

Global Legal Entity Identifier (LEI) Initiative

Global Conference on the G-20 Data Gaps Initiative

26 June 2014 Switzerland

Irina Leonova and Nigel Jenkinson

Comments are personal and do not represent the views of the FSB

Objectives for financial data reform

- Robust data framework – timely, information on positions, exposures and risks across financial groups
- Support straight through processing, lower operational risks
- Standardisation to support flexible aggregation to assess risks in firms and at system-wide level
- Underpin multiple financial stability objectives:
 - *Improved risk management in firms;*
 - *Better assessment of micro and macroprudential risks;*
 - *Facilitate orderly resolution;*
 - *Containing market abuse and financial fraud;*
 - *Higher quality and accuracy of financial data.*
- Substantial private sector benefits

Financial Data: The Foundations

- Granular and flexible financial data system;
- 3 standardised ‘building blocks’
- **Entity** – clarity on parties to transactions
- **Products/Instruments** – clarity on nature of transactions
- **Transactions/Trades** – tracing of each trade

Standardised counterparty identification

Global Legal Entity Identifier (LEI) Initiative selected High Level Principles

The Global LEI system should **uniquely identify participants to financial transactions**.

The LEI system should meet the requirements of the global regulatory community for **accurate, consistent and unique** entity identification.

The LEI system should be designed in a manner that provides **benefits to financial market participants**.

Flexibility must be built into the global LEI system to provide the capability for the system to **expand, evolve, and adapt to accommodate innovations in financial markets**.

The LEI system should not be “locked-in” with a particular service provider for any key system functions or processes. The principles of **competition** should be ensured on both global and local levels where appropriate.

The global LEI system should support a **high degree of federation and local implementation** under agreed and implemented common standards.

The LEI system should **meet evolving requirements** of both the regulatory community and industry participants in terms of information content, scope of coverage, timeliness and availability.

Global LEI- the first building block

To develop a single global system for unique identification of parties to financial transactions

Phase 1 – basic identification data

Phase 2 – relationship information

What is an LEI?

- 20 character alphanumeric code – unique and exclusive to each entity
- Linked to high quality reference core reference data for each legal entity
- ISO 17442:2012 sets out reference data at launch

CORE LEI DATA ELEMENTS

- Legal entity name
- Address of the headquarters
- Address of legal formation
- Business registry ID (where applicable)
- Business registry name (where applicable)
- Relationship data (phase 2)

