

# **Global Legal Entity Identifier**

*Solicitation of Interest*

**13 May 2011**

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# I. Project Background and Goals

## 1. Project 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 counterparty exposure, 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> and Securities and Exchange Commission<sup>3</sup> have proposed analogous proposals for a universal, international reporting standard.

In response, on May 3, a coalition of global financial-services trade associations (the "Trade Associations", see Appendix "C" for a list of trade associations involved in the creation of the requirements document) comprised of financial services firms from a broad range of countries, representing many different types of financial industry participants released a comprehensive set of requirements for establishing the LEI system to aid global regulators and industry in monitoring systemic risk.

## 2. Goals

Having developed a comprehensive set of requirements for the LEI system, the Trade Associations are now looking to identify one or more solution providers who, individually or collectively, can build the LEI system capable of meeting or exceeding the expectations outlined in the requirements document, with the intent of recommending and/or endorsing the solution provider(s) to the OFR and regulators around the globe.

To facilitate the identification process, the Trade Associations are conducting this Solicitation of Interest (the "SOI") exercise under the auspices of the Global SOI Steering Committee (the "Committee") comprising representatives from across the global Financial Services Industry as well as Trade Associations. As part of this process, the Committee invites solution providers, who meet the prerequisites as detailed elsewhere in this document, to respond to the questions ("Appendix B") contained within this document by **June 3, 2011**.

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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.

## II. Solicitation of Interest Instructions

### 1. Prerequisites

Solution providers expressing interest must, individually or collectively, address the following prerequisites before their responses are reviewed and evaluated. These prerequisites are drawn from both regulatory policy statements<sup>4</sup> and the Trade Association's published requirements document<sup>5</sup>. Solution providers must submit their responses to these prerequisites as a cover sheet to the main response document, which is due on **June 3**.

<b>Category</b>	<b>Prerequisite Details</b>
<b>Business Model</b>	Must operate solution on a <i>cost recovery</i> basis and have a formally documented governance structure with balanced representation for relevant stakeholders <sup>6</sup>
	Must offer the legal entity identifier service to the public without fees for basic storage, access, cross-referencing or redistribution <sup>7</sup>
	Must be able to fund and sustain the effort on an ongoing basis <sup>8</sup>
	Must be an appropriate size entity to manage a global utility of this size including adequate personnel, technology and the capacity to issue, maintain and provide access to many millions of LEIs and their related data attributes <sup>9</sup>
<b>Governance Model</b>	Should be subject to supervision and regulation <sup>10</sup>
<b>Operating Model</b>	Should allow LEI reference data to be updated with minimal turn-around time (intraday) and market participants and regulators should be able to challenge entries and request amendments <sup>11</sup>
	Must be able to provide for LEI issuance both a self-registration model and have the capabilities to assign LEIs in cases where legal entities don't self-register with high data quality <sup>12</sup>
<b>Data Model</b>	Quality assurance should include checks for existing entities including name searches, address searches, and combinations of text strings and other characteristics <sup>13</sup>
<b>Technical Principles</b>	Security and reliability of all IT systems involved in developing, maintaining and publishing LEI reference data should meet or exceed industry standards for real-time, high availability market service <sup>14</sup>
<b>Implementation</b>	Must have experience with developing large-scale, global solution(s) elsewhere within the Financial Services industry <sup>15</sup>
	Solution provider must have experience in international markets <sup>16</sup>
	Must be able to issue, register and maintain entity identifiers within 12 months <sup>17</sup>
<b>Legal</b>	Should have legal staff with appropriate skills/background to deal with international laws, intellectual property rights issues <sup>18</sup>
<b>Internal Governance Model &amp; Compliance</b>	Processes should be adequately governed and auditable <sup>19</sup>

<sup>4</sup> OFR Policy Statement ([http://www.treasury.gov/initiatives/Documents/OFR-LEI\\_Policy\\_Statement-FINAL.PDF](http://www.treasury.gov/initiatives/Documents/OFR-LEI_Policy_Statement-FINAL.PDF))

<sup>5</sup> LEI Business Requirements Document (<http://www.sifma.org/news/news.aspx?id=25234>)

