaged in financial transactions is foundational and critically important towards the improved measurement and monitoring of systemic risk by regulators and supervisors. A global standardized Legal Entity Identifier (the "LEI") will help enable organizations to more effectively measure and manage risk, while providing substantial operational efficiencies and customer service improvements to the industry.

The need for accurate counterparty exposure measurement and good data to support such measurement has been recognized by significant international bodies such as the Financial Stability Board (the "FSB") and the G20<sup>1</sup>. More specifically, in the United States the Office of Financial Research (the "OFR") in its role to support the Financial Stability Oversight Council (the "FSOC") and FSOC's mandate to monitor systemic risk, issued a policy statement regarding its preference to adopt through rulemaking a universal standard for identifying parties to financial contracts that is established and implemented by private industry and other relevant stakeholders through a consensus process. In addition, the Commodity Futures Trading Commission<sup>2</sup> (CFTC) and Securities and Exchange Commission<sup>3</sup> (SEC) have proposed analogous proposals for a universal, global reporting standard.

The objective of a coalition of global financial services trade associations and organizations (the "Trade Associations") has been to develop an international industry group consensus on the requirements and standards for a viable, uniform and global LEI solution and to formulate a recommendation on the organizations it believes are best suited to provide that solution. These requirements and the solution provider recommendation are important first steps in the creation of a robust, global LEI solution for the accurate and unambiguous identification of legal entities engaged in financial transactions.

## II. Engaging Global Industry Participants

In response the Trade Associations came together in January 2011, to initiate the process of developing requirements for the Global LEI Solution, identify potential solution provider(s), and drive consensus among the global financial services community.

Recognizing that global cooperation will be necessary to establish an effective LEI Solution that is workable across different types of legal entities and international jurisdictions, the Trade Associations engaged financial services firms from a broad range of countries, representing many different types of industry participants from across the globe through 3 different forums, Steering Committee, Evaluation Committee, and an Industry Update Distribution List to participate in these processes. The Steering Committee included 17 members, representing 17 firms and associations. The Evaluation Committee comprised 68 members representing 23 different firms and associations. Finally, the industry update distribution list consisted of 251 members from 73 different firms and associations. Membership details for each of the groups are included in Appendix A.

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<sup>1</sup> [http://www.financialstabilityboard.org/publications/r\\_091107e.pdf](http://www.financialstabilityboard.org/publications/r_091107e.pdf)

<sup>2</sup> 17 CFR Part 45 Proposed Swap Data Recordkeeping and Reporting Requirements; Proposed Rule (75 Fed. Reg. 235, Dec. 8, 2010) CFTC proposes a universal, international standard, based on a "voluntary consensus standards body" consisting of three unique identifiers to facilitate data aggregation by regulators across counterparties, asset classes and transactions: (i) a Unique Counterparty Identifier (UCI); (ii) a Unique Swap Identifier (USI); and (iii) a Unique Product Identifier (UPI). UCIs would be mandated in all swap data recordkeeping and reporting, and require reporting all corporate affiliations into a confidential, non-public corporate affiliations reference database maintained and located as determined by the Commission. Data shall be available only to the CFTC and other financial regulators for regulatory purposes.

<sup>3</sup> 17 CFR Part 240, Proposed Regulation SBSR – Reporting and Dissemination of Security-Based Swap Information-Release No. 34-63346; File No. S7-34-10; (75 Fed. Reg. 75208, Dec. 2 2010). Section 901(d) proposes reporting Unique Identifier Code (UIC) assigned to each product or person (or branch or trading desk) of a financial institution. Participant (counterparty) ID, Broker ID, Desk ID and Trader ID of the reporting party. Unique identification codes are proposed to be assigned by or on behalf of an internationally recognized standards-setting body that imposes fees and usage restrictions "that are fair and reasonable and not unreasonably discriminatory". The SEC proposes that if no standards-setting body meets these criteria, a registered SDR shall assign UICs using its own methodology. If a standards-setting body meets these criteria but has not assigned a UIC to a particular person, unit of a person, or product, the SDR shall assign a UIC using its own methodology.

