

Solicitation of Interest Q&A

Responses to Questions Round 1

1. As part of the SOI process, will the committee publish information related to the following?

- 1) Identity of providers expressing interest**
- 2) Questions/answers**
- 3) Solution provider submissions**

Will the committee also publish information on its membership and representation?

A: We will make available the following information as part of the SOI process. However, note that not all information will be made available immediately.

- 1.) Identity of provider expressing interest (disclosed after completion of the entire selection process)*
- 2) A consolidated list of questions and their corresponding answers (first set published 5/24; second set published 5/31)*
- 3) Solution provider submissions will not be disclosed. However, a list of organizations and trade associations involved during the course of provider identification will be disclosed upon the completion of the process, so as to preserve the integrity of the process.*

2. Will the successful solution provider be able to offer the LEI service as part one of their offerings, either on its own or combined with existing services?

A: Successful solution provider(s) will be able to offer the LEI service as part of their offerings. However, this service must be offered to the public without fees for basic storage, access, cross-referencing or redistribution (Requirements Document, Section 9, Page 32). Value-added services based on the publicly available database can be freely developed and commercialized, assuming that these services are unbundled (i.e., separate from) and voluntary (i.e., not required to access and use LEI information).

3. Please describe in more detail the SOI evaluation process and the criteria that will be applied to assess solution providers.

A: The criteria for assessing completeness and responsiveness include the "requirements" set forth in the LEI Requirements document and the "prerequisites" set forth in the LEI Solicitation of Interest (SOI, Section II, Prerequisites, Page 4). These criteria are based on the principles established by the regulators in their policy statements, as well as by the requirements developed by the industry representatives and trade associations described in the requirements document.

4. How will the Committee assess a submission on its LEI certification process?

A: The criteria for assessing the annual certification process have been set forth in the LEI Requirements Document (Requirements Document, Section 7.2, Page 25). We are open to recommendations from the solution provider as to the optimal process for performing this certification in accordance with the Requirements Document and expect that this process will be detailed in the solution provider's submission.

5. What are the criteria by which the Committee will assess whether a submission meets the requirements for "self-registration"?

A: The assessment criteria for the self-registration process include the requirements set forth in the LEI Requirements Document (Requirements Document, Section 7.1, Page 24) and the "prerequisites" set forth in the LEI Solicitation of Interest (SOI, Section 1, Page 4).

6. Will corporations, as issuers and participants in financial markets, and global auditing firms, who are interested in the precise legal entity structures for their materiality attestation function, play a role in the evaluation process?

A: The process participation has been wide-ranging with global industry participants. To date, 43 participating firms and 16 trade associations have been involved in developing the requirements and refining the process. All participants have strived to make the process as transparent and inclusive as possible by including members from all regions and industries. All stakeholders agree that the atmosphere of inclusivity and openness will be carried forward as we move towards identifying one or more solution provider(s).

7. If the committee ultimately recommends or endorses one of the proposed solutions, what will the process be to obtain consensus among the Committee decision-makers for this choice? If there is not unanimity, how will this be reported? What will be reported regarding the reasons for the final decision of the committee?

A: The group is not requiring a unanimous vote on the recommendation, but rather broad consensus from the group that established the initial requirements document. The group that developed the initial requirements document includes "representation from trade associations and financial services firms from a broad range of countries, representing many different types of financial industry participants" (LEI Solution Cover Letter, Page 1).

8. In our reading of the Requirements for a global Legal Entity Identifier (LEI) solution published on the SIFMA website (Requirements for a Global Legal Entity Identifier (LEI) Solution - May 2011), it appears that requirements for reference data (minimum data attributes) associated with LEIs for regulatory purposes are defined, but not the requirements for the structure and allocation of the LEI identifiers themselves. Is this a correct interpretation? Does the Committee or coalition of trade associations intend to define the requirements of the LEI identifiers themselves? If yes, when? If not, why not?

A: It is our expectation that the solution provider will draw on best practices and experience to define requirements and standards related to structure and allocation as part of their submission. For greater details on attribute definitions, metadata definitions and registration/distribution please refer the requirements document. (Requirements Document, Section 6.1, 6.2 & 6.3, Pages 21-22 and Section 7.1 & 7.3, Pages 24-25).

9. The Committee has not commented whether the LEI needs to have an extension of reference data beyond the minimum data attributes, so that it can be further used for financial institution business applications. What is the Committee's point of view on this?

A: At present, we are only requiring the elements included in the requirements document (Requirements Document, Section 6.2, Page 20). Additional items may be added in the future as demand presents itself; however, all additional elements are subject to the oversight and the approval of the LEI Governance Body.

