

**Trade Association Group
Global Legal Identifier Solution
FAQs**

General Facts

Q: Who is developing the LEI solution?

A: The LEI solution is being developed by a broad group of firms and Trade Associations from around the globe (The Trade Associations). The Trade Associations, through a governance structure which was established, have engaged global and regional market participants, as well the regulatory community, to ensure views, practices and concerns are understood and considered.

Q: Is the LEI Trade Association Group a formal financial industry trade association or other organization?

A: The LEI Trade Association Group represents a group of firms and financial industry trade associations that came together to work on the development of a global and uniform legal entity identifier. The LEI Trade Association Group is not a formal organization and its scope has remained limited to making a recommendation for an LEI solution and advocating for its adoption and implementation globally. The coordination of the Group and its ongoing efforts have been significantly supported by the Global Financial Markets Association (ASIFMA/AFME/SIFMA, collectively known as GFMA).

Q: Who would use an LEI Solution?

A: The LEI solution would be used by both firms and regulators to facilitate better counterparty and systemic risk management as well as regulatory reporting. The Trade Associations intends to work with actively with the global regulatory community to facilitate the appropriate implementation 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.

Additionally, it is anticipated that firms within the marketplace will utilize the LEI solution to improve the data quality of their reference data, and to gain significant operational efficiencies in the management of legal entity data.

Q: When was the LEI Solution developed?

A: On July 11, 2011 the Trade Associations issued a public statement to the regulators around the globe recommending the organizations the financial services industry believes are best suited for the purpose of providing the LEI solution. This included recommending the standards body, issuing authority and database/facilities managers. The recommendation is the culmination of several months of work by the Trade Associations and GFMA as a first step in developing a global industry consensus on the requirements and standards for a viable, uniform and global LEI solution.

Q: How will the LEI Solution work? Who is responsible for overseeing and collecting data?

A: In summary, the Trade Associations recommended:

- Standards body – The International Organization for Standardization, i.e., ISO's new standard, ISO 17442, is recommended for use as the new, authoritative legal entity identification standard.

- Core Issuing and 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 as key partners to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance.
- Federated Registration – ANNA, through its network of local national numbering agencies (NNAs), is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers, obligors, and other relevant parties in their home markets. The NNAs are envisioned to serve as the “face” 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.

Q: What role can other organizations play in the LEI data collection process?

A: The Trade Associations expect several of the other organizations who responded to the proposal to participate in complementary roles, for example, linking the LEI to other data elements they collect in their commercial processes and offering enhanced products to their existing customers, as well as providing existing information to help to pre-populate the industry utility.

Q: What type of data is included in the collection process?

A: As specified in the Trade Associations’ Requirements document (<http://www.sifma.org/LEI-Industry-Requirements/>), the LEI database will only house a dozen or so data elements that serve to describe attributes about the entity (e.g., legal name, address). The LEI database will not house any transaction or position information. Information about transactions and positions will be collected by regulators and will be subject to the confidentiality constraints all regulatory reporting is subject to today.

Q: Where will the database be located?

A: The future location of the database will be determined by service providers in consultation with the soon to be established LEI Governance Board. Given that the members of the board are intended to represent all regions of the world and a mix of market participants including regulators, that ultimate location will reflect international perspectives on data access and security. There may also be multiple locations of databases in line with best practices on resiliency and business continuity planning.

Q: How much will the LEI cost?

A: The Trade Associations’ recommended solution providers will adhere to the principles set forth in the Requirements document (<http://www.sifma.org/LEI-Industry-Requirements/>) that the solution provider operate on a cost recovery basis, and that the LEI data be freely available to all. The LEI Governance Board will approve the LEI fee structures and funding models and ensure the LEI Solution is operating on a cost recovery basis.

Q: Will this LEI system also meet the need for other proposed regulatory identifiers, such as the UCI (Unique Counterparty Identifier)?

A: The Trade Associations promote a single, industry-wide LEI standard supported by all regulators globally and strongly encourage that the LEI solution put forth be adopted for use as the UCI in the CFTC’s proposed rulemaking.

Q: Converting the name of the client from text to a code does not negate the need to address client confidentiality and in-house non-disclosure agreements. What steps are going to be taken to address this?

A: The LEI solution does not change any of these things. Firms will need to keep client information confidential. Similarly, regulators will need to keep reported transaction and position information confidential. The LEI itself is a set of random numbers that does not disclose any information about a company. The related data attributes are public information about the existence of an organization, and do not disclose any information about its participation in a marketplace. Applicable local privacy laws will need to be adhered to, as they are today.

Governance

Q: How will the LEI Solution be governed?

A: The LEI Governance Framework is a key critical success factor to the legitimacy and adoption of a uniform and global LEI standard. The framework must properly represent and balance the interests of market participants, policymakers, and regulators, as well as be sensitive to financial market and geographic considerations. It is critical that the governance framework be executed through a formal agreement between the LEI Governance Board and the LEI solution provider(s).

