

Response of GLEIF to the U.S. Commodity Futures Trading Commission (CFTC) regarding the Project KISS (Keep It Simple, Stupid)

July 2017

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the request for information, ‘Project KISS’, published in May 2017. GLEIF will limit its comments specifically to the GLEIF’s views on the use of Legal Entity Identifier (LEI) in the consultation.

GLEIF recommends the use of the Legal Entity Identifier (LEI) as an important foundation to reduce regulatory burdens and costs in the markets and functions that the Commodity and Futures Trading Commission (CFTC) oversees. Specifically, for Project KISS, the LEI would produce benefits in the following areas covered by the project – Registration, Reporting, Clearing and Executing.

The LEI enables clear and unique identification of legal entities engaging in financial transactions. A key feature that distinguishes the LEI from other identifiers is the obligation of legal entities that have obtained an LEI to renew it regularly. Renewal means that the LEI reference data related to the registering entity is re-validated and quality assured against third party sources. The LEI could play an important role in reducing costs for obtaining reference data linked to legal entities. By introducing the LEI as general identifier, all data vendors would include the LEI with their products, meaning much reduced costs for mapping different content assets from different providers as well as more transparency in sourcing decisions. Both the public and the private sector would benefit from these gains.

In the area of Registration, LEI adoption responds to the needs of the users as the LEI facilitates and improves identification management of both existing and prospective entities, which most often currently, is managed in silos with non-standard proprietary data. The LEI particularly will be useful in helping to clarify the identities of entities with which an organization has not registered previously during the review and onboarding processes. The LEI further would facilitate the activities and monitoring of all registered clearing, trading, data repository and intermediary entities. It also helps to stay up to date with any material change in the legal status of entities. Similar feedback was submitted by GLEIF to the request for information earlier this year from the General Services Administration (GSA) for an identifier for all parties and organizations doing business with the U.S. Government.

The LEI already is present in the area of Reporting required by CFTC Rules (Parts 15, 17, 18 and 20) and for Swap Data Record Keeping and Reporting Rule (Part 45). The Commission also continues to prioritize the enforcement of reporting violations: ‘Care should be taken to ensure that each LEI is not lapsed, retired, or cancelled. LEI renewals may be enforced in the future.’ Additional benefits could be gained by the CFTC from utilizing the LEI in the Clearing and Executing areas.

The benefits of usage of the LEI will increase as the LEI data pool with the business card information (so called 'Level 1' data) has been enhanced to include the 'Level 2' data that answers the question of 'who owns whom', which started in May 2017. Particularly in the case in which there is the need to analyze data collected through regulatory reporting requirements to be able to identify related entities related to reporting entity, LEI Relationship Data structures in the Global LEI System (GLEIS) could be relied upon as a central authoritative source for validating this information. Level 2 information is important in risk management, again in both public and private sector. The capture of this information in the Global LEI system decreases the costs for obtaining this information and increases accuracy and timeliness at the same time.

In addition, GLEIF is working with the ISO Registration Authorities, SWIFT and the Association of National Numbering Agencies (ANNA), respectively, on creating and maintaining official mappings of the LEI-to-Business Identifier Code (BIC) and LEI-to-International Securities Identification Number (ISIN). Other mappings to proprietary identifiers coming from commercial data providers will follow. This approach is a cost-effective and accurate way of delivering 'who owns what' within GLEIF services, the third pillar specified in the Linchpin paper.

Implementation of the LEI increases the ability of authorities, like the CFTC, to analyze and evaluate risk, conduct market surveillance and take corrective steps. Use of an LEI also generates tangible benefits for the entities regulated by the CFTC including monitoring counterparty risk and increased operational efficiencies.

In conclusion, we would like to reiterate that the Global LEI System supports the objectives of the CFTC of Reporting/Recordkeeping in a consistent and clear manner and that further leveraging of the LEI in the areas of Registration, Clearing and Executing could result in additional benefits for the CFTC.