

MEMORANDUM

TO: File

FROM: Matt Reed
Division of Risk, Strategy and Financial Innovation

DATE: November 8, 2011

RE: Meeting related to Rules S7-34-10 and S7-11-10

On November 1, 2011, Matthew Reed, Adam Glass, Thomas Eady and Sherman Boone of the Commission met with representatives from an industry trade association to discuss the legal entity identifier initiative as it relates to various rulemakings or potential rulemakings including swaps reporting and a consolidated audit trail. Participants included Tom Price (by phone), Bradley Edgell and David Strongin from the Securities Industry and Financial Markets Association, and Robin Doyle from JP Morgan Chase & Co. The attached materials were provided to the staff.



gfma

afme /

asifma

sifma

CREATING A GLOBAL LEGAL ENTITY IDENTIFIER
(LEI) STANDARD

9.21.2011



Global calls affirming the importance of developing an LEI standard

G-20 – *Communiqué issued by G-20 finance ministers and central bankers (October 15, 2011)*

“We underscored our support for a global legal entity identifier system which uniquely identifies parties to financial transactions with an appropriate governance structure representing public interest. “

IOSCO-CPSS – *Report on requirements for OTC derivatives data reporting and aggregation August 24th 2011*

“A system of LEIs would be an essential tool for aggregation of OTC derivatives data, and recommends the expeditious development and implementation of a standard LEI.”

Financial Stability Board - *July 18th 2011 FSB Plenary Session*

“The FSB welcomed the progress of financial regulators and industry to establish a single global system for uniquely identifying parties to financial transactions, and agreed to arrange a workshop in the autumn to discuss the issues that will need to be addressed and how best to coordinate work to take this forward.”

EU Internal Market Commissioner Michel Barnier - *Speech of February 10th, 2011*

“We must also work together in a common identification of market players. This is an area where the U.S. is already committed, but that requires global standards.

G-20 – *Progress report on the actions to promote financial regulatory reform; Issued by the U.S. chair of the Pittsburgh G-20 Summit (September 25, 2009)*

“All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories.”



Global Financial Services Industry Response

- Given the need for better systemic risk management and the specific request from the U.S. Office of Financial Research for an industry driven consensus on legal entity identification :
 - The financial services industry, working through GFMA, formed the Global Trade Association group to formulate a proposal
 - Group included firms from around the world and several regional and international trade associations
 - The Trade Associations' objective was to develop a global, consensus-based solution for the accurate and unambiguous identification of legal entities engaged in financial transactions (see Appendix I for Benefits).

Global participation and dialogue

	Regulators	Trade Associations
Americas	US Treasury, SEC, CFTC, Federal Reserve, Bank of Canada, Canadian Ministry of Finance, OSC, AMF	ABA, CBA, The Clearing House Association, EDM Council, FIA, Financial Services Roundtable, ICI, IIAC, MFA, SIFMA
Europe	European Commission, European Securities Markets Authority, Autorité des Marchés Financiers, Bank of England, HM Treasury, ECB, UK FSA, BaFIN, German Ministry of Finance, European Systemic Risk Board, EBA	AFME, AMAFI, BBA, BDB, BVI, JWG, ABI, EBF, CBI, ICMA, IMA
Asia	Japan Ministry of Finance, Bank of Japan, Japan FSA, Hong Kong Securities and Futures Commission, Hong Kong Monetary Authority, Monetary Authority of Singapore, SGX, Australian Securities & Investments Commission, Securities & Exchange Board of India	AFMA, ASIFMA, JSDA, IBA Japan, KOFIA, TWSA
Global	IOSCO, FSB	GFMA, IBFed, ISDA

Our working group is composed of a global set of representative firms, including:

- Barclays BNP Paribas
- Fidelity
- Nomura
- CIBC
- Goldman Sachs
- RBC
- Citi
- HSBC
- RBS
- Credit Suisse
- JPMorgan Chase
- UBS
- Deutsche Bank
- Morgan Stanley
- As well as over 50 others



Accomplishments

- **Trade Association group finalized its recommendation to the global regulatory community on July 11, 2011**
 - Transparent process with global participation from firms & other stakeholders
 - Process and requirements document published (May 3) and affirmed by a range of international trade associations (Appendix II)
 - Commenced “Solicitation of Interest” process on May 13
 - Evaluated proposals leveraging the resources of numerous firms and trade associations over the next eight weeks (Appendix III)
 - Press release on July 11, 2011, recommends the organizations the Trade Association group believes are best suited to operate a global legal entity identifier (LEI) system
 - Through the process, the group has had regular and continuing dialogue with European and Asian firms, regulators, & trade associations to ensure all views were taken into consideration in the final recommendation