<sup>6</sup> LEI Business Requirements Document, page 11

<sup>7</sup> LEI Business Requirements Document, pages 25-26

<sup>8</sup> LEI Business Requirements Document, page 11

<sup>9</sup> LEI Business Requirements Document, pages 10-12

<sup>10</sup> LEI Business Requirements Document, pages 28-29

<sup>11</sup> LEI Business Requirements Document, pages 11-12, 25

<sup>12</sup> LEI Business Requirements Document, page 10

<sup>13</sup> LEI Business Requirements Document, page 10

<sup>14</sup> OFR Policy Statement, page 8; LEI Business Requirements Document, page 10

<sup>15</sup> OFR Policy Statement, page 7; LEI Business Requirements Document, pages 15-16

<sup>16</sup> LEI Business Requirements Document, page 9

<sup>17</sup> LEI Business Requirements Document, page 12

<sup>18</sup> LEI Business Requirements Document, page 11

<sup>19</sup> OFR Policy Statement, page 8; LEI Business Requirements Document, page 11

## 2. *Response Evaluation Criteria*

Response evaluation is within the sole discretion of the Committee. These evaluations will be based on all elements of each response. Each response will be assessed for completeness and responsiveness. Incomplete sections will greatly impact evaluations. To reiterate, the goal of this exercise is to identify one or more solution provider(s) that have the ability to meet and exceed the expectations as set forth in the Trade Association’s business requirements document<sup>20</sup> published on May 3, 2011.

Refer **Appendix “B”** for specific questions that each solution provider must respond to in their submission.

## 3. *Terms and Conditions*

Your company, by submitting this response, represents that it has read and completely understands the SOI. The Committee reserves the right to reject any and all submissions and to waive any informality in any submission document. The Committee reserves the right to accept the submission, which in our collective opinion, appears to have the most advantages from an overall LEI solution perspective. The Committee also reserves the right to negotiate terms presented in any submission.

The Committee, will not reimburse the solution provider for any preparation costs or other work performed in connection with this submission. The Committee reserves the right to amend, modify, or cancel the SOI process at any time. If the Committee amends or modifies the SOI process, it will be in writing.

## 4. *Submission Format*

The Committee encourages each potential solution provider to submit innovative and creative recommendations to meet the needs outlined in the Trade Association’s business requirements document. As experts in your respective industry, with great numbers of solutions, you should have a large base of “best practice” alternatives.

Responses will be accepted in electronic format. Responses should include answers to the questions contained within this Solicitation of Interest document. Additional presentation materials outlining the approach you are proposing, examples of similar projects and other related materials will also be accepted and should be submitted with together with your response in electronic format.

## 5. *Questions*

All questions pertaining to this SOI must be submitted in electronic format. The Committee reserves the right to share such questions and their respective answers publicly without disclosing the originator(s).

There will be two opportunities for interested parties to submit questions and clarify their understanding of either the SOI or the requirements document. Questions will be consolidated, , and answered by The Committee and published online for public viewing. Please direct all questions via email to [LEITeam@SIFMA.org](mailto:LEITeam@SIFMA.org)

All questions are due at **5 PM EST** on their respective days, and all responses will be published on the SIFMA website (<http://www.sifma.org>) by **5 PM EST** on the post dates.

	<b><u>Question(s) Due Date</u></b>	<b><u>Response Post Date</u></b>
<b>Q&amp; A #1</b>	Thursday, May 19th	Tuesday, May 24th
<b>Q&amp;A #2</b>	Thursday, May 26th	Tuesday, May 31st

## 6. *Anticipated Schedule*

The initial timeline of this SOI process is outlined below to assist you in planning your potential next steps. Not all respondents will participate in the entire process. The Committee reserves the right to alter this plan without cause or notice.

