

Response of GLEIF to the European Central Bank on the Market Consultation on the User Requirements for future RTGS services

May 2017

GLEIF would like to thank the ECB and the Eurosystem for the opportunity to provide feedback to the Market Consultation on the User Requirements for future RTGS services.

The GLEIF has been established to act in the public and private interest as the operational arm of the Global LEI System. Our response will limit its comments specifically to GLEIF's views on the proposed use of Legal Entity Identifiers (LEIs) within the user requirements, specifically within the user requirements for Shared Services.

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For our feedback, GLEIF would like to concentrate on the key proposal for the consolidation of reference data management using common reference data. Including the LEI in the user requirements for Shared Services supports this key proposal. The LEI is proposed as a mandatory attribute for the Party entity (appearing in section 9.2, Entities and Attributes) which is defined to denote any legal or organizational entity required in the Market Infrastructure Services.

Also included as part of the mandatory attributes for the Party entity is the BIC code. The BIC is recognized as the identifier used with financial messaging, including ISO 20022, to identify parties to transactions as well as for routing messages in the payments domain as well as to identify roles of parties for securities settlement. The proposal to create and maintain a data record for the Party entity containing both the BIC identifier used within transactions and the LEI allows the link to be established between entities in an operational role and entities from a legal perspective.

Anticipating the need to link standard identifiers for Parties, GLEIF already has undertaken a joint effort with the ISO Registration Authority for the BIC ISO 9362 standard to develop a program to create and maintain an official mapping between LEIs and BICs. Step one is an exercise to map BIC to LEI codes to create relationships (links) between the codes – for each BIC, the corresponding LEI, and for each LEI, the corresponding BICs. As the BIC is not a unique identifier of legal entities, an LEI can correspond to one or many BICs.

Once the mapping program is live, GLEIF will publish the official mapping on our website www.gleif.org. This official mapping could be leveraged by the ECB in populating and maintaining its reference data for Parties supporting the consolidated market infrastructure services.

With the aim of improving the quality of entity reference data, GLEIF is thinking past the foundation of the official mapping of entity codes. Once the official mapping between the BIC and LEI codes has been established, there is an opportunity for further standardization and rationalization of the underlying entity reference data itself. It would not make sense anymore to carry different reference data sets to describe the same entity. Therefore, GLEIF proposes that the BIC and the LEI should be based and validated on the same entity reference data.

GLEIF believes that keeping the two codes linked to the same reference data would be a major advantage. While avoiding redundancy, high costs for the industry and integrity issues in entity wide data management with any downstream application, the market participants of the payment and securities industries and the regulators could avoid the hugely costly installation of only one code among all applications and infrastructures.

The vision of GLEIF for common reference data also supports the direction of ISO standardization with the recent creation of a sub-committee within ISO/TC 68 to treat reference data as a discipline to realize benefits of consistency, reuse and improving the reference data coverage of the ISO 20022 meta model and repository. Further, the leveraging of the same reference data for entity identification codes consistently support the aim of the consolidation project which will optimize the market infrastructure services of the Eurosystem.

Further, the ECB also can consider including the LEI in its reporting services to its market infrastructure participants. The FMIs and of banks that use T2 and T2S services can derive benefits from the addition of the LEI in the reporting service through being able to aggregate the ECB data with data of other FMIs, other RTGS and of correspondent banking positions to get a holistic overview of these positions to facilitate a better management of liquidity, collateral and risk by the FMIs and the bank.

In conclusion, we would like to reiterate that the Global LEI System supports also the objectives of consolidation in the area of reference data management to be undertaken by the Eurosystem/ECB. We also thank the ECB for leveraging the LEI as essential reference data identification key for entities in its plan for this consolidation.