LEI Solution Summary

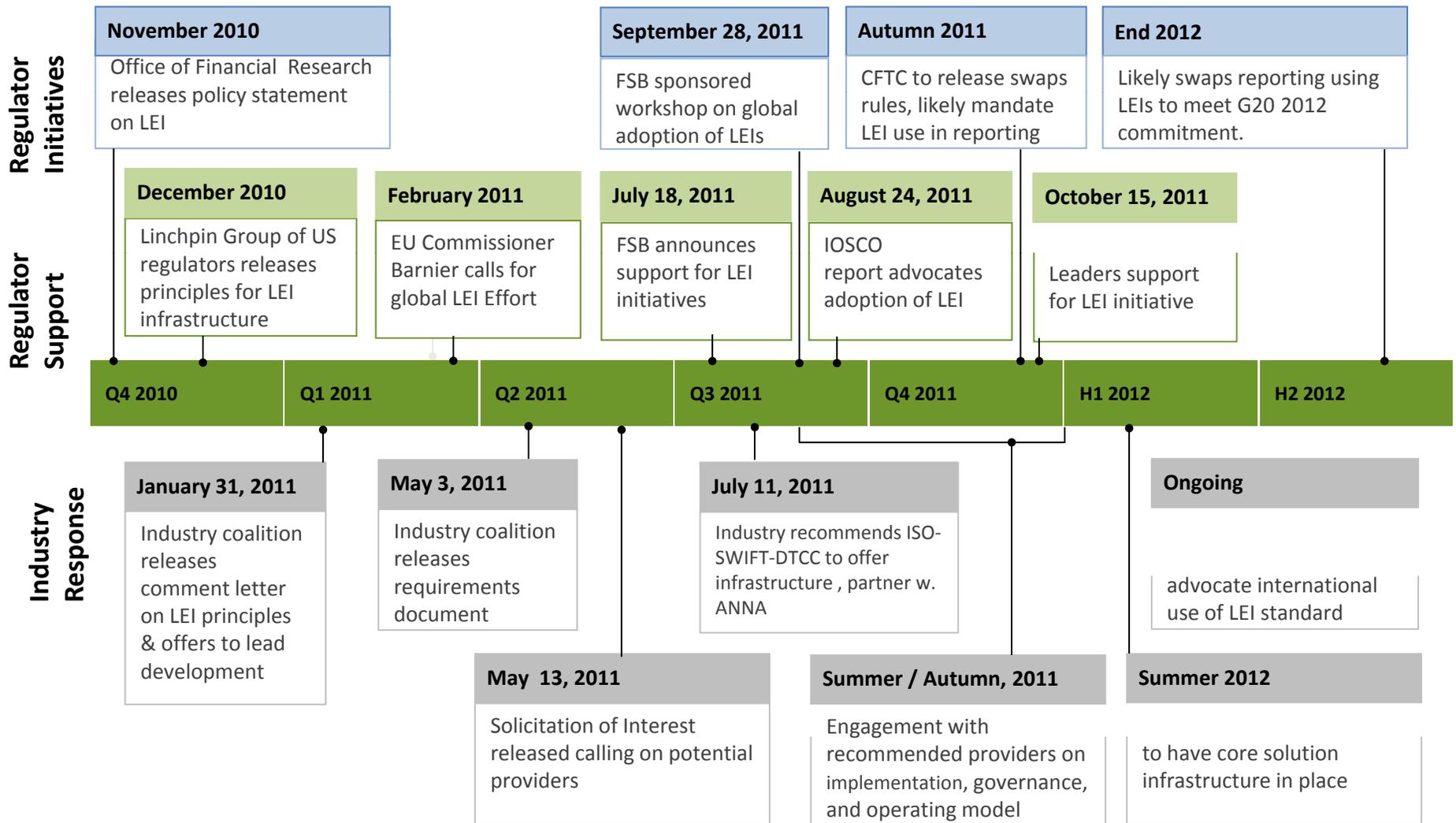
- Standards body- The International Organization for Standardization, i.e., ISO's new standard, ISO 17442, is recommended for use as the new, authoritative legal entity identification standard.
- Core Issuing and Facilities Manager – The Depository Trust & Clearing Corporation (DTCC) and the Society for Worldwide Interbank Financial Telecommunications (SWIFT), along with DTCC's wholly-owned subsidiary AVOX Limited, are recommended as key partners to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance.
- Federated Registration – ANNA, through its network of 81 local national numbering agencies (NNAs), is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers, obligors, and other relevant parties in the 118 home markets they serve. The NNAs are envisioned as the “face” of the LEI Utility to those markets while leveraging the functionality of the centralized LEI Utility for the assignment, further validation and global distribution of LEIs.



Next Steps

- Consult further with the international regulatory community, as well as the recommended organizations and other parties, to understand fully the requirements that could make the global implementation and adoption of the LEI solution possible.
- Work cooperatively with these parties in defining and establishing the LEI governance structure.
- Respond to proposed rulemaking advocating the use of the recommended LEI system where ever legal entity identification is intended to be required.
- Continue to educate and share information about the solution and the benefits of global adoption as needed to ensure all market participants have the facts necessary to support and adopt the solution

Timeline of LEI Response





APPENDIX I



Benefits to Regulators

A common LEI will be a powerful tool for regulators in monitoring and managing systemic risks.

