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European Commission

**Directorate General Financial Stability, Financial
Services and Capital Markets Union**

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Subject: Consultation document on post-trade in a Capital Market Union: dismantling barriers and strategy for the future

Dear EU Commission,

The Global Legal Entity Identifier Foundation (GLEIF) would like to thank ISOCO for the opportunity to comment on the Consultation document on post-trade in a Capital Market Union: dismantling barriers and strategy for the future published in September 2017.

Established by the Financial Stability Board in June 2014, GLEIF is tasked to support the implementation of the Legal Entity Identifier (LEI). The foundation is backed and overseen by the LEI Regulatory Oversight Committee representing public authorities from around the globe that have come together to jointly drive forward transparency within the global financial markets. 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 and with usefulness and applicability beyond the banking and financial sector.

GLEIF is a supra-national not-for-profit organization making available the only global online source that provides open, standardized and high quality legal entity reference data. GLEIF is, by its statutes, agnostic to any particular commercial or political interests. GLEIF is uniquely positioned in the entity identification market. GLEIF is headquartered in Basel, Switzerland.

GLEIF is pleased to see the LEI as one of the core reference data elements considered by the EPTF. GLEIF will limit its comment to the use of LEIs in regard to the topic of further reducing barriers to post-trade services across financial markets as the topic of the consultation.

GLEIF agrees with the assessment by the EPTF that addressing the reference data issues necessary to close this barrier can be achieved through harmonization and mapping of various identifiers and associated reference data. GLEIF places particular emphasis on determining how to best integrate the LEI into existing operations and processes. GLEIF already has undertaken two mapping initiatives aimed at integrating the LEI into existing operations and processes.

The first initiative is a joint effort between the ISO registration authority for the BIC ISO 9362 standard, SWIFT, and GLEIF for the LEI ISO 17442 standard. GLEIF and SWIFT are developing a program to create links between corresponding codes. 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 BIC or BICs.

The BIC is not a unique identifier legal entities as the BIC is intended only to identify parties and entities, some of which are legal entities. BICs also are assigned to operating areas, departments, non-legal entity, trading and execution desks, which are subdivisions of legal entities. Therefore, the mapping will in some cases create a one LEI to many BICs relationship.

This mapping is technically and economically not trivial and requires a rigorous quality management program. The result will be a table of LEI-to-BIC code links. These links would capture both the BICs and the corresponding LEI as a representation of the real world legal entity.

GLEIF sees application of the LEI to BIC mapping in areas such as correspondent banking and trade finance which predominantly or exclusively use BICs in transaction processing and the corresponding financial messaging but where there also would be needs of global regulators or the private sector in determining the legal entities behind these activities.

In the second initiative, GLEIF is working with ANNA, the Association of National Numbering Agencies, on a mapping program of the LEI to Issuers of any financial product having an ISIN (Identification of Financial Instruments, ISO 6166). ESMA has chosen the ISIN as its primary identifier for financial instruments, including OTC derivatives, and the LEI as its primary identifier for issuers. This leads to the natural demand for issuers to obtain an LEI along with their ISIN request and for regulators to demand easy access to the identifier pairs. By creating a free of charge mapping of the LEI to the ISIN GLEIF and ANNA make both identifiers more accessible to the industry and regulators. The official mapping will be delivered as a public good based on license free distribution of identifiers and access to the associated reference data.

Mandates to require the use of the LEI in all EU regulatory reporting, as recommended by the EPTF, will help the industry to reach the point of using the standard for all business processes requiring identification of legal entities and will insure effective coverage of entities for both of the above-mentioned mapping initiatives. Most of the financial services firms that provide post-trade services, for example, related to the processing of financial instruments transactions, namely, clearing, settlement, collateral management, securities financing, custody, asset servicing and reporting, that are performed after the execution of a trade, are already required by European law to apply LEI in reporting, particularly in the implementation of MiFID II in 2018.

LEIs, as key standard reference data, easily then could be incorporated into the financial messaging of ISO 20022, the standard recommended by the EPTF for coverage of both industry and regulatory reporting needs in the post-trade domain.

Also in its report, the EPTF further stated that, In the very long term, the LEI could morph into a Financial Object Identifier with all associated reference data, covering entities and their relationships, all financial instruments and contracts, described in standards-based representation and language.

As a first step into the digital age, GLEIF pictures the LEI embedded within digital certificates. The persistence of the LEI code would ensure compliance with the use of digital certificates according to the EU's eIDAS framework, as the eIDAS technical specification already includes a tag for the LEI to be embedded within certificates and seals.

The use of the LEI within digital certificates will allow for the first time a persistent global identification code to be present in digital certificates. Validated reference data for each LEI will continue to be updated and maintained according to the requirements of the GLEIS. Digital certificates will continue to expire and new certificates will need to be issued and there could be multiple occurrences. This puts a management burden on the regulators and private sector firms to chain and trace the certificates over time. With the presence of the LEI in each digital certificate, this would be resolved and for the first time successively issued digital certificates will be able to be linked to each other and to the entities that they identify.

As the use of the LEI expands, the benefits of using the LEI by both the public and private sectors will increase including for risk management by investors, banks, funds and for the data aggregation and collateral management for central banks and market infrastructures.

Sincerely,

Stephan Wolf
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