LEGAL ENTITY IDENTIFIER

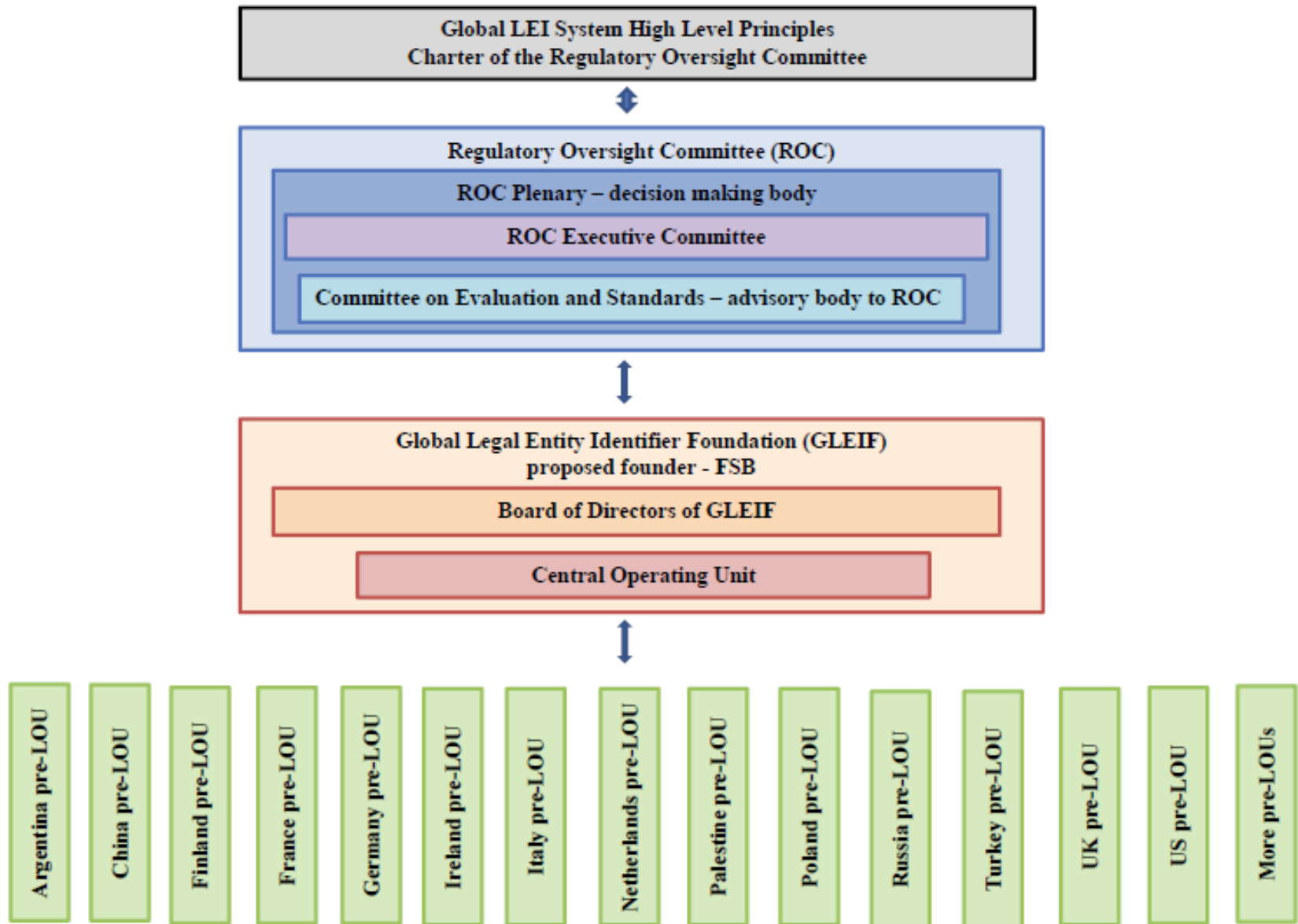
529900VA5CNBWXAO NR25

Frankfurter Sparkasse

Key considerations and features

- Global regulatory governance to **protect public interest** and **avoid monopoly power** (not for profit, open access, freely available, no bundling etc)
- **Leverage of local infrastructures**, their knowledge and experience (such as business registries, national numbering agencies, etc.)
- **Open to all authorities** around the world
- **Flexible and adaptable** system – expandable over time
- **Public-private** initiative - common benefits, overcome collection action problems, successful experience in other industries

Global LEI system diagram



Legal Entity Identifier (LEI)

www.leiroc.org

For purposes of LEI eligibility definition, the term 'legal entity' refers to a legal person or structure organised under the laws of any jurisdiction. Legal entities include, but are not limited to, unique parties that are legally responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way (eg trust, partnership, contractual, etc). It excludes natural persons, but includes governmental organizations; and supranationals, defined as governmental or non-governmental entities established by international law or treaty or incorporated at an international level. **Examples of eligible legal entities include, without limitation: all financial intermediaries; banks and finance companies; all entities that issue equity, debt or other securities for other capital structures; all entities listed on an exchange; all entities that trade stock or debt; investment vehicles, including mutual funds, pension funds and alternative investment vehicles constituted as corporate entities or collective investment agreements (including umbrella funds as well as funds under an umbrella structure, hedge funds, private equities, etc); all entities under the purview of a financial regulator and their affiliates, subsidiaries and holding companies; and counterparties to financial transactions.**

LEI Regulatory Oversight Committee (ROC)