- **Data aggregation more efficient**
 - Make it much easier to aggregate and analyze data, eliminating the need for cross-referencing and mapping when combining multiple data sets
 - Allows for much more powerful modeling and risk analysis
- **Information sharing & reconciliation**
 - Common identifiers will make it easier to share information on legal entities between regulators and across borders
 - Allows for better supervision of cross-border firms and firms whose business lines are overseen by multiple regulators
- **Identification of Affiliates and Parent Companies**
 - Easier to make connections between parents and affiliates, especially when combined with basic hierarchy data



Benefits to Industry

A global LEI standard will be a powerful tool for firms risk management and operations improvements

Advantages for Risk Management:

- Improve response times for crisis reporting & potential for same with sanctions monitoring
- Holistic view of counterparty & issuer risks
- Easier data aggregation, modeling, and analysis
- Component for developing “Living Wills”

Other operational benefits to the industry include:

- Integrated view of entities across divisions & subsidiaries
- Supports development of hierarchy information
- Processing & settlement efficiency
- Improved vendor feed & corporate actions management
- Supports new client on-boarding
- Post merger integrations



Existing entity identification codes

But don't we already have codes that we use for this purpose?

In the absence of a recognised standard, there are currently many codes used to identify counterparties & issuers – common market identifiers, company registration numbers, tax references and firms' own internal standards. LEI will deliver the following key benefits

- Be unique per legal entity
- Be available without restriction – essential for broad adoption
- Follow an internationally recognised standard and have a consistent published framework
- Not be limited by geography or asset class

LEI will not necessarily replace these codes, but will be added as the authoritative entity identifier and mapped to other existing codes.



Avoiding Regional LEI Solutions

Why is it necessary to ensure we have a single global LEI standard and issuing authority?

- Financial services firms operate in an increasingly global market place and need a common way to identify all their counterparties
- Regulators must be able to share information across borders
- Consistent definition & aggregation across products, markets
- Data quality and operational efficiency will benefit from widespread adoption of a single identifier
- The Hong Kong Monetary Authority, Canadian Securities Administrators, and IOSCO-CPSS have all recognized the value of a global LEI solution

Core Principles for LEI Infrastructure

- **Global coordination between regulators** so that all adopt the single, uniform LEI standard as regulatory reporting rules are implemented and avoid multiple, different conventions
- **Non-profit governance**, transparent standards setting process, & stable funding
- **Clearly defined responsibilities for obtaining an LEI**, with self registration as targeted end state
- **Neutral LEIs** with no embedded meaning or information
- **Limited list of data elements** in LEI data model, does include core hierarchy data needed for systemic risk analysis
- **Create a pragmatic, iterative solution** with phased-in implementation consistent with regional regulatory requirements is critical for success, and is essential to global coordination.
- **Data is freely available**, easy to access, without restrictions on redistribution or licensing

APPENDIX II



Requirements - Scope of Coverage

- **General Breadth:** LEI scope is intended to apply to all countries globally, all industry types, and all asset classes.
- **Principle of Eligibility:** For purposes of LEI eligibility, any "party to a financial transaction" shall be eligible to obtain an LEI, providing the entity meets the scope requirements highlighted below.
 - **Individuals:** Individuals (i.e., natural persons) are excluded from LEI scope.
 - **Roles:** A legal entity playing one or more of the following roles in a financial transaction will be in scope for the initial release of the LEI Solution:
 - Transacting entities, Issuing entities, Reference entities, Reporting entities, Ultimate parent entities, Other participants in financial transactions as deemed necessary in the future (e.g., exchanges, utilities, registrars, regulators, industry organizations).
- **Materiality:** The LEI scope will not apply a materiality threshold of any type to the issuance of LEIs (e.g., capitalization of legal entity, notional size of transaction).



Requirements - Data Model

- **International Data Standard:** The LEI Solution should serve as the internationally recognized data standard for the identification of legal entities, provided that standard includes at least the following characteristics: persistent; neutral; singular; unique; extensible; structurally fixed; reliable; and interoperable.
- **Attributes/Metadata**
 - The initial data model should include the following attributes and treat them as mandatory: LEI (i.e., the identifier itself); exact legal name; address; country of formation; legal form; ultimate parent LEI; LEI status (e.g., available, disabled); and other metadata (e.g., date LEI issued; last updated; date disabled).
 - The data attributes noted above may be specifically linked to the standard itself, or captured as part of the overall mandatory data model. The data attributes specifically linked to the standard should be kept as simple as possible to avoid the potential complication of having to update the standard if definitions are modified, (e.g., a changed status code).
 - Immediate parent will not be mandatory in the initial release but will be available to be populated in the data model.
- **Ownership Test:** Ownership shall be defined as “greater than 50% ownership”.
 - If there is no owner with greater than 50%, then the legal entity itself is entered as the ultimate parent.