10. Beyond the LEI as requested by the OFR are two other definitions of unique, unambiguous and universal identifiers required by the US government. These are the Unique Counterparty Identifier (UCI) defined by the CFTC, and the Unique Identifier Code (UIC) defined by the SEC. The OFR, CFTC and SEC have stated their interest in satisfying all three required identifiers within a single construct. How does this SOI relate to the UCI and UIC?

A: We highly recommend that the LEI be used to satisfy the identifier requirements from the CFTC and the SEC. We promote a single, industry-wide LEI standard supported by all regulators globally. For further discussion, please see the "Critical Dependencies" section of the Requirements Document (Requirements Document, Section 4, Page 14).

11. Please comment on the usage of the term "LEI System" in the SOI document and whether the committee envisions the eventual solution to be a centralized OR a federated/distributed model.

A: We are committed to developing a solution that meets or exceeds the requirements detailed in the Requirements Document. To that end, we are open to both centralized and distributed/federated models as long as the model operates off a standardized LEI format with the required data attributes as outlined in the Requirements Document (Requirements Document, Section 6.2, Page 20)

12. "Fraud: Legal entity knowingly misrepresents its LE information." and "Errors: Legal entity knowingly misrepresents its LE information." (Section 7.5, Page 26). Is there a requirement for the LEI Solution provider to review and certify each submission prior to the entity being incorporated within the LEI solution (or at least for the entity to be appropriately flagged as

“Unverified”), or is the requirement merely that a series of systematic data checks and random manual spot checks on data quality sufficient to safeguard the data integrity of the LEI solution?

A: *There are four main points in the end-to-end LEI Solution process that will allow for the LEI Solution provider to review and certify each submission to ensure data quality -- initial registration, corporate actions (when legal entity information changes), annual certification process and continual data quality assurance. Although "the legal entity itself has the ultimate responsibility for maintaining the accuracy of the data associated with its LEI" (Requirements Document, Section 7.2, Page 25) it is our expectation that the solution provider will propose and adopt necessary processes and support to verify information at all four of the above stages. Additional information on each of those stages are available in the Requirements Document in Section 7.1-7.5, Pages 24-26 respectively.*

13. With regards to requirement for consumers to be able to raise a “Request for Review”, this provision may give rise to potential malicious or erroneous “Request for Review” submissions. (Section 7.4, Page 26). In order to reduce the occurrence of such would there be a requirement to provide an anonymised history of all previous challenges and responses/supporting documentation is of value?

A: *We expect the solution providers to include in their response, decisions and the processes to react to these types of situations.*

14. Please clarify “During an extended.....and an alternative mechanism for assigning LEIs to entities that are not required to have an LEI and choose not to self-register. If an entity is not required to have an LEI, then why would the Solution provider assign one? (Section 7.1, Page 24)

A: *While a legal entity may not have a regulatory requirement to register for an LEI, the counterparties that it interacts with that do have regulatory reporting requirements may need to report transactions and/or to regulators with information about all parties to the trades. Thus, there will be a need for the assignment process for entities that themselves are not required to get an LEI if they are participating in certain financial markets. Per the Solicitation of Interest, "[Solution Providers] must be able to provide LEI issuance for 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" (SOI, Section II, Prerequisites, Page 4).*

15. How will the varying global regulatory bodies such as CFTC, OFR and SEC be harmonized?

A: *In case of discrepancies, the regulators will collaborate among themselves and with the industry participants through normal regulatory channels to develop consensus.*

16. “The data model will require metadata (including audit data), and should include, but not be limited to, the following classes: Certification data (e.g., date of last certification; name of certifier)” (Section 6.3, Page 21). Would the individual responsible for the submission or certification of an entity be required to be of a certain rank or responsibility within the organization and furthermore would they be required to provide full contact details at the point of submission?

A: *The process of data quality assurance should be articulated in the solution provider's submission. We are open to recommendations and will assess the processes the provider intends to utilize in order to ensure the submission/registration process is robust and allows for the highest level of data quality.*

17. “The data model will require metadata (including audit data), and should include, but not be limited to, the following classes: Certification data (e.g., date of last certification; name of certifier)” (Section 6.3, Page 21).

Is there a requirement for an entity to submit limited, publically available documentation as part of the registration and validation process? As a proposal before an LEI submission or update is processed 2 forms of official documentation (from wide ranging list of possible documents -

dated within the past 3 months) is provided to the LEI Solution provider. Such document provision may assist greatly in ensuring accuracy whilst potentially preventing Duplication, Fraud, Errors, "Take Down" Attacks or "Spoofing" Attacks.

