

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Financial Conduct Authority's (FCA) first consultation for proposed changes to the Handbook and Binding Technical Standards (CP18/28) December 2018

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Financial Conduct Authority's (FCA) first consultation for proposed changes to the Handbook and Binding Technical Standards (CP18/28). GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in FCA Handbook and BTS. GLEIF would like to provide a response to Question 2 and Question 15.

Question 2: Do you agree that we have correctly identified all relevant amendments in our draft Handbook and BTS text related to the cross-cutting issues set out above? Do you have any other points you wish to raise regarding our approach to these cross-cutting issues?

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Financial Conduct Authority (FCA) for proposed changes to the draft Handbook and Binding Technical Standards.

GLEIF will focus its comments on the usage of the Legal Entity Identifier (LEI) in FCA Handbook and BTS.

It is emphasized in the Consultation Paper that the intent of this consultation is to correct "deficiencies" arising from Brexit. The LEI has been implemented as a global identifier. Therefore, the LEI should remain relevant to the UK for transparency of legal entities involved in financial transactions after the UK has left the European Union.

In Appendix 1 of the Consultation Paper, the requirement of providing the LEI for the Undertakings for the Collective Investment of Transferable Securities (UCITS) reporting is proposed to be removed and replaced with product reference number of the scheme (p.361) in draft Handbook.

GLEIF would like to comment that request of LEI for UCITS reporting should, at least, remain optional as it is in the current Handbook Annex 3. Ideally, as a universal legal entity identifier in transaction reporting and mapping opportunities it present, LEI should be mandated by the FCA for UCITS reporting.

Question 15: Do you agree that we have correctly identified all relevant amendments in our draft BTS text related to the cross-cutting issues set out in Chapter 3? Are there any proposed changes in the instruments in Appendix 2 or discussed in Chapter 5 where you think we should reconsider our approach?

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Financial Conduct Authority (FCA) for proposed changes related to the instruments in Appendix 2.

GLEIF will focus its comments on the usage of the Legal Entity Identifier (LEI) in the context of the consultation. The LEI has been implemented as a global identifier. Therefore, the LEI should remain relevant to the UK for transparency of legal entities involved in financial transactions after the UK has left the European Union.

In Appendix 2, Annex D, FCA has proposed amendments for the Commission Delegated Regulation (EU) 2015/2 of September 30, 2014 regarding the presentation of information that credit rating agencies make available to the ESMA.

In the original text of the regulation, it is stated that *“In order to ensure a global view of all ratings assigned by different credit rating agencies on the same rated entity or instrument, credit rating agencies should use common identifiers for the rated entity and the rated instrument when reporting the rating data to ESMA. Therefore, for the identification of rated entities, issuers, originators and credit rating agencies, the only method of global unique identification should be the Global Legal Entity Identifier (LEI).”* The FCA has not provided this statement in proposed changes related to this regulation.

In Appendix 2, Annex D, FCA has proposed to remove the mandate of LEI from certain data fields in the consultation paper unlike the explicit mandate of LEI in the original text. Please see removed references to LEI below:

- “Reporting CRA Global Legal Entity Identifier (LEI)” from Part 1, Table 1 “CRA identification and methodology description” in the Consultation Paper (p. 596).
- “Legal entity/issuer LEI” from Part 2, Table 1 “Data describing the rated entity/instrument”.
- “Parent legal entity/Issuer LEI” from Part 2, Table 1 “Data describing the rated entity/instrument”.

GLEIF proposes that the FCA reconsider these changes and not remove LEI mandate from above data fields.

In Appendix 2, Annex G, FCA has proposed changes related to the Commission Delegated Regulation (EU) 2017/590 of July 28, 2016 supplementing Regulation (EU) 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities.

In Appendix 2, Annex G, FCA seems to remove the below paragraph related to reporting obligation of using validated, issued and duly renewed legal entity identifiers for legal entities.

“In order to ensure certain and efficient identification of investment firms responsible for execution of transactions, those firms should ensure that they are identified in the transaction report submitted pursuant to their transaction reporting obligation using validated, issued and duly renewed legal entity identifiers (LEIs)...“In order to facilitate market surveillance, client identification should be consistent, unique and robust. Transaction reports should therefore include the full name and date of birth of clients that are natural persons and should identify clients that are legal entities by their LEIs.”

GLEIF would like to recommend FCA to consider mandating use of maintained, meaning duly renewed LEIs, as already drafted in BTS (EU) 2017/590.

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 only valid and renewed LEIs will ensure that the LEI becomes a broad public good as expected by the Financial Stability Board (FSB). Therefore, GLEIF

then would like to propose that the FCA consider requiring that only LEIs that are current and renewed will satisfy the reporting obligation.