

Response of GLEIF to the European Commission DG-FISMA consultation on the Operations of the European Supervisory Authorities

April 2016

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the Online consultation questionnaire, entitled 'Public Consultation on the Operations of the European Supervisory Authorities' published by the European Commission DG-FISMA in March 2017. GLEIF will limit its comments specifically to the GLEIF's views on the use of Legal Entity Identifier (LEI) in the consultation.

I. Tasks and powers of the ESAs

A. Optimizing existing tasks and powers

11. Are there areas where the ESAs should be granted additional powers to require information from market participants? *[Please elaborate on what areas could usefully benefit from such new powers and explain what would be the advantages and disadvantages.]*

GLEIF recommends the use of the Legal Entity Identifier (LEI) as an important foundation to many of the areas that are being considered in the consultation for expansion of the powers and roles of the ESAs as usage of the LEI will produce a high degree of quality in data for both for regulators and industry. The LEI, as the identity management key, could be leveraged to identify all legal entities, an essential component to achieving the necessary results for effective operations of the ESAs in many of the areas considered in the consultation document. Using the LEI will insure consistency within the EU, and internationally, for entity identification in these processes which require communication across multiple parties and jurisdictions and establishing effective arrangements for cooperation and information sharing. In the area (6) of access to data, there are several aspects to which the LEI can be regarded as a necessary element. The development and use of the LEI was directed to address to the need for uniform and consistent collection and exchange of data that is required between national and EU supervisory authorities. Although the LEI currently is used by the ESAs, the current usage is not consistent across the technical requirements and implementations of legislation and regulation across the EU. Here there is not only the opportunity to use the LEI consistently and comprehensively by the national authorities and the ESAs, there also is the opportunity to insure the data quality and accuracy of the LEI data by consistently requiring the use of valid, current renewed LEIs. Further in the area of access to data, use of the LEI would be a necessary condition of the potential expansion of EIOPA's powers to monitor cross-border groups as well as for consideration of expanding ESMA's responsibility for constitution and supervision of a single consolidated tape for financial instruments transactions in all markets, on- or off-

exchange, wherever they are traded in the EU. The consultation document cites that several EU laws provide for standardized fund rules whose success across the EU depends on their consistent use. The LEI could be used to insure understanding the entities behind pan-European fund schemes to the aim of transparency and consumer protection especially for financial instruments and services and for the access to and the understanding of financial reporting. For consistent entity identification in financial reporting, GLEIF has worked with XBRL International to develop a standard LEI taxonomy in the XBRL standard. With LEIs incorporated into the XBRL used to file financial statements, direct links to the financial statements of the reporting legal entities can be established. GLEIF also is working with ANNA (Association of National Numbering Agencies) for the mapping of the LEI to Issuers of any financial instrument having an ISIN (ISO 6166)

General question

32. You are invited to make additional comments on the ESAs Regulation if you consider that some areas have not been covered above. *[Please include examples and evidence where possible.]*

In the area of supervisory convergence, the first area of consideration in the consultation, the LEI could be the consistent entity identifier used by and among the ESAs, the ECB and the National Competent Authorities (NCAs), in all matters relating to behavior of NCAs, required actions on NCAs and in evaluating potential risks to orderly markets, financial stability or investor protection. In area 5, the international aspects of the ESAs' work, the use and benefits of the LEI clearly can be seen in cases in which the ESAs are expected to develop co-operation arrangements with third-country authorities, entering into the relevant arrangements themselves or facilitating such process for their member NCAs. Finally, in area 7, powers in relation to reporting, the LEI would be a necessary foundation for implementing and maintaining a data collection and disclosure regime that would eliminate the overlaps and inconsistencies in reporting and streamline disclosure requirements, especially for the banking section and other capital market participants. GLEIF is aware that the EU Commission, through the DG-FISMA Financial Data Standardization initiative, is looking at ways to make regulatory reporting more efficient, less burdensome for those who need to report, and more effective for the recipients and users of the reports. Leveraging the LEI in this context would support the consolidation and streamlining of the reporting and/or other data related requirements in the various pieces of legislation (banking, insurance, pensions and capital markets) as this potentially is addressed through establishing common data and reporting hubs and streamlined data collection and 'reporting'. The Financial Stability Board (FSB) created the LEI in a form of a reference code to uniquely identify legally distinct entities that engage in financial transactions. Now this high-quality identifier is accessible as a broad public good for the benefit of the users of the public and private sector.