

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Securities and Exchange Commission (SEC) Proposed Rule for Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Commission (SEC) Proposed Rule for Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements. GLEIF will focus its comments on benefits of making the LEI as a mandatory data element on the Form N-CSR cover page.

GLEIF would like to provide its comments for the 292. “Form N-CSR currently requires funds to disclose their name and Investment Company Act file number on the Form N-CSR cover page. Unlike the Investment Company Act file number, which is a Commission-specific identifier, the Legal Entity Identifier (“LEI”) is used by numerous domestic and international regulatory regimes and could facilitate collection of information about a fund beyond the information disclosed in Commission filings. Should we require a fund that has an LEI to disclose its LEI on the Form N-CSR cover page? What would be the costs and benefits of such an approach for investors and for funds? If the approach would provide informational benefits for investors, would retail investors realize such benefits? By making additional information available outside of the shareholder reports, would the added LEI requirement contribute to the layered disclosure framework discussed above?”.

GLEIF agrees that adding the LEI as a mandatory data element on the Form N-CSR cover page for reporting funds would help investors to collect, compare and process information regarding funds in a consistent, standardized way and automated way. Once the fund is identified by its LEI, the SEC could easily connect the filing to the Global LEI Repository so that investors have access to the fund’s open public reference data and relationship information. Given that the Global LEI Repository does not require any subscription for using data, retail investors would have the possibility of accessing rich legal entity reference data and associated relationship information. Naturally, it is not possible to access this level of information by solely using internal identifiers such as the Investment Company Act file number.

For standardizing data collection and data processing by investors in a consistent manner, GLEIF suggests that the Commission makes the LEI requirement not only for funds that already have an LEI; but for all reporting funds. The LEI currently exists in 26 various U.S. laws and regulations. Consistent use of the LEI in the U.S. would significantly enhance information sharing across different government entities. Today, the U.S. government utilizes more than 50 different identifiers for legal entity identification; which causes manual reconciliation of data and drain of resources. Instead of using/accepting a plethora of identifiers, the SEC could leverage the LEI, as an established open-source identifier, to harmonize and share critical data both at home and abroad. The OPEN Data Act seeks to

synchronize data across various agencies, inclusive of regulators. Therefore, a wider LEI requirement for all funds would enable better communication across the financial ecosystem.

Today, most of the funds operating across borders have already obtained an LEI due to transparency requirements in regulations either in the United States (e.g., Dodd-Frank Act Title IV) or in the E.U. (MiFID II). Moreover, the E.U. is trying to close the gaps in its existing fund disclosure framework, and, in the recently launched public consultation, the European Commission suggests making the LEI mandatory for Alternative Investment Fund Managers (AIFMs). Therefore, GLEIF expects that the number of funds that do not fall under the existing regulatory regimes would be minimal. For these funds, obtaining an LEI would cost around 50 USD for initial registration. That being said, the benefits of having a harmonized framework for fund disclosure, where investors can rely on a single unique identifier for data collection, comparison, and processing would outweigh the costs that would arise out of a broader LEI requirement, instead of an “if available” basis one.

GLEIF also would like to comment on how adding the LEI requirement could contribute to the layer disclosure framework discussed in the Proposed Rule. According to GLEIF’s understanding, through a layered disclosure framework, the Commission aims to have more effective communication between funds and investors and make additional information that may be of interest to market professionals and some shareholders, available online. Given the LEI reference data is updated (for example, a change in the headquarter address) in an easy and understandable way, investors would have the opportunity to see any changes pertaining to the reference data and relationship information of a fund. Each LEI record has a “change history” available displaying both “old value” and “new value” as demonstrated in this [example](#). Moreover, with the Regulatory Oversight Committee’s [Funds Relationship Policy](#), whose implementation is in progress at the moment, users will have a more granular view of the relationship information. As part of the policy implementation, the following relationships will be enumerated in the Common Data File Format: Fund Management Entity relationship IS-FUND-MANAGED-BY, Umbrella Structure relationship IS_SUBFUND_OF and Master-Feeder IS_FEEDER_TO.