<http://www.leiroc.org>

- Established by Charter set out by the G-20 and FSB
- Currently 62 members and 20 observer authorities: central banks, market, and other regulators from across the world.
- Membership remains open to all authorities.
- Responsibility for governance and oversight of the Global LEI system, and delivery of the broad public interest.
- Self –standing body: Took over responsibility for the leadership of the project from the FSB on establishment in January 2013
- FSB providing initial support

[▷ Home](#) [▷ About](#) [▷ Members and Observers](#)

Members and Observers

The Regulatory Oversight Committee for the Global Legal Entity Identifier (LEI) System

(as of 12 June 2014)

LEI ROC Members

Country/Territory	Institution/Organization	Representative
Argentina	Central Bank of Argentina	Daniela Bossio, executive committee
Australia	Australian Securities and Investments Commission	Benjamin Cohn-Urbach
Austria	Oesterreichische Nationalbank	Johannes Turner
Belarus	Ministry of Finance of Belarus	Vladimir Amarin
Bulgaria	Bulgarian Financial Supervision Commission	Stoyan Mavrodiev
Canada	Ontario Securities Commission	Greg Toczyłowski
China	People's Bank of China	Lianxiang He, executive

Global LEI Foundation (GLEIF)

- Operational arm of the GLEIS
- Will be governed by independent Board of Directors
 - (initial Board appointed per [criteria](#) developed by the ROC) – balance:
 - technical skills;
 - sectoral experience;
 - geographic balance.
- Upholds centrally agreed standards under the federated operating model
- Will be established as a not-for-profit foundation in Switzerland.
- Will operate central operating unit (COU)
- FSB undertaking due diligence to act as Founder.



14 January 2014

Proposed Nominees to the Board of Directors of the Global LEI Foundation

The FSB Plenary, in its capacity as the Founder of the Global Legal Entity Identifier Foundation (GLEIF), has endorsed the following nominees to the initial Board of Directors BoD of the GLEIF¹, based on a recommendation to the FSB by the LEI Regulatory Oversight Committee (ROC)².

On the formal establishment of the GLEIF by the FSB, it is expected that the nominees would be appointed as the Directors of the Board of the GLEIF.

This communication is for information purposes only and has no legal bearing until the official establishment by the FSB of the GLEIF.

Name	Jurisdiction	Title
Sergio Chodos	Argentina	Alternate Executive Director: International Monetary Fund
Bo Chen	China	General Manager and member of the Board of Directors: China Financial Computerisation Corporation
Wolfgang Koenig	Germany	Head of Chair of Information Systems and Information Management: Goethe University Frankfurt
Ravi Mathur	India	CEO: GSI India
Hiroshi Kawagoe	Japan	General Manager: Sumitomo Mitsui Banking Corporation
Hyoung Seok Lim	Korea	Research Fellow: Korea Institute of Finance
Gerard Hartsink	The Netherlands	Chair: CLS Group Holdings, (Nominee as Chair of the GLEIF)
Nabil Al Mubarak	Saudi Arabia	CEO: Saudi Credit Bureau (SIMAH)
Arthur Cousins	South Africa	CEO: International Payments Framework Association
Bruno Schutterle	Switzerland	Strategic Procurement: Bank Julius Baer
Ayhan Keser	Turkey	Executive Vice President: Albaraka Turk Katilim Bankasi
Chris Taggart	UK	Co-Founder and CEO: OpenCorporates
Howard Edelstein	USA	Operating Partner: Advent International
Jefferson Braswell	USA	Founding Partner: Tahoe Blue Ltd
Robin Doyle	USA	MD Corporate Regulatory Strategy and Policy: JP Morgan Chase
Tim Smucker	USA	Chair: JM Smucker Company

Tasks of GLEIF

- support the application of uniform global operational standards and protocols;
- support the maintenance of a logically centralised database of identifiers and corresponding reference data;
- draft protocols and methods for how LOUs can connect to the COU, including the necessary support of the local systems;
- oversee the adherence of LOUs to the globally agreed standards;
- identify and secure funding including setting the fees to be paid by the LOUs as a contribution to the financing of the GLEIF;
- provide recommendations to the ROC;
- any other activities necessary to attain the purposes of the Foundation;