The LEI Governance Board shall be responsible for leading the interests and ensuring the overall success of the LEI Solution. The Board would have oversight of all the activities of the LEI Solution Provider(s) including the issuance of the LEI, the management and distribution of the data, and any additional potential services that the Solution Provider would endeavor to deliver.

Benefits

Q: Who benefits from an LEI Solution?

A: The Legal Entity Identifier (LEI) Solution, once implemented, will be a valuable tool for the identification of legal entities that will be *available* for use by regulators and firms *around the globe*. The accurate and unambiguous identification of legal entities is foundational and critically important to all firms and regulators who need to manage systemic, transactional and credit risk. Additionally, as noted in General Facts, it is anticipated that firms within the marketplace will utilize the LEI solution to improve the data quality of their reference data, and to gain significant operational efficiencies in the management of legal entity data.

Q: How does the Solution help regulators?

A: Regulators would benefit in having a consistent entity identifier that would allow them to look at transaction participants across product categories (including counterparties to derivatives transactions) to aggregate and understand existing and emerging risks better. It would also allow regulatory groups to share information about legal entities more easily and unambiguously across their organizations.

LEI Implementation and Timing

Q: When will an LEI solution be adopted?

A: The recommendation was made in early July 2011 to ensure that a solution is *available* for use when regulators begin to adopt new rulemaking around the globe that benefits from the use of an LEI. Internationally, regulators are moving at different paces, and it is unclear which region of the world will implement rulemaking requiring the use of an entity identifier first. Notwithstanding, a key goal of the Trade Associations is to ensure there is a solution available *in time* for the countries and regions that are earliest in new rulemaking. It will take lead time to have the operations and governance of the LEI up and running. The Financial Stability Board (FSB) has publicly stated its support for the progress being made to create a single global LEI system, and plans hold a workshop in Autumn 2011 to help coordinate future implementation.

Q: When will ISO Standard 17442 be finalized?

A: Target end date for completion of LEI standard, following the global ISO process, is January 2012. In the event material, substantive comments arise, a third round of review within the ISO process might be needed which could move the completion date to May 2012. Up to this point in the process, the ISO global community has been largely supportive of the ISO 17442 standard.

Q: Are the recommendations mandatory for regulators to implement?

A: The key point is that the LEI is *available* for use – the Trade Associations have no power to require usage of the LEI or to dictate implementation timeframes. Only regulators can mandate the use and implementation of the LEI. Each regulatory body in each region of the world is responsible for deciding *if and when* the LEI is adopted in regulatory reporting of financial contracts.

Q: Will the Trade Associations enter into a contract with the solution provider? If not, who has the mandate to empower use of the providers by the industry?

A: The Trade Associations can only recommend who it believes is best suited to the purpose of issuing and distributing LEIs. It is up to the regulatory community to mandate the use of the LEI. The Trade Associations is not an entity and cannot require the use of the LEI. It also cannot enter into a contractual relationship with the solution providers. The solution providers will operate under voluntary oversight from the LEI Governance Board which will be comprised of regulators and market participants.

Next Steps

Q: What are the next steps going forward?

A: Following the July 11 recommendation, it is expected that regulators and market participants will cooperate closely to establish the LEI governance body as well as work with the solution providers to ensure the LEI operations are implemented in accordance with the Trade Associations and regulatory requirements. In addition, the Trade Associations intends to respond to proposed rulemaking advocating the use of the recommended LEI system wherever legal entity identification is intended to be required as well as continuing to educate and share information about the solution and the benefits of global adoption as needed to ensure all market participants have the facts necessary to support and adopt the solution.

Q: Can the LEI system be changed to reflect the needs of regulators to better identify emerging systemic risks?

A: As the LEI solution is implemented jurisdiction by jurisdiction and solution providers are in place, the Trade Associations fully expect that the LEI solution will adapt and improve as needed. With guidance from the Governance Board, opportunities will exist to modify or enhance the solution over time. The first priority, however, is to implement the core standard and solution and then evolve it, as needed, over time.

Q: What is the status of the new ISO Standard, ISO 17442? When will it be available for use?

A: The standard currently is in the ISO development process. The standard document itself will not be published until the standard has been approved within the ISO development process and the Registration Authority agreement has been signed between ISO and SWIFT. The ISO 17442 standard will be available for use upon its publication which is anticipated to be 1st quarter 2012 (earliest) or 2nd quarter 2012 (latest).

Q: Is the LEI solution technology already in place?

A: The LEI solution technology and infrastructure still needs to be formally established; however, the recommended solution providers already offer a range of services which will be integrated into the LEI solution. SWIFT's infrastructure and experience with identifier issuance through the BIC code, the NNA global issuance infrastructure, and DTCC-AVOX's existing entity ID database and data cleansing services will be quickly leveraged and applied to the new solution.