### **III. Developing Legal Entity Identifier Requirements**

On May 3, 2011 the Trade Associations released a comprehensive set of requirements for establishing the LEI system to aid global regulators and industry in monitoring systemic risk. Given the large number of organizations involved and the international scope of the effort, a formalized process was established to gather input and build consensus. The two-pronged process leveraged both in-person interviews and a weekly iterative, email and meeting-based content review and feedback cycle. This process provided all interested stakeholders (both market participants and trade associations) the opportunity to review the components of the requirements and provide feedback as they were being developed.

The weekly feedback cycle was one of the primary means by which broad-based consensus was reached. The other critical means of achieving consensus included two three-hour in-person workshops, consultations with international industry and regulatory representatives (including those based in Europe and Asia), and additional meetings with industry stakeholders around the world.

The requirements developed as part of this effort were used to conduct the Solicitation of Interest process, described below, to identify solution provider(s) with the wherewithal and capabilities to meet or exceed the documented requirements.

### **IV. Solicitation of Interest (SOI) Process**

Having developed a comprehensive set of requirements for the LEI system, the Trade Associations initiated a Solicitation of Interest (the "SOI") process with the goal of identifying one or more solution providers who, individually or collectively, could build, manage and run the LEI solution in a way that meets or exceeds the documented requirements.

The responses submitted by the providers to the SOI were assessed on the following: the Full Requirements Document<sup>4</sup>, a Prerequisite Assessment derived from the requirements document and other regulatory policy statements, specific and follow-up questions posed in the SOI document, and a final, in-person presentation.

At the onset, 21 Solution Providers expressed interest in participating in the SOI. Subsequently, approximately half submitted a formal response, with four ultimately being invited in for final presentations. Final presentations coupled with detailed response evaluation formed the basis for the final recommendations as documented below.

The Evaluation Committee, comprising 68 members from 23 firms and associations across the globe, was critical to assessing which of the Solution Providers were best-suited to deliver the global LEI solution. Members of the Evaluation Committee brought to bear their deep functional expertise and industry experience to evaluate the responses in areas such as business model, operating model, solution technology, implementation plan, governance, legal, and anti-trust and data privacy issues. This due diligence served as one of the most critical inputs in the Steering Committee's decision-making process.

The following recommendation is the culmination of several months work described above by the Trade Association group in conjunction with the Evaluation Committee. As noted, the work included the development of a comprehensive set of requirements for the LEI solution which were published on May 3, 2011 and a rigorous eight-week SOI process whereby many vendors applied for and were evaluated as potential solution providers. For additional context, please refer to "Requirements for a Global Legal Entity Identifier (LEI) Solution" and the SOI documents which can be found here: <http://www.sifma.org/Issues/Operations-and-Technology/Legal-Entity-Identifier/Resources/>.

### **V. Final Recommendations**

After careful consideration, discussion, and extensive due diligence, the Trade Association group is pleased to make the following recommendation for the LEI solution providers. These groups together form the set of organizations that possess the strong scope, scale and experience necessary to make the LEI solution successful. The Trade Association group fully expects several of the other organizations who responded to

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<sup>4</sup> Requirements for a Global Legal Entity Identifier (LEI) Solution, published May 2011, <http://www.sifma.org/Issues/Operations-and-Technology/Legal-Entity-Identifier/Resources/>

the proposal to participate in the future in complementary roles. The preliminary operating model for the solution is as illustrated in Appendix B and is subject for further discussion.

#### **Data Standards Body**

The new standard (ISO 17442) provided by the International Organization for Standardization (ISO), is recommended for use as the new, authoritative LEI standard. This standard meets the characteristics set forth by the Trade Associations; specifically, that the identifier be persistent, neutral, singular, unique, extensible, structurally fixed, reliable, and interoperable. Created through the robust ISO process, it has the foundation to become the internationally recognized data standard for the identification of legal entities.

