

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Securities and Exchange Board of India Consultation paper on the draft framework for participation of foreign entities, having actual exposure to Indian commodity markets, in the commodity derivatives market

June 2018

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Board of India Consultation paper on the draft framework for participation of foreign entities, having actual exposure to Indian commodity markets, in the commodity derivatives market. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation.

First some background on the LEI.

The development of a system to uniquely identify legal entities globally had its beginnings in the 2008 financial crisis. Regulators worldwide acknowledged their inability to identify parties to transactions across markets, products, and regions for regulatory reporting and supervision. 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 (GLEIS) that will, through the issuance of unique LEIs, unambiguously identify legal entities engaged in financial transactions. Although the initial introduction of the LEI was for financial regulatory purposes, the usefulness of the LEI can be leveraged for any purpose in identity management for legal entities both by the public and private sectors. This includes but is not limited to supply-chain, digital markets, trade finance, and many more.

The LEI initiative is driven by the Financial Stability Board (FSB) and the finance ministers and governors of central banks represented in the Group of Twenty (G20). In 2011, the G20 called on the FSB to take the lead in developing recommendations for a global LEI and a supporting governance structure. The related FSB recommendations endorsed by the G20 in 2012 led to the development of the Global LEI System that provides unique identification of legal entities participating in financial transactions across the globe and the subsequent establishment of the GLEIF by the FSB in 2014. The GLEIF is overseen by a committee of global regulators known as the LEI Regulatory Oversight Committee (LEI ROC), including the Reserve Bank of India represented by Nanda S. Dave, Executive Committee, Vice-Chair.

The LEI itself is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Moreover, the LEI provides freely accessible look up (identification) of the parties to transactions.

GLEIF would like to thank SEBI for the proposal to mandate the use of the LEI for this reporting obligation. According to the consultation paper, foreign entities, having actual exposure to Indian physical commodity markets should provide their LEIs, when available, in this reporting framework **(Eligible Foreign Entities (EFEs)) shall provide their Legal Entity Identifier (LEI) numbers, wherever available** (IV. Registration of EFEs, p.6).

GLEIF would like to propose that SEBI consider requiring that fully valid and renewed LEIs to be used in this regulatory reporting framework, rather than the use of LEIs only when available. Both the quality and accuracy of LEI data will be maintained as reporting entities renew and keep current their LEI entity and relationship data. GLEIF expects that over time the LEI will be used for multiple public and private purposes and for that reason requiring the use of valid and renewed LEIs in regulatory reporting frameworks will ensure that the LEI becomes a broad public good as expected by the Financial Stability Board (FSB).