Local Operating Units

- Responsible for local registration, validation of reference data etc.
- Build on local knowledge, expertise, and infrastructure
- Operate to centrally agreed standards under the federated operating model
- Planning and development of Local Operating Units underway
- 28 pre-LOUs have so far been allocated prefixes to support development of solutions and federated approach. More expected soon.
 - 16 endorsed by ROC as meeting published principles for interim GLEIS and globally accepted for regulatory purposes. (250K + issued : rising rapidly)
 - Endorsement process for others will follow

How to obtain the code? - http://www.leiroc.org/publications/gls/lou_20131003_2.pdf

Date of endorsement	Pre-LOU	Sponsor	Prefix	Endorsement note	Pre-LOU website
3 October 2013	WM Datenservice	Bundesanstalt für Finanzdienstleistungsaufsicht	5299	http://www.leiroc.org/publications/gls/lou_20131003.pdf	https://www.geiportal.org
3 October 2013	Institut National de la Statistique et des Etudes Economiques	French Ministry for Economy and Finance	9695	http://www.leiroc.org/publications/gls/lou_20131003.pdf	https://lei-france.insee.fr
3 October 2013	CICI utility	U.S. Commodity Futures Trading Commission	5493	http://www.leiroc.org/publications/gls/lou_20131003.pdf	https://www.ciciutility.org
11 November 2013	Takasbank	Capital Markets Board of Turkey	7890	http://www.leiroc.org/publications/gls/lou_20131111.pdf	http://www.takasbank.com.tr/en/Pages/LEI.aspx
11 November 2013	London Stock Exchange	UK Financial Conduct Authority	2138	http://www.leiroc.org/publications/gls/lou_20131111.pdf	http://www.lseg.com/LEI
7 December 2013	Irish Stock Exchange	Central Bank of Ireland	6354	http://www.leiroc.org/publications/gls/lou_20131207.pdf	https://www.isedirect.ie
27 December 2013	Russia National Settlement Depository (NSD)	Central Bank of Russian Federation	2534	http://www.leiroc.org/publications/gls/lou_20131227.pdf	https://www.nsd.ru/en/services/lei
27 December 2013	Poland Krajowy Depozyt Papierów Wartościowych S.A. (KDPW)	Polish Financial Supervisory Authority	2594	http://www.leiroc.org/publications/gls/lou_20131227.pdf	http://www.kdpw.pl/en/business/LEI/Pages/default.aspx
7 January 2014	Dutch Chamber of Commerce (KvK)	Netherlands Authority for the Financial Markets	7245	http://www.leiroc.org/publications/gls/lou_20140107.pdf	http://www.kvk.nl/english/how-to-register-deregister-and-report-changes/legal-entity-identifier-lei/
7 January 2014	National Board of Patents and Registration of Finland (PRH)	Financial Supervisory Authority, Finland	7437	http://www.leiroc.org/publications/gls/lou_20140107.pdf	http://www.prh.fi/en/autislistaus/2013/P_1048.html
6 February 2014	Centrální depozitář cenných papírů, a.s	Czech National Bank	3157	http://www.leiroc.org/publications/gls/lou_20140206.pdf	http://www.centraldepository.cz/index.php/en/lei-pre-lei-legal-entity-identifier
7 February 2014	Unione Italiana per le Camere di Commercio, Industria, Artigianato e Agricoltura	Banca d'Italia and Commissione Nazionale per le Società e la Borsa	8156	http://www.leiroc.org/publications/gls/lou_20140207.pdf	https://lei-italy.infocamere.it/lei/Home.action
5 March 2014	Registro Mercantil del Reino de España	Banco de España	9598	http://www.leiroc.org/publications/gls/lou_20140305.pdf	https://www.lei.mjusticia.gob.es/es/Paginas/home.aspx
21 May 2014	Centrálny depozitár cenných papierov SR, a.s. (Central Securities Depository: Slovakia)	National Bank of Slovakia	0979	http://www.leiroc.org/publications/gls/lou_20140521.pdf	http://www.cdcp.sk/
21 May 2014	Bundesanzeiger Verlag GmbH (Bundesanzeiger)	Bundesanstalt für Finanzdienstleistungsaufsicht	3912	http://www.leiroc.org/publications/gls/lou_20140521.pdf	https://www.ceireg.de/banzei/cust
6 June 2014	Bronnoysund Register Centre	Royal Norwegian Ministry of Trade, Industry and Fisheries	5967	http://www.leiroc.org/publications/gls/lou_20140606.pdf	http://www.brreg.no/english/

