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August 11, 2015

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

Re: Investment Company Reporting Modernization (File No. S7–08–15)

Dear Mr. Fields,

The Depository Trust & Clearing Corporation ("DTCC")[1] submits this letter to the U.S. Securities and Exchange Commission ("SEC" or "Commission"), in response to the proposed rulemaking to modernize the reporting and disclosure of information by registered investment companies.[2] DTCC supports the Legal Entity Identifier ("LEI") mandate and the required disclosure and reporting of the LEI on regulatory forms submitted by registered investment companies.

DTCC is actively engaged with SWIFT and market participants in the global effort to expand usage of the LEI solution, which allows for the unique identification of legally distinct entities to financial transactions and serves as a valuable building block to increasing transparency and both systemic risk and counterparty risk mitigation in the financial markets.

As discussed in detail below, domestic and international regulators have considered the benefits of adopting a global system for legal entity identification and recognize the foundational importance of such a system to various financial stability objectives. To ensure wide adoption of the LEI both domestically and globally, it is essential that new registration, recordkeeping, and reporting rules include an LEI mandate.

[1] DTCC serves as the primary financial market infrastructure serving the U.S. capital markets across multiple asset classes, including equities, corporate and municipal bonds, government and mortgage-backed securities, money market instruments, mutual funds, insurance, alternative investment products and over-the-counter derivatives.

DTCC has operating facilities and data centers around the world and, through its subsidiaries, automates, centralizes, and standardizes the post-trade processing of financial transactions enabling thousands of institutions worldwide to issue securities and raise capital to build businesses. DTCC provides critical infrastructure to serve the financial marketplace and its constituents, including investors, commercial end-users, broker-dealers, banks, insurance carriers, and mutual funds.

[2] 80 Fed. Reg. 33,590 (June 12, 2015).

DTCC supports the SEC's proposal to require use of the LEI for all investment companies in their regulatory reports to the Commission. As discussed by the Commission in the preamble to the proposed rule, DTCC agrees that the inclusion of LEI information in regulatory reports "would facilitate the ability of investors and the [SEC] to link" data reported on regulatory forms with data from other filings or sources, "as LEIs become more widely used by regulators and the financial industry."[3] DTCC looks forward to working with the funds industry to address any technical implementation issues unique to the U.S. funds covered by the LEI requirement as outlined in the SEC's proposed rule.

In addition to the below discussion on DTCC's involvement in the LEI initiative and the progress of the Global Legal Entity Identifier System ("GLEIS"), we respectfully submit responses to the Commission's specific questions contained in the request for public comment.

Global Markets Entity Identifier Utility

Through a competitive process, DTCC was chosen to build and operate an LEI utility for the industry and was designated by the Commodity Futures Trading Commission ("CFTC") to provide LEIs to swap market participants as required by CFTC recordkeeping and reporting rules. This utility, which DTCC operates in collaboration with SWIFT, is known as the Global Markets Entity Identifier ("GMEI") utility and has been globally endorsed by the Regulatory Oversight Committee ("ROC"), which oversees the GLEIS.

To date, the GMEI utility has assigned LEIs to more than 185,000 legal entities across more than 140 jurisdictions, representing approximately 50 percent of all global LEIs that have been assigned. Last month, the CFTC extended the GMEI utility's designation as the provider of LEIs in support of the CFTC's swap data recordkeeping and reporting rules.

Industry and Regulatory Support for Legal Entity Identifier

DTCC strongly supports industry and regulatory efforts to mandate the use of the LEI in relevant rulemakings. As noted by U.S. and regulators globally, the Financial Stability Board ("FSB"), and several industry trade associations, global LEI adoption will enable improved systemic risk analysis.[4] Recently, the International Monetary Fund issued a report on systemic risk oversight and management in the United States, noting that continued data gaps hamper U.S. efforts to perform systemic risk analysis.[5] The report discussed how improving the standardization of financial data remains an important priority and stated that "[a] clear announcement from all member agencies that the LEI will provide the basis for future mandatory data collection that requires entity identification would provide a welcome boost to data standardization initiatives."[6]

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[3] *See id.* at 33,597.

[4] *See id.* at 33,597, n.43.

[5] *See* International Monetary Fund, United States Financial Sector Assessment Program: Systemic Risk Oversight and Management, IMF Country Report No. 15/172 (July 2015), at 18, *available at* https://www.imf.org/external/pubs/ft/scr/2015/cr15172.pdf.

[6] *See id.*

While the industry is adopting the LEI in its own risk management processes, in order for industry benefits to be realized, regulatory mandates are needed to require all counterparties on financial transactions to register for LEIs and maintain the reference data within the GLEIS.

The GLEIS has garnered widespread regulatory support. The FSB, the ROC—the organization tasked with assuming leadership of the LEI initiative—and individual regulators have recommended that an LEI be assigned to every legal entity that engages in financial transactions. Further, several regulatory authorities—including the CFTC, the European Securities and Markets Authority ("ESMA"), the Monetary Authority of Singapore ("MAS"), the Hong Kong Monetary Authority ("HKMA"), the Australian Securities and Investment Commission ("ASIC"), and the Ontario Securities Commission ("OSC")—have promulgated recordkeeping and reporting rules with respect to over-the-counter derivatives transactions that require counterparties to be identified by LEIs.

