Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Banking Authority Consultation Paper on the Draft Implementing Technical Standards on Disclosure and Reporting of MREL and TLAC

February 2020

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Banking Authority Consultation Paper on the Draft Implementing Technical Standards on Disclosure and Reporting of MREL and TLAC. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation.

First of all, GLEIF would like to thank the European Banking Authority (EBA) for mandating the LEI for all reporting institutions under Article 7.2(c) of the *Chapter 3 "Data Precision and Information Associated with Submissions*" in the proposed Commission Implementing Regulation (EU) No …/… laying down implementing technical standards with regard to the supervisory reporting and public disclosure of the minimum requirement for own funds and eligible liabilities.

GLEIF would also like to comment that given the Article 7.2.(c) states that "…*Legal entities and counterparties other than institutions shall be identified by their LEI where available",* "where available" nature of the rule might prevent the EBA from achieving fully the objective of harmonized, consistent and standardized identification of legal entities.

In the Annex II of the Consultation Paper, it is stated that the "LEI code", "MFI code" and/or "Other type of code" are accepted for identification of the entity that issued the own funds instrument or the eligible liability instrument. GLEIF would like to provide a demonstration of how relying on a variety of codes for entity identification prevents standardized identification of legal entities, drives costs for manual reconciliation, and takes supervisors away from their core business of implementing risk reduction measures.

GLEIF analysis of the MFI database, finds that 3,104 of the 4,446 financial institutions included in the MFI database are identified with a Business Identifier Code (BIC) code; of which at least 2,074 of these organizations have an LEI code. GLEIF performed this analysis thanks to the open source BIC-LEI mapping files, which are published by GLEIF and SWIFT on a monthly basis. For the rest of the financial institutions without the BIC code, GLEIF was not able to complete the analysis as relying on names of the entities solely would require manual work. The difficulty of this analysis instead must be undertaken by supervisors as, according to the proposed technical standards, they must use names and a variety of organizational identifiers given to map/compare entity data with different national or regional datasets and calculate risks associated with these entities. Therefore, for unique and unambiguous identification of all legal entities, GLEIF suggests the EBA consider mandating the LEI for all legal entities, in addition to the institutions and revise the Article 7.2.(c) accordingly.

Additionally, in conjunction with the previous comment, GLEIF suggests to change the "free text field" with the "20 digit alphanumeric string" for the field "*Identifies issuer legal entity*" in the "*Instructions for completing the capital and eligible liabilities instruments main features table"* (p.24) in the Annex VI of the Consultation Paper. The LEI is a 20 digit alphanumeric string which connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions including their ownership structure and international branch.

The ownership information in the Global LEI System is ensured through collecting the relationship data that answers the question of "who owns whom". Specifically, legal entities that have or acquire an LEI report their "direct accounting consolidating parent" as well as their "ultimate accounting consolidating parent". Supervisors can easily leverage the relationship information in the LEI record for better assessing intra-group risk exposures within a financial institution.

Lastly, GLEIF would like to point out that a consistent mandate of the LEI in ITS supervisory reporting can enhance EBA's supervisory capabilities, standardize reporting requirements for all legal entities and contribute to the European Commission's overall objective of consistent and harmonized application of reporting requirements in the EU as outlined in the European Commission's Fitness Check of EU Supervisory Reporting Requirements published in November 2019.

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 also would like to propose the EBA consider requiring LEIs that are maintained, meaning duly renewed, to satisfy the reporting obligation.