#### **Registration Authority/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 to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance. SWIFT, as the Registration Authority, will register and assist entities with self-registration. DTCC, as Facilities Manager, will collect requests for new LEIs to be created, validate the information provided by leveraging AVOX's capabilities, maintain and store the reference data associated with each LEI, and maintain the public distribution of the LEI database.

#### **Federated Registration**

ANNA, through its network of local national numbering agencies, is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers and obligors in their home markets. The NNAs are envisioned to serve as LEI agents or "faces" 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. The engagement of ANNA in the LEI process is a critical element in managing the relationship between the LEI utility and the issuers and obligors in each NNA's home market. The participation of the NNAs in the process will improve the quality of the database and help cover an important, international segment of entities eligible for an LEI.

Given the robust process it has undertaken, the Trade Associations feel they are putting forth the group of organizations that has the best opportunity to implement the LEI operational system. Notwithstanding, the Trade Associations fully expects other market participants to become involved with the LEI solution in a complementary manner as the concept matures and is adopted globally. These partnerships will serve to extend and enhance the acceptance of the LEI as the global standard for legal entity identification.

## **VI. Next Steps**

The Trade Association Group intends to work actively with the global regulatory community as well as the above noted organizations and other parties to facilitate the appropriate implementation and adoption of the LEI solution in line with current and future legislative requirements. This includes, as a top priority, continuing regulatory conversations in order to educate, explain and implement a collaborative feedback loop. It also includes working cooperatively with these parties in defining and establishing the LEI governance structure with oversight and input from regulators. It is this governance body that will provide oversight to ensure the LEI solution is properly administered in accordance with the requirements set forth in the above-noted "Requirements" document as well as the needs of the regulatory community. Implementation of the LEI solution will rely on global cooperation among the regulators to take the next steps in moving the LEI solution forward. The Trade Associations will also be collaborating with providers to define the solution structure and design, and identify the necessary architecture, timeframes and deliverables critical to the implementation process. Finally, the group recognizes the importance of key areas like data access and data confidentiality, and therefore will be working to ensure that these needs are addressed and that data usage meets local and global regulatory requirements.

# *Appendix A*

## Participants in the LEI Process

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### **Global Steering Committee (17 members, 17 firms and associations)**

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- Association for Financial Markets in Europe (AFME)
- Bank of America
- Barclays Capital
- BNP Paribas
- Citigroup
- Credit Suisse
- Deutsche Bank
- Enterprise Data Management Council
- Fidelity
- Goldman Sachs
- JP Morgan Chase
- Morgan Stanley
- Nomura
- Royal Bank of Scotland (RBS)
- Securities Industry and Financial Markets Association (SIFMA)
- UBS
- Wells Fargo

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### **Evaluation Committee (68 members, 23 firms and associations)**

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- Bank of America
- Barclays Capital
- BlackRock
- BNP Paribas
- BNY Mellon
- Canadian Imperial Bank of Commerce (CIBC)
- Citigroup
- Credit Suisse
- Deutsche Bank
- Enterprise Data Management Council
- Fidelity
- Financial Services Round Table
- Goldman Sachs
- HSBC
- Janney Montgomery Scott
- JP Morgan Chase
- Morgan Stanley
- Nomura
- Royal Bank of Canada (RBC)
- Royal Bank of Scotland (RBS)
- State Street
- UBS
- Wells Fargo

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### **Regional Trade Group Members (In Discussion) (11 members, 11 associations)**