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<sup>20</sup> LEI Business Requirements Document (<http://www.sifma.org/news/news.aspx?id=25234>)

<b><u>Milestone</u></b>	<b><u>Target Date</u></b>
Publish Solicitation of Interest	<b>5/13</b>
Intend to Respond Due	<b>5/18</b>
Questions for Q&A #1 Due (5 PM EST)	<b>5/19</b>
Responses for Q&A #1 Published (5 PM EST)	<b>5/24</b>
Questions for Q&A #2 Due (5 PM EST)	<b>5/26</b>
Responses for Q&A #2 Published (5 PM EST)	<b>5/31</b>
Submissions Due	<b>6/3</b>
Potential Solution Providers Invited for Presentations	<b>6/17</b>
Solution Provider(s) Recommendations Published	<b>7/8</b>

**7. Notification of Intend to Respond**

The enclosed Notification of Intend to Respond (**Appendix “A”**) is due by **Wednesday, May, 18, 2011**. Please complete this document indicating your intent to respond to this SOI via e-mail to [LEITeam@SIFMA.org](mailto:LEITeam@SIFMA.org)

**8. Submission Deadline**

Your complete response to this SOI is due by **5:00 P.M EST, June 3, 2011**. Show your company’s response after each question, in the same sequence as provided. Please make sure all sections and page numbers are visible to enhance communication for questions, etc. Send your electronic responses to [LEITeam@SIFMA.org](mailto:LEITeam@SIFMA.org)

### **III. Solution Provider Profile**

#### **1. Company History**

1. Include specific past experiences and current performances that would directly apply to the goals and objectives of this SOI.

#### **2. Organization**

1. Include names and titles of all key-operating personnel. Include name and related business related experience of each officer, director, general partner, stockholder, or limited partners holding more than 5% interest in the company.
2. Please disclose whether any of these individuals have been convicted of any crimes involving dishonesty or have filed bankruptcy in the past.

#### **3. Account Management Structure**

1. Provide an organizational chart of those individuals critical to the success of this potential agreement within your organization beginning with your Chairman and/or COO.

#### **4. References**

All references should include company name, address, telephone, and contact name.

1. Provide three major account references that closely parallel the requirements published by the Trade Associations. Include services provided and annual billings.
2. Provide three major account references that you have not retained. Include services provided, annual billings, and their reason for departure.

#### **5. Strategic Alliances**

1. List in your response all strategic alliances you plan to use and in what capacity, if your company is endorsed as one of the solution provider for the LEI effort.

#### **6. Legal Actions**

1. Provide information concerning any pending lawsuits or regulatory proceedings, disciplinary actions, sanctions, license suspensions or revocations, etc or any potential conflicts of interest.
2. Provide information concerning all judgments against your company in the past two years. Provide information concerning material judgments against your company in the past five years.

# ***Appendix "A"***

## **Notification of Intend to Respond**

To: [LEITeam@SIFMA.ORG](mailto:LEITeam@SIFMA.ORG)

We hereby acknowledge that our company plans to respond to the Solicitation of Interest, published on May 13, 2011. The point of contact for our firm will be:

<b>Company Name</b>	
<b>Name/Title</b>	
<b>Phone Number</b>	
<b>E-mail Address</b>	
<b>Signature/Date</b>	



# ***Appendix "B"***

## **Solution Provider Questions List**

The “Requirements for a Global Legal Entity Identifier (LEI) Solution”, published May 3, forms the basis for the questions listed below. With those requirements as the backdrop, please answer the questions below, ensuring that your responses address all components covered in the business requirements document.

### **Executive Summary**

1. Please indicate the capacity in which you are responding to this SOI, i.e., international standards body, issuing authority, facilities manager, or a combination of one or more of the aforementioned.
2. Provide an executive summary of your proposed solution, highlighting aspects where you believe you bring in extraordinary capabilities and value that would differentiate your organization in a global implementation.

### **Data Standards/Model**

1. Describe the data standards you would develop to support this effort. Include details around your data model including attributes, metadata, etc.? How will you ensure that this is extensible in the future?
2. Describe your capabilities around hierarchy maintenance including processing of changes. Would your model be able to accommodate and maintain several layers of hierarchy information?
3. Explain how the proposed data standards will adhere to the principles detailed in the business requirements document. Besides the aforementioned principles, what other principles would you recommend when developing the data standards?
4. How will you ensure that the developed data standards are globally accepted and comply with local regulations?
5. Describe the likely scenarios and processes to refine, and/or update the proposed data standards?

