

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Bureau of Consumer Financial Protection notice of proposed rulemaking for the registry of non-bank covered persons subject to certain agency and court orders

March 31st, 2023

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Bureau of Consumer Financial Protection (Bureau), notice of proposed rulemaking for the registry of nonbank covered persons subject to certain agency and court orders.

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 71 global regulators, with the Bureau being an active member. Further details on the use of the LEI in regulatory initiatives is provided [here](#).

GLEIF's comments on "identifying information":

GLEIF is pleased to see the inclusion of the LEI in section 201(g), *identifying information* and supports the inclusion of the LEI as a public data element in the nonbank registration system (NBR). GLEIF also

suggests that the Bureau, when an LEI is submitted, could also obtain the legal name, legal address and headquarter address from the LEI record for use in the NBR. The reference data that is included in an LEI record is also publicly available.

The Bureau previously included the LEI as part of Regulation C of the Home Mortgage Disclosure Act (HMDA). Every financial institution that files a HMDA submission to the Bureau is required to have an LEI. Therefore, a non-bank covered entity type, mortgage lenders, will have an LEI and should report accordingly due to the proposed rule. The inclusion of the LEI in the proposed rule will result in greater transparency while supporting consumer protection.

The value proposition of LEI has been recognized by several U.S. regulators, including the Bureau, Commodities Future Trading Commission (CFTC), Federal Reserve, Securities and Exchange Commission and U.S. Treasury. The LEI currently exists in 44 various U.S. laws and regulations and globally the LEI exists in 260 laws and regulations, inclusive of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which is mentioned in the Proposed Rule summary.

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 eight 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 Bureau 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, some of which could be non-bank covered entities.

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 Bureau’s proposed rule to include the LEI for identification purposes and suggests the Bureau to consider leveraging the reference data contained in an LEI record, as mentioned above.

Submitted by:

Stephan Wolf, CEO GLEIF, Stephan.Wolf@gleif.org