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- Australian Financial Markets Association (AFMA)
- L'Association Francaise des Marches Financiers (AMAFI)
- British Bankers Association (BBA)
- Bundesverband deutscher Banken (BDB)
- Bundesverband Investment und Asset Management (BVI)
- Canadian Imperial Bank of Commerce (CIBC)
- European Banking Federation (EBF)
- Investment Industry Association of Canada (IIAC)
- International Swaps and Derivatives Association (ISDA)
- Japan Securities Dealers Association (JSDA)
- Korean Financial Investment Association (KoFIA)

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**US Trade Group Members (4 members, 4 associations)**

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- Clearing House, The
- Futures Industry Association (FIA)
- Financial Services Round Table
- Investment Company Institute (ICI)

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**Final Presentation Attendees (44 members, 32 firms and associations)**

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- Australian Financial Markets Association (AFMA)
- Association for Financial Markets in Europe (AFME)
- Asia Securities Industry & Financial Markets Association (ASIFMA)
- Bank of America
- Barclays Capital
- British Bankers Association (BBA)
- Bundesverband deutscher Banken (BDB)
- BNP Paribas
- BNY Mellon
- Canadian Imperial Bank of Commerce (CIBC)
- Citigroup
- Clearing House, The
- Credit Suisse
- Deutsche Bank
- European Banking Federation (EBF)
- Enterprise Data Management Council
- Futures Industry Association (FIA)
- Fidelity
- Financial Services Round Table
- Goldman Sachs
- Investment Company Institute (ICI)
- Investment Industry Association of Canada (IIAC)
- International Swaps and Derivatives Association (ISDA)
- JP Morgan Chase
- JWG
- Japan Securities Dealers Association (JSDA)
- Morgan Stanley
- Nomura
- Royal Bank of Canada (RBC)
- Royal Bank of Scotland (RBS)
- UBS
- Wells Fargo

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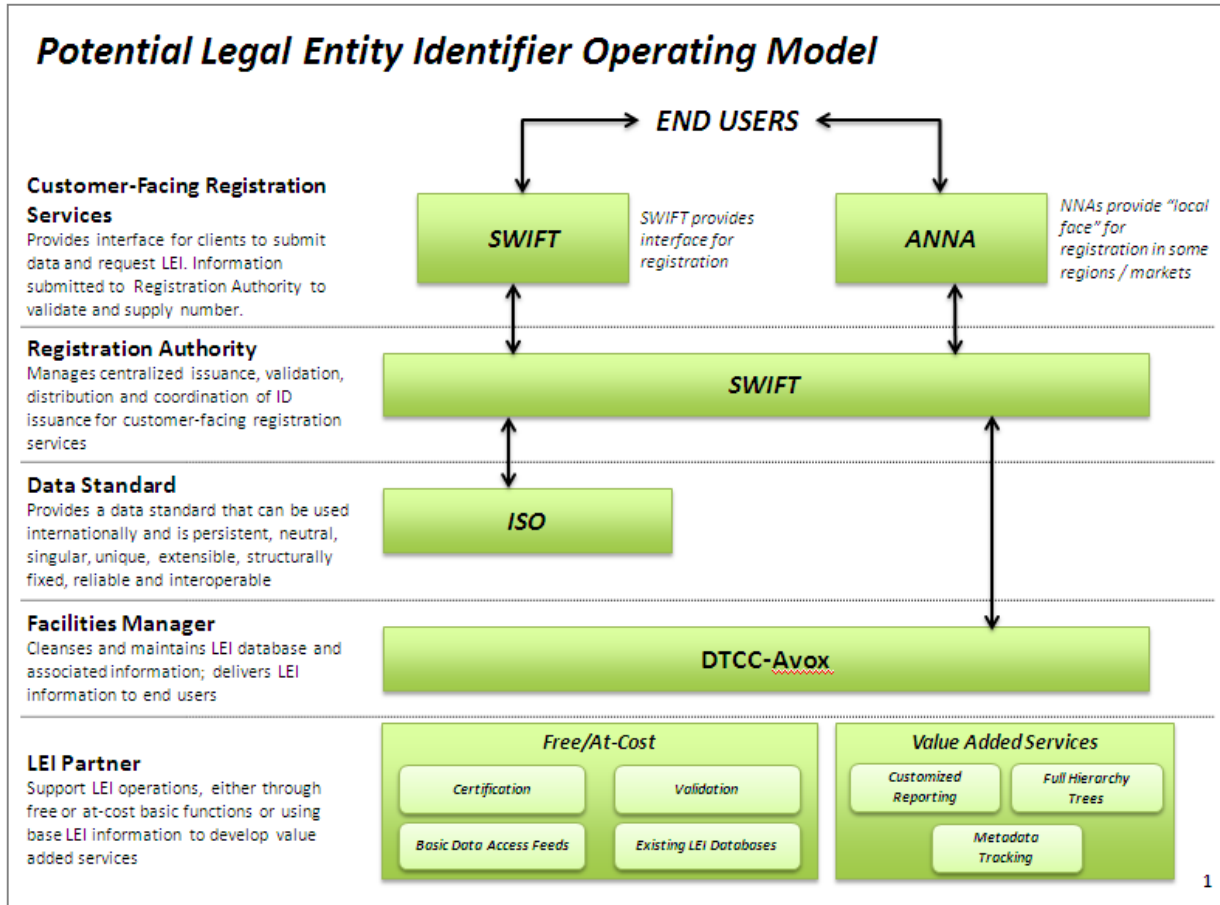
**Industry Update Distribution List (251 members, 73 firms and associations)**