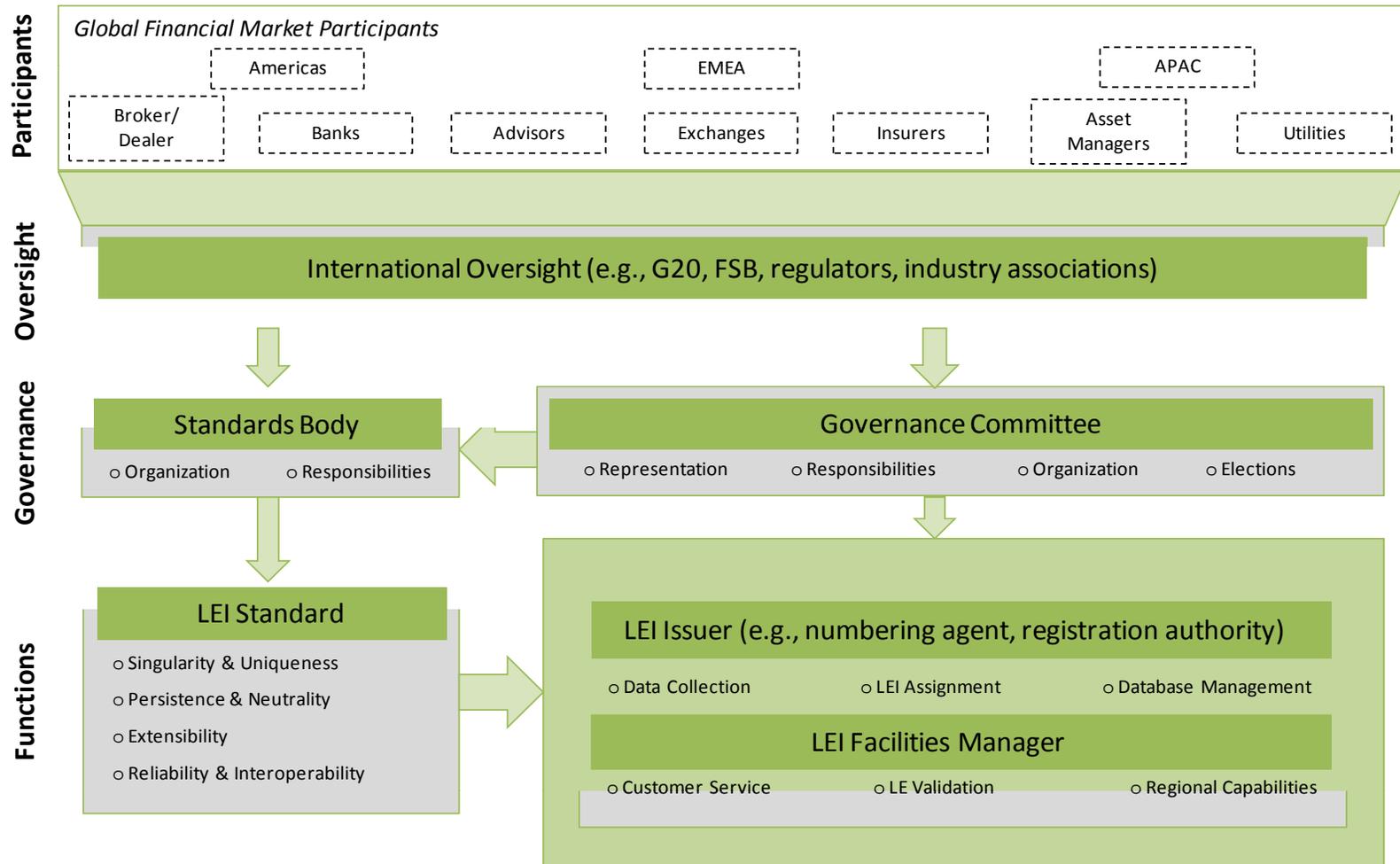
Requirements - Operating Model

- **Self-Registration Model**
 - The LEI registration process intends to rely on a self-registration model whereby entities eligible for an LEI register at least the required information about themselves, and then certify that information periodically (no less than annually), or upon changes to such data.
 - The LEI Solution Provider (LEI SP) over time shall work with the global regulators and the LEI Governance Committee to fully require and enforce self-registration.
 - **Extended Implementation:** During an extended implementation phase, the LEI SP has the flexibility to offer both a self-registration process and an alternative mechanism for assigning LEIs to entities that are not required to have an LEI and choose not to self-register.
- **Data Quality**
 - Where required to obtain an LEI, the legal entity itself has the ultimate responsibility for maintaining the accuracy of the data associated with its LEI.
 - The LEI SP shall implement a process whereby LEI consumers can challenge the accuracy of the LEI data (e.g., missing data, incorrect data) by initiating a "Request for Review".
 - The LEI SP shall implement a comprehensive quality assurance process to facilitate accurate and up to date LEI data.
- **Data Access:** Access to LEI data should be unrestricted and freely available to all users (except where prohibited by jurisdictional law, rules or regulations).
- **Service Level Agreements (SLAs):** SLAs must be defined and implemented to manage the interactions between the LEI Solution providers and all LEI stakeholders.