A: Please see response to #16

18. **"The initial data model should require the following attributes: - Exact legal name" (Section 6.2, Page 20).**

a.) Particularly in non-US jurisdictions an entity may have multiple legal names; e.g. Nestle S.A. which has legally valid alternate names of Nestle AG and Nestle Ltd. In such scenarios is there an agreed best practice?

b.) In relation to the above where an entity's "Exact Legal Name" is not in an accepted latin-english format should this be translated and the original format of the name be stored and defined as a legally valid alternate name?

A: As stated in the requirements document, we expect the solution provider to develop a data model that is "based on internationally recognized standards and meets provisions required for international usage, including, but not limited to, address provisions (e.g., two address lines are not sufficient, postal codes frequently exceed 5 character); translation provision; and international standards (e.g., ISO Country Codes, Unicode standards). As the solution is implemented across global jurisdiction, the data model "should provide for the different requirements around international character sets" (Requirements Document, Section 6.2, Page 21).

Specifically, please address your approach as part of your response to questions within the "Data Standards/Model" category (SOI, Appendix B, "Data Standards/Model" Section, Question 2).

19. **"The initial data model should require the following attributes: - Exact legal name" (Section 6.2, Page 20).** In relation to the above where an entity's "Exact Legal Name" is not in an accepted latin-english format should this be translated and the original format of the name be stored and defined as a legally valid alternate name?

A: Please see response to #18

20. **"The LEI must allow for growth in the volume of identifiers without having to reuse numbers or change the structure." (Section 6.1, Page 19).** What is the approximate number of entities envisaged to be captured within the LEI database; 2, 5, 10 million?

A: Estimates put forward by the Linchpin Group in their LEI Report "indicate that within the United States, this universe would total between 500,000 and 2,000,000 entities" (Creating a Linchpin for Financial Data: The Need for a Legal Entity Identifier, Page 10). However, it is important to note that the proposed LEI solution must be built on the principles of extensibility to provide for the growth of the identifier as its usage expands.

21. **"The LEI should follow a legal entity through its life regardless of corporate actions or other business or structural changes." (Section 6.1, Page 19).** Is there a requirement for a brief text-based event description or code to be utilized upon update e.g. "Update due to Name Change", "Update due to relocation of Corporate Headquarters" thus providing a level of audit history/traceability?

A: Several characteristics of the LEI are ideal for the identifier to be useful to a large audience. The proposed data model includes metadata which supports auditing and database maintenance. The requirements document outlines minimum metadata classes, but is not limited to them. "Initially, the key guiding principle as to the scope of the data model is that it should include the minimum number of data elements required to assure the "uniqueness" of each legal entity. The greater the number of data elements, the increased likelihood that there will be errors and delays in the application process, as well as for errors caused by a failure to update" (Requirements Document, Section 6.2, Page 21).

However, we are open to solutions that may capture these additional event descriptors, provided they have clear and concise definitions for each. For further information, please see section the Requirements Document (Requirements Document, Section 6.3, Page 21).

22. "The LEI should follow a legal entity through its life regardless of corporate actions or other business or structural changes." (Section 6.1, Page 19). Is there a requirement to capture additional data on significant events such bankruptcy or insolvency e.g. Event Date, Event Type, Emergence from Bankruptcy?

A: Please see response to #21

23. The requirements document states on Page 33 "Value-added services based on the publically available database can be freely developed and commercialized by third parties, assuming these services are unbundled (i.e., separate from) and voluntary (i.e., not required to access and use LEI information). " To clarify, this would seem to indicate that any company, not just the LEI provider, could develop and market for-profit services. To the extent such companies need access to data other than from the free internet-based site, would the LEI provider be able to participate (partner) with these 3rd parties and/or charge a premium for providing such access?

A: Firms and 3rd party vendors are free to use the data however they see fit as the data itself does not have restrictions on reuse or redistribution. However, if firms or vendors receive data through services beyond what is considered "basic", then premium pricing is possible. Such potential future requests for data would be subject to consideration and approval by the LEI Governance Body. Per the requirements document, "Given expected varying levels of consumption, the LEI Governance Committee also requires the ability to approve a reasonable fee structure for consumers requiring services beyond the free interface to cover the costs of such services. Such a fee structure will be established to ensure the basic annual fee is kept to the lowest amount possible for LEI registrants that have limited financial market activity and have little or no need of services beyond obtaining an LEI...the LEI Governance Committee shall conduct an independent study or engage appropriate experts to confirm that a fixed or other fee structure is feasible and sustainable to cover the LEI costs" (Requirements Document, Section 9.2, Page 32).

