

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Securities and Exchange Commission on the Proposed Rule for Enhanced Reporting of Proxy Votes by Registered Management Investment Companies; Reporting of Executive Compensation Votes by Institutional Investment Managers December 2021

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Commission (Commission) on proposed amendments to Form N-PX.

GLEIF will focus its remarks on Question 44:

44. We are proposing to require reporting of only one security identifier (either the CUSIP or the ISIN) on Form N-PX. Should we require reporting persons to disclose both identifiers? If so, why? Should we also require the ticker symbol in order to identify a security? Why or why not? Is there a more appropriate identifier of securities?

Specifically, GLEIF proposes that, in addition to the security identifier, the LEI also should be required to identify the issuer, and if applicable, the guarantor, of the securities.

First, some background information on the LEI and GLEIF.

The Legal Entity Identifier (LEI) itself is a 20-digit, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO). The code connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions including their ownership structure. The LEI and its associated reference data are accessible to all as open, public data.

Established by the Financial Stability Board in June 2014 under the mission of improving financial stability and transparency due to the aftermath of the financial crisis, GLEIF is tasked to support the implementation and use of the LEI. Even though the primary and initial usage and adoption of the LEI predominantly was in financial markets and financial instruments, the LEI is use agnostic and therefore has been embraced by different industry sectors and regulators since its introduction by the Regulatory Oversight Committee, where the Commission is an active member, and the Financial Stability Board in 2012. Further details on the use of the LEI in regulatory initiatives is provided [here](#).

GLEIF would like to provide combined comments to Question 44:

Firstly, GLEIF believes that in addition to the security identifier specified in Question 44, the LEI also should be required to identify the issuer, and if applicable, the guarantor, of the securities. The scope of the ISO 17442 standard specifies “all entities that trade stock or debt; investment vehicles, including mutual funds, pension funds and alternative investment vehicles constituted as corporate entities or collective investment agreements (including umbrella funds as well as funds under an umbrella

structure, hedge funds, private equity funds);”. The LEI is the only global standard for legal entity identification.

The value proposition of LEI has been recognized by several U.S. regulators, including the Commodities Future Trading Commission (CFTC), Federal Reserve, Consumer Financial Protection Bureau, National Association of Insurance Commissioners and U.S. Treasury. The LEI currently exists in 29 various U.S. laws and regulations and globally the LEI exists in 126 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.

Specifically, funds and investment vehicles (collectively, Funds) are required by certain global regulations to have an LEI. As a result, Funds can be required to have an LEI through client on-boarding processes by financial institutions to satisfy Know Your Customer (KYC) requirements. Investment manager firms and fund companies can also be assigned LEIs as part of the same processes. The Commission already has made several amendments to include the LEI as well, specifically as it relates to the funds industry, Form PF, Form ADV, Form N-MFP. By implementing the LEI more comprehensively within all fund investment related filings, the Commission would comprehensively set forth a consistent identification scheme highlighted by the LEI.

Use of the LEI in US regulation continues to increase. There are 4 active consultations that specifically mention the LEI from [Bureau of Consumer Financial Protection](#), [Financial Crimes Enforcement Network](#), [Treasury](#), [U.S. Customs and Board Protection](#), [Board of Governors of the Federal Reserve System](#). Consultations and amendments to existing requirements are opportunities to re-consider existing identifier schemes with longer term vision for a broader, standardized and consistent use of global standards and open sharing across US agencies.

The Foundation for Evidence-based Policy Making Act of 2018 (Evidence Act) requires that data be open and be shared across federal agencies. Furthermore, President Biden’s Memorandum on Restoring Trust in Government Through Scientific Integrity and Evidence-Based Policymaking further supports the Evidence Act:

“(d) Consistent with the provisions of the Foundations for Evidence-Based Policymaking Act of 2018, heads of agencies shall, as appropriate and consistent with applicable law, expand open and secure access to Federal data routinely collected in the course of administering Federal, State, local, Tribal, or territorial government programs or fulfilling Federal, State, local, Tribal, or territorial government mandates.” There are innumerable national or regional standards for entity identification across the world. Different identifiers might serve the national needs, however, create conflicts and inefficiencies when it comes to the reconciliation of data across borders. Research conducted by GLEIF and Data Coalition demonstrates that the U.S. federal government alone uses 50 distinct entity identification systems—all of which are separate and incompatible with one another. Therefore, the LEI responds to the critical need for a universal system of identifying entities across markets, products, and regions. Instead of using/accepting multiple identifiers, the Commission could leverage the LEI, as an established open-source identifier, to harmonize and share critical data among federal agencies.

By contrast, proprietary identification schemes are not open and therefore limit data sharing as a result

of their licensing agreements. Moreover, proprietary identification schemes are expensive and can increase in spend when data sharing among multiple agencies increases.

In addition, the LEI is a persistent code, meaning the LEI does not ever change, due to underlying corporate actions, whereas certain instrument level identifiers and tickers do change as a result of corporate actions. This creates an increase in costs and resources, both human and machine, to manage the ongoing inventory of changes. This is also magnified when using multiple identifiers that are subject to change as the timing of the changes to these identifiers can vary.

Requirements for open, standardized, and high-quality legal entity reference data available to users in the Global LEI System continues to expand through the implementation of policies from the Regulatory Oversight Committee. One of these policies relates to the expanded collection of [funds relationship data](#) and includes three new relationship types for fund LEI records.

GLEIF also suggests that the Commission could make further use of the XBRL reporting capability, which includes a LEI taxonomy that can be used in conjunction with any inline XBRL taxonomy. XBRL US is a nonprofit standards organization. The mission of XBRL US is to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical XBRL specification, which is a free and open data standard widely used around the world for reporting by public and private companies, as well as government entities. The Commission could both leverage existing standards, in this case XBRL in tandem with the LEI, to create more transparency, improve reporting and the quality of data included therein.

The Commission could also benefit from data that accompanies a LEI record. For example, company name and address (legal and headquarters), can be automatically retrieved or verified from an LEI record. All LEI data is validated and verified by LEI issuers against authoritative sources which results in a trusted source of entity data. LEI issuers are rigorously accredited by GLEIF and renewed annually. GLEIF also facilitates mapping through an [open-API](#), which is available at no costs to end users.

GLEIF would be happy to engage further in conversations with the Commission regarding these new policies or other remarks included herein.

Submitted by:

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