

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Bank of England and Financial Conduct Authority Joint Consultation Paper on changes to reporting requirements, procedures for data quality and registration of Trade Repositories under UK EMIR February 2022

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Bank of England and Financial Conduct Authority Joint Consultation Paper on changes to reporting requirements, procedures for data quality and registration of Trade Repositories under UK EMIR. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) in the consultation.

First, GLEIF would like to respond to Q12: *“Do you agree with our proposal to add new fields relating to PTRR, including the ‘PTRR ID’ and ‘type of PTRR technique’ fields? If no, please explain the rationale for your answer.”*

GLEIF agrees with the addition of the PTRR ID to ensure that UK authorities have adequate information to monitor all forms of PTRR activities. GLEIF welcomes the inclusion of the LEI of the compression provider to generate the PTRR ID.

GLEIF would like to respond to Q22: *“Do you agree with our proposal relating to the use of standardised XML schemas based on the end-to-end reporting solutions in the ISO 20022 standards? If no, please explain the rationale for your answer.”*

GLEIF agrees with the proposal of using standardized XML schemas for the data exchange between reporting counterparties and trade repositories (TRs) in accordance with ISO 20022. Use of this machine-readable reporting information will enable consistent reporting. There is a specific data field for the LEI in ISO 20022 messaging standard.

As part of its work on improving post-trade reporting, The Bank of England suggests that *‘a number of post-trade activities could be eliminated entirely if data were standardized, complete, accurate and consistently exchanged by all counterparties at or before the point of trade execution’*. The identification of parties to a trade is the core of the pre-trade information. With the LEI obtained during pre-trade, firms can re-direct their efforts from manual reconciliation of counterparty data towards better risk assessment. GLEIF’s Validation Agent model allows financial institutions to obtain LEIs for their clients as part of client identification processes. Once financial institutions tag their clients with the LEI, this could be leveraged with the transition to ISO20022 standard. The consistent use of the LEI from the beginning of the trading cycle will help reduce rejection rates, harmonize data transformations, and address other issues that reporting entities can face when reporting to TRs.

Using alternative identifiers will create both technical and data consistency/quality issues because of multiple registries, formats and poor data quality of some of the registries (i.e. data is not necessarily validated like it is with LEI). A globally recognized digital identification is a prerequisite for global systemic risk and cross border transaction monitoring.

GLEIF would like to respond to Q23: *“Do you agree with our proposal to relating to the use of LEIs and framework for updating LEIs? If no, please explain the rationale for your answer.”*

GLEIF welcomes the proposal to require counterparties to renew and maintain their LEIs according to the terms of their chosen Local Operating Unit (LOU) under the Global LEI System. Mandating renewal of the LEI reference data ensures that the LEI reference data is up-to-date; so risk profiles are effectively monitored for an improved regulatory oversight.

As of the end of 2021, the renewal rate of LEIs in the UK was 42.4%, below the average global and EU renewal rate. Therefore, any clarification and mandatory obligation established by the FCA and Bank of England for the renewal requirement would enhance data quality in reporting, thereby enabling UK supervisory authorities to conduct market analyses, improve data quality for counterparty reporting, and reduce TR's transaction rejection rates.

GLEIF would like to respond to Q25: *“Do you agree with our proposals relating to the use of UPIs and ISINs? If no, please explain the rationale for your answer.”*

GLEIF agrees with the use of Critical Data Elements, including ISINs, UPIs and UTIs. Since April 2019, GLEIF and the [Association of National Numbering Agencies \(ANNA\)](#) publish daily open-source relationship files that link newly issued ISINs and LEIs.

This cooperation between GLEIF and ANNA was created to improve the transparency by linking the issuer and issuance of securities. This enables firms to aggregate data which clearly shows their securities exposure in relation to an individual issuer and its related entities.

GLEIF would like to respond to Q27: *“Do you agree with our proposals relating to the process for TRs updating LEIs in the event of a corporate restructuring? If no, please explain the rationale for your answer.”*

GLEIF agrees with the proposed procedures for TRs that the LEI of ‘counterparty 1’ or ‘counterparty 2’ is updated when a corporate restructuring takes place.

Additionally, GLEIF also wants to highlight the new policy implementation of the Regulatory Oversight Committee: “Legal Entity Events”. Implementation of Legal Entity Events will directly affect the Level 1 and Level 2 Reference Data (e.g., name changes, mergers, and acquisitions). Effective dates reflecting when certain Legal Entity Events become legally effective will be incorporated into the Global LEI System. Effective dates are in addition to the current requirement of recording when updates have been made to LEI Reference Data. This policy will be in force starting from March 31st, 2022.

Therefore, GLEIF suggests that the FCA could consider these developments in parallel to its creation of the technical standards relating to the process for TRs updating LEIs in the event of a corporate restructuring. The TRs could use free and publicly available GLEIF API as a source for notifications of changes pertaining to the corporate restructuring.

Lastly, GLEIF applauds the FCA and Bank of England efforts to harmonize the UK derivatives reporting framework with international reporting standards; and improve reporting requirements for both reporting counterparties and TRs for better data quality.