

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the China Securities Regulatory Commission (CSRC) Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors Consultation Paper

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the China Securities Regulatory Commission (CSRC) Provisions on Issues Concerning the Implementation of the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors Consultation Paper. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) as part of the entry requirements for the QFII and RQFII applicants.

First some background on 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 People's Bank of China.

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.

The requirement to use maintained, meaning duly renewed LEIs for QFII and RQFII applicants will insure the most up to date and accurate information of these legal entities, as well as contribute to further strengthen compliance efforts of the CSRC.

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