Requirements - Governance Model

- **Data Governance:** The LEI (i.e., the identifier itself) shall be maintained and governed by a global voluntary consensus standards body.
- **LEI Solution Governance:** The LEI Solution provider requires a single global governance committee ("LEI Governance Committee") comprised of global market participants (e.g., trade associations, regulators and supervisors, utilities).
- **Accountability:** The LEI Solution provider(s) shall be accountable to the LEI Governance Committee.
- **Funding:** The LEI Solution shall be managed on a cost recovery basis. As such, the Trade Associations are agnostic to the overall structure of the LEI Solution provider (e.g., not-for-profit; private).
- **Intellectual Property:** The LEI Governance Committee shall provide oversight to ensure the appropriate treatment of any LEI intellectual property that is created as part of the LEI solution, including data, data model, industry facing interfaces, and to protect the openness of the solution, the stakeholders and the solution providers. The LEI Governance Committee shall also oversee contract rights to the services provided by the LEI Solution.
- **Regional Capability:** The Governance Committee will ensure that the LEI Solution provider has the capability to support regional conventions and regulations and provide local certification while maintaining a single global standard, centralized repository and issuance system.
- **Local Regulatory Requirements:** The physical location of the LEI database, as well as the access rights to the information contained within it, must consider and comply with local regulations related to data privacy and data access issues.

Requirements – Illustrative Governance Model



Requirements - Business Model

- **Financial Wherewithal:** The LEI Solution provider must demonstrate its financial capacity to deliver and maintain the LEI Solution, including its ability to meet expected initial start up requirements.
- **Fee Structure**
 - The LEI Solution shall be funded through a basic annual fee paid by each legal entity that obtains an LEI as well as other potential fees for customized services.
 - The basic annual fee structure is intended to cover the cost of issuing LEIs (including the validation and maintenance costs), as well as the interface that makes the data freely available to consumers.
 - The annual fee should also provide for a reasonable reserve fund intended to cover various expenses.
 - Given expected varying levels of use and consumption, a reasonable fee structure for consumers requiring customized services beyond the free interface (e.g., a daily feed of new LEIs issued) should be established by the LEI Solution provider to cover the costs of such services. Such a fee structure should seek to ensure that the basic annual fee is kept to the lowest amount possible for LEI registrants that have limited financial market activity and have little or no need of services beyond obtaining an LEI.
 - The LEI Governance Committee will oversee the fee structure to ensure it is being operated on a cost recovery basis and provides the lowest possible annual fee structure.

Requirements - Implementation & Compliance

Implementation

- **Phased Implementation:** The implementation of the LEI Solution should be phased and sequenced according to global regulatory requirements.
- **Grace Period:** For each implementation phase (both within and across regions), a reasonable grace period should be implemented during the registration period before enforcement begins.
- **Implementation Management:** The LEI Solution provider shall create and execute against a comprehensive implementation roadmap.

Compliance

- **Mandate:** To be fully effective and avoid regulatory arbitrage, the LEI Solution is explicitly dependent upon global regulators consistently requiring the following:
 - in-scope legal entities register with the LEI Solution provider;
 - in-scope legal entities maintain the accuracy and completeness of their data with such provider;
 - in-scope transacting entities provide their LEI to counterparties with whom they are transacting (or otherwise make the LEI available where required for regulatory reporting by other financial market participants);
 - in-scope non-transacting entities (i.e., reference entities; issuing entities; reporting entities; and other entities) provide LEI information as required by regulators;
 - a consistent definition of eligibility criteria for the issuance of an LEI; and
 - a consistent definition of in-scope entities.

Requirements - Technical Principles

- **Principles:** The technical design, architecture, and support framework of the LEI Solution shall be capable of delivering the standards and requirements in this document, including but not limited to, the following:
 - globally consistent technology, operating, and support capabilities;
 - ability to support a single consolidated database in both a centralized and decentralized fashion;
 - interfaces (e.g., format of messages, communication protocols) required to communicate with the LEI Solution should adhere to non-vendor specific standards to ensure portability of the capabilities of the LEI Solution;
 - support a range of messaging formats (e.g., XML and pipe delimited formats) and communication protocols (e.g., SFTP and HTTPS) to ensure that all market participants are technically capable of consuming and interacting with the LEI data;
 - current and historical LEI data must be retained and easily transferable to another LEI Solution provider;
 - meet the bi-directional data collection and data distribution requirements; and
 - adopt information security standards commensurate with the global financial and regulatory community, including protection of subscription and feed information (such data implies entities interested in / transacting with financial institutions).
- **Technical Evaluation:** The technical criteria identified in the proposal will form the basis for a comprehensive technical evaluation

APPENDIX III



Legal Entity Identifier (LEI) Solicitation of Interest Process for Review & Recommendation

- **Solicitation of Interest (SOI):**
 - Twenty-one providers expressed interest and 11 submitted proposals
 - Questions from providers were handled through two Q&A opportunities with responses posted on SIFMA's website (see Appendix IV for link)
 - Candidates were required to meet a list of 14 prerequisites, drawn from the industry's Requirements Document and regulatory policy statements.