24. What is the expectation of how quickly the LEI Service provider can recover the startup expenses of developing a LEI solution?

A: We expect that the solution provider will make this assessment as the time to recover startup costs will vary by proposed solution.

25. Given local government data privacy issues and local data access issues does the data center need to be in known multiple locations, or in a specific geographic region?

A: There are no specific location requirements as long as "the physical location of the LEI database, as well as the access rights to the information contained within it, must consider and comply with local regulations relating to data privacy and data access issues" (Requirements Document, Section 8.2, Page 30). We thus expect the solution providers to leverage their considerable international experience and accepted best practices to develop possible options and submit as part of this response.

26. The Committee has not commented about LEI operational implementation. Will it, and when? If not, why not?

A: Implementation dates will be determined by regulatory reporting requirements as they are developed and finalized by the regulatory community around the globe. However, per the Solicitation of Interest, general expectation for issuing includes solution provider being "able to issue, register and maintain entity identifiers within 12 months" (Requirements Document, Section 1, Page 4).

27. How many languages are required for the support of this service? Please provide the list, if it is defined.

A: *We are advocating the creation of a global LEI solution, and having multiple language functionality and the ability to use multiple character sets as necessary has been identified as critical for international viability. However, no list of languages has been defined- the languages required may expand through phased global roll-out.*

28. The SOI states the Committee's intent of "recommending and/or endorsing the solution provider(s) to the OFR and regulators around the globe". Has the OFR, SEC, CFTC, or any other regulator in the U.S. or around the globe given the Committee a specific role in the regular decision-making process? If so, please explain.

A: *The regulatory community has expressed its desire for the industry to identify such a solution through a consensus process; the Treasury has laid out this recommendation in its initial policy statement on the issue. Per the Treasury OFR policy, "To support the Council in identifying connections among market participants and monitoring systemic risk, the Office intends to standardize how parties to financial contracts are identified in the data it collects on behalf of the Council. The Office is issuing a statement of policy 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" (OFR Statement on Legal Entity Identification for Financial Contracts, Page 1). Our process is designed to deliver that recommendation to the regulatory community.*

29. Can you develop further the responsibilities of the LEI Solution Provider with regards to working with global regulators and the LEI GC to fully require and enforce self-registration?

A: *It will be the responsibility of the regulators, the LEI Governance Body and the financial firms themselves to enforce the use of the LEI as described in the Requirements document. "The success of the LEI solution expressly depends upon the coordination and next steps of the regulatory community as well as members of the global financial services industry...The success of the LEI Solution relies on regulators from every part of the world requiring the use of the same LEI standard in their rulemaking and reporting requirements...The consistent adoption and use of the new LEI standard will require the support of the regulators through their existing oversight and enforcement mandates" (Requirements Document, Section 4, Page 14).*

30. The LEI Solution provider should take reasonable steps to ensure corporate actions are proactively monitored and maintained." (Section 7.2, Page 25). Where an entity has been found not to have updated the LEI Solution provider with the required data is there an agreed escalation process by which an errors or omissions can be addressed, particularly in circumstances where the filing entity is unwilling or unable to provide revised data?

A: *Please see response to #16*

31. "The LEI Solution provider should take reasonable steps to ensure corporate actions are proactively monitored and maintained." (Section 7.2, Page 25). Are there penalties envisioned for entities that do not report within the 24-hr window and what authority or organization is responsible?

A: *Specific details around the amount and frequency of the penalties involved have not yet been defined. However, it is assumed at this time that regulators will be expected to enforce and levy the penalty system. The requirements document states that "the legal entity must update the relevant information in the LEI database....however, the legal entity can populate the data change prior to the effective date using the "as will be" versioning functionality" (Requirements Document, Section 7.2, Page 25). For*

additional information, please see the "Compliance" section of the Trade Associations' Requirements Document (Requirements Document, Section 11, Page 35).

32. **Please clarify the enforcement agency responsible to insure the following “Issuer and Reference Entity registration should take place as part of the underwriting process”. (Section 7.1, Page 24)**
- A: *Agencies involved and with responsibility for enforcement will evolve as the mandate to use LEIs expands through phased implementation. For a further discussion, please see the "Critical Dependencies" section of the Requirements Document (Requirements Document, Section 4, Page 14). The requirements document states (Requirements Document, Section 7.1, Page 24) that "The LEI Solution Provider over time shall work with the global regulators and the LEI governance committee to fully enforce self-registration".*