



GLEIF
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29th September 2015

**Committee on Payments and Market Infrastructures
Secretariat**

**International Organization of Securities Commissions
Secretariat**

By email: cpmi@bis.org
uti@iosco.org

Re: Harmonization of the Unique Transaction Identifier---consultative report

Dear Madam, Sir:

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the consultative report, entitled 'Harmonisation of the Unique Transaction Identifier' published by the Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organization of Securities Commissions in August 2015.

Our letter will limit its comments specifically to the GLEIF's views on the use of Legal Entity Identifier's (LEI)'s in the report. The GLEIF has been established **to act in the public and private interest as the operational arm of the Global LEI System**. Consequently, we appreciate the opportunity to provide comments on the possible use of LEIs as described in the report.

The GLEIF has a very strong interest in ensuring there is a good understanding by rule makers of the significant benefits to the public and private sectors that derive from the widespread use of LEIs for entity identification in regulatory reporting and supervision. Following the 2008 financial crisis, the importance and benefit of a universal LEI became clear. Regulators worldwide acknowledged their inability to identify parties to transactions across markets, products, and regions. This hindered the ability to evaluate systemic and emerging risk, to identify trends, and to take corrective steps. Recognizing this gap, authorities, working with the private sector, have developed the framework of a Global LEI System that will, through the issuance of unique LEIs, unambiguously identify entities engaged in financial transactions

Regulators globally, therefore, play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices.

Consequently, we welcome the considerations of the CPMI-IOSCO Harmonization Group concerning the use of LEIs with its consultative report on Unique Transaction Identifiers (UTIs).

Included here please find the comments provided on behalf of GLEIF with regard to the specific questions relevant to the use of LEIs raised in the report.

In section 3.4 of the consultative report, the LEI is proposed to be used to decide the entity that will be responsible for generating the UTI when an agreement for generating UTIs is not in place or if the UTI will not be assigned by an infrastructure organization. In this context, the LEI is seen as information 'that could be implemented by both counterparties and which would lead to an unambiguous conclusion.'

Question 21 in the report asks: "What are respondents' views on the proposed Option 1 hierarchy for the responsibility for generating UTIs? Are the steps necessary and sufficient? Are they sufficiently defined? Are there alternative ways of achieving Step 6?"

The GLEIF's preference would be for all counterparties to transactions using UTIs to have an LEI. To manage this situation prior to these entities registering for LEIs, the GLEIF together with its GLEIS partners would be happy to assign LEI-like key to these counterparties. These LEI-like reference identifiers would have the same structure as LEIs, but the status will reflect that the identifier is not a validated, registered LEI. The GLEIF also has proposed this concept of a reference identifier to support identification of entities in the design of the relationship data model within the GLEIS.

The GLEIF believes that all counterparties in transactions using UTIs should have an LEI, or at least a reference identifier as outlined in our proposal.

In section 4.2 of the consultative report, the LEI is proposed as the Mint, as a suitable identifier of the entity generating the UTI.

Question 42, asks: "Is it necessary or practical for the UTI to include a Mint component? If so, is the use of the LEI appropriate for the Mint component in the UTI? Are there other values that could be considered for this? What issues would arise in this case? How should cases where the Mint entity doesn't have an LEI be handled?"

The GLEIF is pleased to see that the proposal that the LEI be used as the identifier of the proposed Mint component of the UTI recognizes the LEI's ability to uniquely identify legal entities to financial transactions. The GLEIF proposes that the full 20-digit LEI should be used as the Mint for the UTI and as the prefix for the UTI, rather an algorithmic form of the LEI.

The GLEIF also believes that the appropriate use of the LEI in the requirements for reporting of OTC derivatives trade transactions is for the identification of counterparties and other parties, as applicable, in the reporting to the trade repositories, CCPs and trading platforms.

In conclusion, we would like to reiterate that the Global LEI System in place today supports also the objectives of the CPMI and IOSCO in the area of UTI harmonization. We therefore, encourage the CPMI and IOSCO to progress the considerations regarding the use of LEI set out in its consultative report.

Sincerely,

Stephan Wolf CEO
GLEIF