- **Evaluation Process:** A Global Evaluation Committee was formed to assess the proposals.
 - a. **Committee Composition:**
 - Over 65 experts from the LEI Steering Committee, LEI Working Group, and US and non-US trade associations took part in the Evaluation Committee
 - Skill sets: Business model, operating model, solution technology, data standards, information security, legal & compliance, risk, and privacy & data protection.
 - Firms and associations: Bank of America / Merrill Lynch, Barclays Capital, BlackRock, BNP Paribas, BNY Mellon, CIBC, Citi, Credit Suisse, Deutsche Bank, EDM Council, Fidelity, Financial Services Round Table, Goldman Sachs, HSBC, Janney Montgomery Scott, JP Morgan Chase, Morgan Stanley, Nomura, RBC, RBS, State Street, UBS, Wells Fargo
 - b. **Prerequisite Screening:** Scored proposals against the prerequisites, 6 candidates carried forward. Eliminations due to base requirements not being met.



Legal Entity Identifier (LEI) Solicitation of Interest Process for Review & Recommendation, Con't

c. In-depth Evaluation & Scoring:

- The Evaluation Committee technical working groups assessed remaining 6 proposals across specific areas of expertise
 - Scoring Approach:
 - Scored 11 dimensions: Business model, operating model, solution technology, data standards, information security, legal & compliance, risk, privacy & data protection, implementation & roadmap, governance, and resourcing.
 - Produced mean scores as well as a variance for each provider for each category
 - Produced overall score for each provider
 - » This score was weighted based on attributes deemed most critical
 - » The scoring system was developed based on standard RFP scoring approaches.
- **Final Presentations:** Four shortlisted providers were invited to present to Steering Committee members, Evaluation Committee subgroup leads, and US and non-US trade association representatives.
 - Further follow-up questions were sent to the finalists with a request for written responses
- **Recommendation:** Following the last presentation, participants unanimously recommended the



APPENDIX IV



Resources

Additional information can be found on the SIFMA website. This resource includes FAQ's, Requirements, SOI, Recommendation & all associated documents

<http://www.sifma.org/issues/operations-and-technology/legal-entity-identifier/resources/>

[SENT TO ALL G-20 FINANCE MINISTERS]

September 12, 2011

Australian Financial Markets Association
Enterprise Data Management Council
European Banking Federation
European Fund and Asset Management Association
Futures Industry Association
Global Financial Markets Association
International Bankers Association of Japan
International Banking Federation
International Council of Securities Associations
International Swaps and Derivatives Association, Inc.
Investment Company Institute
Investment Industry Association of Canada
Securities Market Practice Group
The Clearing House Association
The Financial Services Roundtable

**Re: Uniform and Global Legal Entity Identifier/To Enhance Supervisory
and Industry Ability To Monitor and Evaluate Systemic Risk**

On behalf of the undersigned associations, the purpose of this letter is to update you on the industry's contributions to the global effort to develop a uniform and global "legal entity identifier" (LEI). We previously wrote to you on April 12, 2011, to inform you of the effort and the industry's support. We are pleased to report that significant progress has been made since April 2011. These key milestones include:

- ▶ 3 May – Release of "Requirements for a Global Legal Entity Identifier Solution" outlining an industry consensus for an LEI system and requirements for a future potential LEI provider.
- ▶ 13 May – Publication of a Solicitation of Interest (SOI) to solicit responses from potential LEI solution providers.
- ▶ 11 July – Presentation of an industry recommendation for the organizations that it believes are best suited to operate a global LEI to aid regulators and industry in monitoring systemic risk (www.sifma.org/LEI-Recommendation-Process/).

Importantly, we very much welcome the Press Statement of the Financial Stability Board (FSB) on 18 July 2011, which noted that the "FSB welcomed the progress of financial regulators and industry to establish a single global system for uniquely identifying parties to financial transactions, and agreed to arrange a workshop in the autumn to discuss the issues that will need to be addressed and how best to coordinate work to take this forward."

We look forward to continuing to consult with policymakers globally on establishing a single global LEI. We will also continue to work closely and in an inclusive way with regulators, supervisors and central banks globally to develop the LEI solution as a new tool to help promote industry and supervisory efforts to enhance financial stability. Consistent with the G20 mandate for coordinated global solutions, we respectfully encourage G20 finance ministers to support a coordinated global LEI solution.

Sincerely,

Australian Financial Markets Association
Enterprise Data Management Council
European Banking Federation
European Fund and Asset Management Association
Futures Industry Association
Global Financial Markets Association
International Bankers Association of Japan
International Banking Federation
International Council of Securities Associations
International Swaps and Derivatives Association, Inc.
Investment Company Institute
Investment Industry Association of Canada
Securities Market Practice Group
The Clearing House Association
The Financial Services Roundtable

**Trade Association Group
Global Legal Identifier Solution
FAQs**

General Facts

Q: Who is developing the LEI solution?

A: The LEI solution is being developed by a broad group of firms and Trade Associations from around the globe (The Trade Associations). The Trade Associations, through a governance structure which was established, have engaged global and regional market participants, as well the regulatory community, to ensure views, practices and concerns are understood and considered.