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- American Council of Life Insurers (ACLI)
- Australian Financial Markets Association (AFMA)
- Association for Financial Markets in Europe (AFME)
- Alliance Bernstein
- L'Association Francaise des Marches Financiers (AMAFI)
- Asia Securities Industry & Financial Markets Association (ASIFMA)
- Bank of America
- Barclays Capital
- British Bankers Association (BBA)
- BB&T
- BlackRock
- BMO Capital Markets
- BNP Paribas
- BNY Mellon
- Bundesverband Investment und Asset Management (BVI)
- Capital One
- Commercial Brokers Association (CBA)
- Canadian Imperial Bank of Commerce (CIBC)
- Citigroup
- CME Group
- Credit Suisse
- Deutsche Bank
- European Banking Federation (EBF)
- Enterprise Data Management Council
- Edward Jones
- E\*Trade
- Federated Investments
- Futures Industry Association (FIA)
- Fidelity
- Financial Services Round Table
- GE
- GE Capital
- Goldman Sachs
- HSBC
- International Bankers Association Japan (IBA Japan)
- Investment Company Institute (ICI)
- Investment Industry Association of Canada (IIAC)
- International Swaps and Derivatives Association (ISDA)
- Janney Montgomery Scott
- Japan Securities Dealers Association (JSDA)
- Jeffries
- JP Morgan Chase
- JWG
- Key Bank
- Korean Financial Investment Association (KoFIA)
- Loomis Sayles
- Managed Funds Association
- Management Information Office for Bank of Tokyo-Mitsubishi UFJ
- Morgan Stanley
- NASDAQ
- National Futures Association
- New York Life
- Nomura
- Northern Trust
- NYSE Euronex
- Options Clearing Corporation
- Pershing
- Prudential
- R-Cube
- Royal Bank of Canada (RBC)
- Royal Bank of Scotland (RBS)
- Renaissance Technologies
- Societe Generale Group
- State Street
- The Clearing House
- The Vanguard Group
- TradeWeb
- T Rowe Price
- Taiwan Securities Association (TWSA)
- UBS
- Wellington
- Wells Fargo
- Western Asset Management

# Appendix B

## Preliminary Operating Model; Version 1<sup>5</sup>



<sup>5</sup> Please note that this is an initial draft; the operating model depicted above is likely to evolve based on the continuing dialogue with global policy makers and solution providers