### **Operating Model**

1. Describe in detail your proposed operating model including but not limited to registration, maintenance, verification, distribution, access, etc.
2. What processes will you implement to ensure high quality of data both at the onset and subsequently at steady state? What checks and balances do you intend to employ to ensure that these quality assurance processes are adequately robust?
3. What avenue (s) will be available to the users of the proposed LEI solution to challenge and remedy data accuracy issues? How will you ensure the transparency of the challenge/remedy process?
4. What processes will you implement to periodically verify, and update the LEI data while maintaining an audit trail? How will the process be initiated, coordinated and driven?
5. Describe the SLAs you intend to implement as part of the proposed LEI solution. Further, specify how the relevant metrics (around process, volume, accessibility, availability, etc.) will be captured, measured, and published on an ongoing basis.

## **Business Model**

1. Describe in detail your business model with a specific focus on how you plan to fund and sustain the effort? Cost for basic registration services must be kept very low. What is your estimate of the cost for basic registration and maintenance?
2. Provide details around your proposed fee structure and how you plan to account for usage, complexity, etc.
3. Describe the information and services to which you will provide free access. Provide details on how you plan on keeping the information/services free
4. Provide details on your ability to accommodate requests for customized services within your proposed LEI solution.
5. Why do you believe your operating model would deliver the most cost effective solution?

## **Risk**

1. Describe in detail your approach to business continuity planning and the measures you would adopt to ensure business continuity.
2. Describe approach to prevent fraudulent LEIs from being issued.

## **Legal & Compliance**

1. How would your solution support regional conventions and regulations and provide local certification while being a global solution?

## **Governance**

1. Describe your internal governance structure and how it ensures all aspects of the LEI solution will be properly administered.
2. Describe whether there are any constraints on your organization(s) being overseen by a broad-based governance body comprised of members from industry and the regulatory community.

## **Information Security**

1. Describe in detail your proposed steps to safeguard the privacy of the information stored within LEI systems while adhering to regulatory mandate.
2. What processes will you put in place to contain and manage a potential security breach?

## **Solution Technology**

1. Describe in detail your proposed solution technology including security (including access controls), business continuity, network, hardware, databases, interfaces (web-based, messaging, protocols and formats), and programming languages and packages used (e.g. J2EE).
2. Describe your technology lifecycle management processes and capabilities, including but not limited to development, QA, release management, database schema changes, and bug fixes.
3. While documenting your solution, elaborate, as appropriate, how the solution will comply with the technical principles listed in the document.
4. How would you ensure that the technology solution described herein will be able to handle the volume, update frequency and speed required as the solution is adopted on a global basis?

## **Implementation Plan & Roadmap**

1. Layout the project plan highlighting the phasing strategy, various implementation phases, milestones, and deliverables. Describe how you will adhere to the best practices related to implementing a solution of this scale.
2. Provide details around your proposed team structure and implementation governance model including communication, and escalation channels. Include recent bios for personnel proposed for initial phases of work.
3. Describe how you will implement this solution to ensure that issuing and registration processes can begin within 12 months.

## **Resourcing**

1. Describe the number, skills, and experience of the staff you have or will retain to deliver the LEI solution. Be sure to provide details for each functional category, i.e., data, operations, technology, legal, compliance, risk, intellectual property rights, information security, and solution implementation.

## **Appendix "C"**

### **Trade Associations**

<b>Co-Signing Trade Associations (13)</b>	<b>Associations in Discussion (8)</b>
Association for Financial Markets in Europe (AFME)	Australian Financial Markets Association (AFMA)
Asia Securities Industry & Financial Markets Association (ASIFMA)	Japan Securities Dealers Association (JSDA)
British Bankers Association (BBA)	Korea Financial Investment Association (KoFIA)
Customer Data Management Group	International Bankers Association of Japan (IBAJ)
EDM Council	Taiwan Securities Association (TWSA)
The Financial Services Roundtable	Financial Information Services Division (FISD)
Futures Industry Association	Investment Industry Association of Canada (IIAC)
Global Financial Markets Association (GFMA)	Managed Funds Association (MFA)
Global Regulatory Identifier Steering Group (GRIS)	
International Swaps and Derivatives Association, Inc. (ISDA)	
Investment Company Institute (ICI)	
Securities Industry and Financial Markets Association (SIFMA)	
The Clearing House Association	