Q: Is the LEI Trade Association Group a formal financial industry trade association or other organization?

A: The LEI Trade Association Group represents a group of firms and financial industry trade associations that came together to work on the development of a global and uniform legal entity identifier. The LEI Trade Association Group is not a formal organization and its scope has remained limited to making a recommendation for an LEI solution and advocating for its adoption and implementation globally. The coordination of the Group and its ongoing efforts have been significantly supported by the Global Financial Markets Association (ASIFMA/AFME/SIFMA, collectively known as GFMA).

Q: Who would use an LEI Solution?

A: The LEI solution would be used by both firms and regulators to facilitate better counterparty and systemic risk management as well as regulatory reporting. The Trade Associations intends to work with actively with the global regulatory community to facilitate the appropriate implementation of the LEI solution in line with current and future legislative requirements. This includes, as a top priority, continuing regulatory conversations in order to educate, explain and implement a collaborative feedback loop.

Additionally, it is anticipated that firms within the marketplace will utilize the LEI solution to improve the data quality of their reference data, and to gain significant operational efficiencies in the management of legal entity data.

Q: When was the LEI Solution developed?

A: On July 11, 2011 the Trade Associations issued a public statement to the regulators around the globe recommending the organizations the financial services industry believes are best suited for the purpose of providing the LEI solution. This included recommending the standards body, issuing authority and database/facilities managers. The recommendation is the culmination of several months of work by the Trade Associations and GFMA as a first step in developing a global industry consensus on the requirements and standards for a viable, uniform and global LEI solution.

Q: How will the LEI Solution work? Who is responsible for overseeing and collecting data?

A: In summary, the Trade Associations recommended:

- Standards body – The International Organization for Standardization, i.e., ISO's new standard, ISO 17442, is recommended for use as the new, authoritative legal entity identification standard.

- Core Issuing and Facilities Manager – The Depository Trust & Clearing Corporation (DTCC) and the Society for Worldwide Interbank Financial Telecommunications (SWIFT), along with DTCC’s wholly-owned subsidiary AVOX Limited, are recommended as key partners to operate the core LEI utility as the central point for data collection, data maintenance, LEI assignment, and quality assurance.
- Federated Registration – ANNA, through its network of local national numbering agencies (NNAs), is recommended as a key partner in the solution for registering, validating and maintaining LEIs for issuers, obligors, and other relevant parties in their home markets. The NNAs are envisioned to serve as the “face” of the LEI Utility to those markets while leveraging the functionality of the centralized LEI Utility for the assignment, further validation and global distribution of LEIs.

Q: What role can other organizations play in the LEI data collection process?

A: The Trade Associations expect several of the other organizations who responded to the proposal to participate in complementary roles, for example, linking the LEI to other data elements they collect in their commercial processes and offering enhanced products to their existing customers, as well as providing existing information to help to pre-populate the industry utility.

Q: What type of data is included in the collection process?

A: As specified in the Trade Associations’ Requirements document (<http://www.sifma.org/LEI-Industry-Requirements/>), the LEI database will only house a dozen or so data elements that serve to describe attributes about the entity (e.g., legal name, address). The LEI database will not house any transaction or position information. Information about transactions and positions will be collected by regulators and will be subject to the confidentiality constraints all regulatory reporting is subject to today.

Q: Where will the database be located?

A: The future location of the database will be determined by service providers in consultation with the soon to be established LEI Governance Board. Given that the members of the board are intended to represent all regions of the world and a mix of market participants including regulators, that ultimate location will reflect international perspectives on data access and security. There may also be multiple locations of databases in line with best practices on resiliency and business continuity planning.

Q: How much will the LEI cost?

A: The Trade Associations’ recommended solution providers will adhere to the principles set forth in the Requirements document (<http://www.sifma.org/LEI-Industry-Requirements/>) that the solution provider operate on a cost recovery basis, and that the LEI data be freely available to all. The LEI Governance Board will approve the LEI fee structures and funding models and ensure the LEI Solution is operating on a cost recovery basis.

Q: Will this LEI system also meet the need for other proposed regulatory identifiers, such as the UCI (Unique Counterparty Identifier)?

A: The Trade Associations promote a single, industry-wide LEI standard supported by all regulators globally and strongly encourage that the LEI solution put forth be adopted for use as the UCI in the CFTC’s proposed rulemaking.

Q: Converting the name of the client from text to a code does not negate the need to address client confidentiality and in-house non-disclosure agreements. What steps are going to be taken to address this?

A: The LEI solution does not change any of these things. Firms will need to keep client information confidential. Similarly, regulators will need to keep reported transaction and position information confidential. The LEI itself is a set of random numbers that does not disclose any information about a company. The related data attributes are public information about the existence of an organization, and do not disclose any information about its participation in a marketplace. Applicable local privacy laws will need to be adhered to, as they are today.

Governance

Q: How will the LEI Solution be governed?

