

## **Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Office of Financial Research, Department of Treasury, proposed rule on non-centrally cleared bilateral transactions in the U.S. repurchase agreement market**

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Office of Financial Research (Office), Department of Treasury, notice of proposed rulemaking for the collection of non-centrally cleared bilateral transactions in the U.S. repurchase agreement (repo) market.

GLEIF will respond to the following question:

1. Do participants in non-centrally cleared bilateral repo markets anticipate challenges obtaining, maintaining, and reporting LEIs?

### **First, some background information on the LEI and GLEIF.**

The development of a system to identify legal entities uniquely and 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 GLEIF with a global governance framework representing the public interest that, through the issuance of unique LEIs, unambiguously identify legal entities engaged in financial transactions.

The LEI is the only global standard for legal entity identification. It is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The LEI connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions but is not limited to identifying entities involved in financial transactions. LEIs also contain information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'.

Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

GLEIF is tasked with supporting the implementation, maintenance and adoption of the LEI. GLEIF is overseen by the Regulatory Oversight Committee (ROC), which is comprised of 70 global regulators, with the Office being an active member. Further details on the use of the LEI in regulatory initiatives is provided [here](#).

**GLEIF's response to question 1: Do participants in non-centrally cleared bilateral repo markets anticipate challenges obtaining, maintaining, and reporting LEIs?**

Obtaining an LEI is straightforward. An interested entity should contact the preferred LEI issuing organization (LEI issuer, also known as Local Operating Unit). The list of LEI issuers can be found [here](#). The LEI data is registered and regularly verified according to protocols and procedures established by the ROC. GLEIF acts as the operational arm of the ROC, making available, free of charge, the only global online source that provides legal entity reference data.

Since 2019, the Office's data collection for all centrally cleared repos include the LEI. Participants are well accustomed on how to obtain, maintain and include the LEI in financial reporting. More importantly, as the Office indicates in the proposed rule, all covered participants likely already have an LEI. Requiring the LEI in this data collection, including keeping the LEI current or renewed at minimum annually, helps fulfil the Office's pursuit to collect and standardize data and achieve information sharing among FSOC agencies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act established the Office and paved the way for the LEI to be used in financial reporting, which initiated with the reporting of swap counterparties to the Commodities Future Trade Commission (CFTC). The value proposition of LEI has already been recognized by several U.S. regulators that are members of the Financial Stability Oversight Council (FSOC), which is chaired by the Secretary of the Treasury, and the Federal Financial Institutions Examination Council (FFIEC). The LEI is included in 42 U.S. regulations.

On December 15, 2022, the Senate passed the fiscal 2023 National Defense Authorization Act, which included an amendment known as the Financial Data Transparency Act (FDTA). The FDTA directs seven financial regulators to adopt standardized data reporting practices for information collected from regulated entities, and mandates the adoption of an open, non-proprietary legal entity identifier, such as the LEI, to allow for easy and consistent matching of filings from the same entity across different financial regulators. The adoption of open data standards through the FDTA will improve transparency and accountability for federal agencies and the public. The 2-year rulemaking period already has commenced and the Office is participating.

The private sector is extremely familiar with the LEI and financial institutions (FIs) have begun to obtain LEIs on behalf of their clients. GLEIF is working directly with financial institutions within its [Validation Agent operating model](#) (VA) to issue and renew LEIs for their clients, in cooperation with LEI Issuer organizations officially accredited by GLEIF, by leveraging their business as usual client identification procedures in Know Your Customer (KYC) and client onboarding processes. This model, triggering LEI growth beyond regulatory mandates, will help to make the financial ecosystem more transparent and accessible for all parties. GLEIF's VA model will result in increased assignment of LEIs for entities involved in the financial transactions, including participants in the repo market.

In conclusion, regulators and supervisor authorities continue to incorporate the LEI in regulations and policy recommendations. In parallel FIs continue to increase the volume of the LEI's through client on-boarding processes. GLEIF supports the Office's proposed rule to require the LEI for non-centrally cleared repo reporting.

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