

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Australian Securities and Investments Commission (ASIC) regarding Proposed changes to simplify the ASIC Derivative Transaction Rules (Reporting): Second consultation July 2022

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Australian Securities and Investments Commission (ASIC) regarding Proposed changes to simplify the ASIC Derivative Transaction Rules (Reporting): Second consultation. GLEIF understands there are no questions in the consultation pertaining to the LEI (Section D). That being said, GLEIF would like to clarify certain statements about the LEI that ASIC received after the first consultation.

First of all, GLEIF welcomes the proposal for consistent use of the LEI in ASIC's new reporting requirements and applauds ASIC for requiring LEIs for all counterparties. GLEIF suggests that ASIC could consider extending the renewal requirement not only for counterparty 1 and ASIC reporting foreign counterparty 2; but also for other foreign counterparty 2 to ensure a more up-to-date picture of all entities in each transaction. The annual LEI renewal requirement ensures that the entity date is current, whereas a "lapsed" status of the LEI does not guarantee the actualness of the LEI reference data. GLEIF suggests this is extremely useful as this is the information that may not be easily accessible to ASIC and Australian market participants. It requires detailed knowledge of how to access legal entity information in business registries around the world, harmonize the different data models, navigate the different languages, etc. This is a time consuming and expensive task that use of the LEI, and specifically regularly renewed and revalidated LEI reference data, solves.

Additionally, it is mentioned in the second consultation that some organizations in their response to the first consultation highlighted that SME clients with an AVID should not be in the scope of requiring an LEI, considering the high costs of obtaining an LEI. While GLEIF welcomes ASIC's decision to require LEIs for all counterparties and beneficiaries in line with the Australian Government's commitments to the G20 OTC derivatives markets reforms, we would like to provide further clarification for cost concerns and share an example from Europe on how these concerns can be alleviated.

The European Systemic Risk Board (ESRB) in its [first recommendation report](#) recommended that all legal entities established in the European Union that are involved in financial transactions obtain and maintain an LEI. ESRB particularly recommends *'to seek the introduction of a Union legal framework to uniquely identify legal entities engaged in financial transactions by LEIs and to make the use of the LEI more systematic in respect of supervisory reporting and public disclosure'*.

The ESRB recommends **two models for mass LEI adoption in the EU for increasing availability and reducing costs particularly for SMEs**. First, an entity can obtain an LEI at the point of registration at the local business registry; and second, financial institutions can provide LEIs to their clients at the stage of onboarding if they become [Validation Agents](#) of GLEIF.

Once the financial institutions tag their clients with the LEI at the stage of onboarding as part of the GLEIF's Validation Agent model, **for no or minimal additional cost for their clients**, any business with a

banking relationship can obtain an LEI. Today, the Validation Agent model is up and running and large financial institutions such as Citi, JPM and fintech organizations are already onboarded. GLEIF would welcome a similar interest from Australian financial institutions and a recommendation from ASIC to Australian financial institutions in this direction.

Another way for mass adoption is that companies obtain an LEI at the point of registration from national business registries.

Moreover, today the weighted average retail price of the LEI is around 95 AUD. This is way below the 327 AUD observed when the Global LEI System was launched eight years ago. And this price decrease occurred without the two models discussed above. Requiring companies to obtain one, digitally-enabled, globally recognized and regulatory backed identifier will allow them to get rid of the maintenance costs of other propriety identifiers.

Lastly, GLEIF would like to provide an update on its upcoming LEI-to-MIC mapping project, which will potentially help ASIC to identify the execution platforms in a more consistent and transparent manner. As part of its cooperation with SWIFT, GLEIF will publish MIC-to-LEI mapping files on GLEIF's website by the end of July 2022. Similar to LEI mapping with other identifiers, BIC and ISINs, MICs will be easily discoverable for data users through GLEIF's Search function and GLEIF API.