A: The LEI Governance Framework is a key critical success factor to the legitimacy and adoption of a uniform and global LEI standard. The framework must properly represent and balance the interests of market participants, policymakers, and regulators, as well as be sensitive to financial market and geographic considerations. It is critical that the governance framework be executed through a formal agreement between the LEI Governance Board and the LEI solution provider(s).

The LEI Governance Board shall be responsible for leading the interests and ensuring the overall success of the LEI Solution. The Board would have oversight of all the activities of the LEI Solution Provider(s) including the issuance of the LEI, the management and distribution of the data, and any additional potential services that the Solution Provider would endeavor to deliver.

Benefits

Q: Who benefits from an LEI Solution?

A: The Legal Entity Identifier (LEI) Solution, once implemented, will be a valuable tool for the identification of legal entities that will be *available* for use by regulators and firms *around the globe*. The accurate and unambiguous identification of legal entities is foundational and critically important to all firms and regulators who need to manage systemic, transactional and credit risk. Additionally, as noted in General Facts, it is anticipated that firms within the marketplace will utilize the LEI solution to improve the data quality of their reference data, and to gain significant operational efficiencies in the management of legal entity data.

Q: How does the Solution help regulators?

A: Regulators would benefit in having a consistent entity identifier that would allow them to look at transaction participants across product categories (including counterparties to derivatives transactions) to aggregate and understand existing and emerging risks better. It would also allow regulatory groups to share information about legal entities more easily and unambiguously across their organizations

LEI Implementation and Timing

Q: When will an LEI solution be adopted?

A: The recommendation was made in early July 2011 to ensure that a solution is *available* for use when regulators begin to adopt new rulemaking around the globe that benefits from the use of an LEI. Internationally, regulators are moving at different paces, and it is unclear which region of the world will implement rulemaking requiring the use of an entity identifier first. Notwithstanding, a key goal of the Trade Associations is to ensure there is a solution available *in time* for the countries and regions that are earliest in new rulemaking. It will take lead time to have the operations and governance of the LEI up and running. The Financial Stability Board (FSB) has publicly stated its support for the progress being made to create a single global LEI system, and plans hold a workshop in Autumn 2011 to help coordinate future implementation.

Q: When will ISO Standard 17442 be finalized?

A: Target end date for completion of LEI standard, following the global ISO process, is January 2012. In the event material, substantive comments arise, a third round of review within the ISO process might be needed which could move the completion date to May 2012. Up to this point in the process, the ISO global community has been largely supportive of the ISO 17442 standard.

Q: Are the recommendations mandatory for regulators to implement?

A: The key point is that the LEI is *available* for use – the Trade Associations have no power to require usage of the LEI or to dictate implementation timeframes. Only regulators can mandate the use and implementation of the LEI. Each regulatory body in each region of the world is responsible for deciding *if and when* the LEI is adopted in regulatory reporting of financial contracts.

Q: Will the Trade Associations enter into a contract with the solution provider? If not, who has the mandate to empower use of the providers by the industry?

A: The Trade Associations can only recommend who it believes is best suited to the purpose of issuing and distributing LEIs. It is up to the regulatory community to mandate the use of the LEI. The Trade Associations is not an entity and cannot require the use of the LEI. It also cannot enter into a contractual relationship with the solution providers. The solution providers will operate under voluntary oversight from the LEI Governance Board which will be comprised of regulators and market participants.

Next Steps

Q: What are the next steps going forward?

A: Following the July 11 recommendation, it is expected that regulators and market participants will cooperate closely to establish the LEI governance body as well as work with the solution providers to ensure the LEI operations are implemented in accordance with the Trade Associations and regulatory requirements. In addition, the Trade Associations intends to respond to proposed rulemaking advocating the use of the recommended LEI system wherever legal entity identification is intended to be required as well as continuing to educate and share information about the solution and the benefits of global adoption as needed to ensure all market participants have the facts necessary to support and adopt the solution.

Q: Can the LEI system be changed to reflect the needs of regulators to better identify emerging systemic risks?

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A: As the LEI solution is implemented jurisdiction by jurisdiction and solution providers are in place, the Trade Associations fully expect that the LEI solution will adapt and improve as needed. With guidance from the Governance Board, opportunities will exist to modify or enhance the solution over time. The first priority, however, is to implement the core standard and solution and then evolve it, as needed, over time.

Q: What is the status of the new ISO Standard, ISO 17442? When will it be available for use?

A: The standard currently is in the ISO development process. The standard document itself will not be published until the standard has been approved within the ISO development process and the Registration Authority agreement has been signed between ISO and SWIFT. The ISO 17442 standard will be available for use upon its publication which is anticipated to be 1st quarter 2012 (earliest) or 2nd quarter 2012 (latest).

Q: Is the LEI solution technology already in place?

A: The LEI solution technology and infrastructure still needs to be formally established; however, the recommended solution providers already offer a range of services which will be integrated into the LEI solution. SWIFT's infrastructure and experience with identifier issuance through the BIC code, the NNA global issuance infrastructure, and DTCC-AVOX's existing entity ID database and data cleansing services will be quickly leveraged and applied to the new solution.