[1] a set of approximately 3,000 codes that are not certified but that have been used for CFTC reporting purposes (*Uncertified Used CICIs*, identified as ‘NOT CURRENT’ in the CICI Utility database); these codes are not globally recognized.

Next LEI Steps

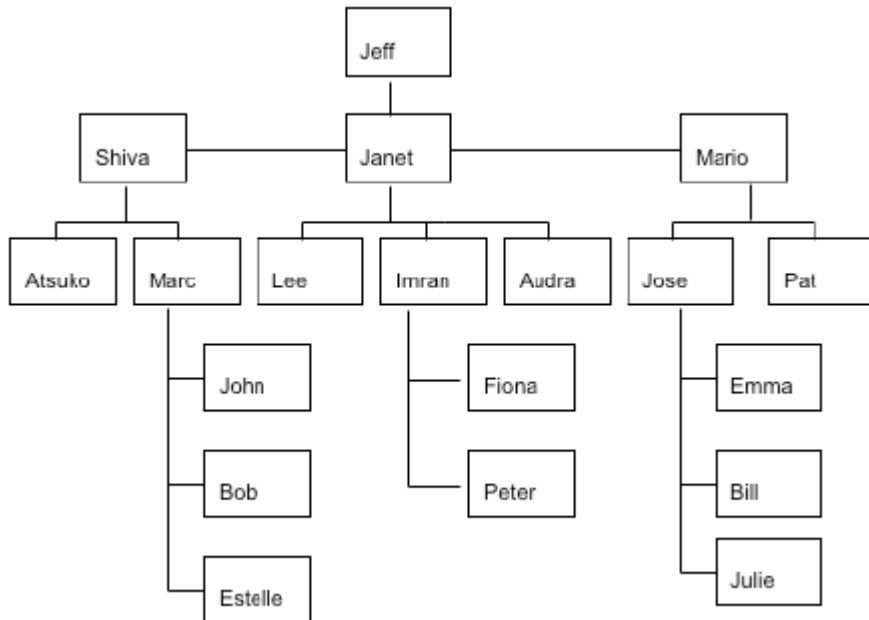
- ROC is in place, GLEIF draft statutes being reviewed by Swiss authorities, initial Board of Directors of the GLEIF nominated, founding documents for GLEIF in preparation, and design of processes to integrate the COU and LOUs underway.
- Key priorities:
 - Establish the [Global LEI Foundation](#) (GLEIF) as a legal entity – happening as we are speaking!
 - Develop and implement business plan – integration and expansion
 - Operational solutions and processes for the global LEI system
 - [Global uniform LEI system standards](#)
 - Broaden regulatory and private sector use across the globe
 - Additional LOUs rolled out
 - Relationship data – expand from basic identification data to obtain key benefits

Relationship data

Rapid development of the standards for LEI reference data on ownership and corporate hierarchies, as these data are essential to achieve the key objectives of risk aggregation for the global LEI system.

That is where we are now

FLAT HIERARCHY



That is where we need to be

FLEXIBLE HIERACHY

Nested stick-breaking process to allow for trees of unbounded width and depth, where data can live at any node and are infinitely exchangeable.

([Source](#): Tree-Structured Stick Breaking for Hierarchical Data, Adams, Ghahramani, Jordan)

Contact information:

Irina Leonova irina.leonova@bis.org

Nigel Jenkinson nigel.jenkinson@bis.org