Legal Entity Identifier

What It Is
Where We Are and
Where We Are Going

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Imagine If . . .

- Finance ministers, central bankers, trade groups, banks, and other market participants
- From the U.S., Hong Kong, Russia, Japan, India, Ireland, and all over the globe
- Could envision and build a global infrastructure to commonly identify any market participant
- To fix a longstanding problem – that was before thought unfixable
- In about 24 months?
NO WAY
Framing the Problem

- City National Bank in California
  - ID_RSSD = 63069
  - FDIC Certificate id = 17281
  - SEC CIK = 275216
  - SWIFT id = CINAUS6L
  - CUSIP and various vendor ids = Proprietary
- 14 banks named City National Bank
- 147 banks with a variant of the name City National Bank
- And that’s just in the United States!
How Would an LEI Help?

• Analyze risk of regulated entities, including entity parents and affiliates:
  • Analyze data from various sources
  • Look at entities or panels of entities over time
  • Aggregate a company’s exposure to other companies
  • Determine the economy’s exposure to a company
• Reveal hierarchies, corporate actions
• Settle transactions, create audit trails
An Idea Whose Time Has Come

• Evolved view of identities as a public good
• Financial Crisis
• Regulatory Reform
  • The creation of the Office of Financial Research; publication of LEI database
  • Regulation of over-the-counter derivatives was divided between the CFTC and the SEC
  • Other countries are creating similar legislation
New Acronyms (like any good project)

- GLEIS: Global LEI System
- ROC: Regulatory Oversight Committee
- GLEIF: Global LEI Foundation
- COU: Central Operating Unit
- LOU: Local Operating Units
- ISO 17442: The Standard
- CICI: CFTC Interim Compliant Identifier
- GEI: General Entity Identifier (Europe)
Historical Timeline

- 2010 - Regulators start discussing how to create an LEI
- November 2011 - G20 mandated the Financial Stability Board (FSB) to convene an Expert Group to develop a framework for an LEI
- March 2012 – ISO 17442 adopted
- June 2012 – The G20 endorsed the FSB’s report and forms an Implementation Group
- September 2012 – Commodity Futures Trading Commission designates CFTC Interim Compliant Identifier (CICI) Utility
November 2012 – The G20 endorsed the FSB’s proposed charter to create the Regulatory Oversight Committee
January 2013 – LEI ROC is formed and meeting in Toronto Canada
March 2013 – at launch, ROC is operational and begins oversight
Spring-Summer 2013 – ROC and Private Sector Preparatory Group focus on the details
Governance Framework

- Regulatory Oversight Committee (ROC) – Regulators and other government or supranational entities engaged in regulating or monitoring the financial system or markets
- Central Operating Unit (COU) - Foundation (or legal equivalent) subject to ROC oversight
- Local Operating Units (LOU) – Entities connected with COU by an agreement to comply with standards – they assign LEIs to registrants
What We Have Accomplished

- ISO 17442
- 20 alpha-numeric character set
- four-digit prefix (reflecting the LOU), two-digits reserved, 12 random digits for assignment, two-check digits
- Reference Data
  - Company Name
  - Business registry (where applicable) and address
  - Address of headquarters
  - Date of first LEI assignment
  - Date of most recent update
  - Expiry date
What We Have Accomplished (continued. . . )

• Fully Functioning ROC
  • 50+ members, 25+ observers
  • Finance Ministers, Central Banks, Regulators, International Financial Institutions
  • Bylaws, Chairs, Executive Committee
  • Private Sector Preparatory Group
  • Website: www.leiroc.org
  • And all by consensus
• The Global LEI Foundation
  • GLEIF will be a foundation in Switzerland
  • Organizing statutes agreed by ROC
  • Board process is under way
  • Interim LEI system is agreed to and designed
Why An Interim System?

- Reporting has begun in U.S. and Europe
- 50,000-plus CICIs, GEIs already in circulation, others coming online
- The GLEIF needs time to:
  - Acquire funding
  - Develop network key
  - Set standards and policies
  - Negotiate contracts with LOUs
- We Can’t Wait!!!
• When COU is operational, it will govern by contract or franchise
• Nine prefixes assigned, each is sponsored by a ROC member
• To become pre-LEIs (as part of GLEIS) must follow six principles
• To become mutually accepted NOW, must be endorsed by ROC
  • Sponsor will verify, ROC will endorse
  • Specific criteria follow six principles
The Six Principles for Pre-LEIs

- Adhere to G20-endorsed FSB Recommendations
- Only accept self-registration
- Avoid duplicate registrations
- Ensure portability
- Be sponsored by a ROC member
- ROC member verifies these requirements
Expected Adoption of LEI

• Any legal entity engaged in a financial market transaction anywhere on the globe
• Regulatory compulsion in reporting
  • Swaps, private funds, advisors, insurers
  • Working to identify next regulatory needs
• No power by the ROC or COU to compel adoption
• With good input, planning, and design, it will become a must-have like a bar code
• Officials:
  • www.treasury.gov/ofr
  • www.leiroc.org

• Utilities:
  • www.ciciutility.org
  • www.geiportal.org