Domestically, key U.S. officials have discussed the progress of the LEI system and highlighted the importance of requiring their use in reporting. In public remarks in March 2015, the Office of Financial Research ("OFR") Director Richard Berner stated that the LEI "is the cornerstone for financial data standards" and "the case for ubiquitous adoption of this data standard is strong."[7] In addition, Director Berner noted that the OFR has been "calling for regulators to require broader use of the LEI in regulatory reporting."[8]

Similarly, industry groups have supported the LEI initiative in regulatory reform. For example, in March 2015, the Investment Adviser Association ("IAA") and the Securities Industry and Financial Markets Association ("SIFMA") submitted a joint letter to the Financial Stability Oversight Council ("FSOC"), explaining that "[f]or years, the financial services industry has been challenged by the fragmented collection of identifiers used to designate an entity as a party to a financial transaction," and encouraged FSOC "to promote the framework, governance, and implementation of a global LEI system."[9]

[7] Director Richard Berner, Office of Financial Research, Financial Regulation Summit: Data Transparency Transformation (Mar. 24, 2015), remarks *available at* http://financialresearch.gov/public-appearances/2015/03/24/financial-regulation-summit/.

[8] *Id.*

[9] *See* Letter from IAA and SIFMA to Patrick Pinschmidt, Deputy Assistant Secretary, FSOC, Asset Management Products and Activities, *available at* http://www.regulations.gov/#!docketDetail;D=FSOC-2014-0001. Previously, in June 2014, Treasury Secretary and FSOC Chairman Jack Lew had stated in prepared remarks before the House Committee on Financial Services that, "[t]he widespread adoption of LEI both domestically and globally, together with the work to enhance the consistency and availability of swaps data reported by swaps data repositories, would improve the ability of regulators to monitor emerging risks in the financial system." He highlighted FSOC's support for LEI implementation efforts and recommended that "member agencies and the OFR continue to work together to promote high-quality data standards and fill data gaps where they exist." *See The Financial Stability Oversight Council Annual Report to Congress: Hearing Before the H. Fin. Services Comm.*, 113th Cong. 17 (2014) (testimony of the Honorable Jack Lew, Secretary, U.S. Department of the Treasury), *available at* http://financialservices.house.gov/uploadedfiles/hhrg-113-ba00-wstate-jlew-20140624.pdf?n=98651.

SEC Commissioner Kara Stein has also repeatedly discussed the importance and value of the GLEIS in public remarks. For example, in April of this year, Commissioner Stein supported the GLEIS, describing it as "a system that will provide great benefits to both regulators and market participants at relatively minimal cost."[10] Commissioner Stein described the panoply of benefits generated by the GLEIS, including "more consistent and usable" financial market data, more transparent relationships and connections, data for better risk management, and increased ability on the part of regulators to monitor and analyze threats to financial stability.[11] Importantly, Commissioner Stein recognized that the LEI would be useful to the Commission in other areas in addition to security-based swap reporting, expressing hope that the Commission would "undertake additional areas for deploying the LEI."[12]

Specific Responses Regarding LEI Use in Investment Company Reporting

1. **Should the Commission require funds to obtain LEIs?**

DTCC strongly encourages the SEC to require that all funds obtain LEIs. This mandate would be consistent with similar mandates in other recordkeeping and reporting rules including those issued by the CFTC, ESMA, MAS, HKMA, ASIC, and the OSC.

2. **Is it appropriate for the Commission to require LEIs, which are only available through the global LEI system? Why or why not?**

As global use of LEIs would assist efforts to increase transparency and risk mitigation in the financial markets, DTCC believes it is appropriate and essential that the SEC require LEI use in investment reporting.

As outlined by the Group of 20 ("G20"), the GLEIS established an oversight, governance and operational system in accordance with FSB's 35 recommendations on LEI.[13] These principles called for ROC oversight of the GLEIS and consideration of public interests.[14] The ROC is chaired by the OFR and its membership consists of more than 60 public authorities of financial markets, including in the U.S., the Board of Governors of the Federal Reserve System, the Treasury Department (through the OFR), the CFTC, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the SEC.

The FSB principles also outlined the creation of the Global LEI Foundation ("GLEIF"), a private sector foundation to govern the federated operating model that issues and maintains LEIs and the

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[10] *See* Commissioner Kara Stein Remarks, The Dominance of Data and the Need for New Tools: Remarks at the SIFMA Operations Conference (Apr. 14, 2015), *available at* http://www.sec.gov/news/speech/2015-spch041415kms.html.

[11] *See id.*

[12] *See id.*

[13] *See* Financial Stability Board Report, A Global Legal Entity Identifier for Financial Markets (June 8, 2012), *available at* http://www.financialstabilityboard.org/wp-content/uploads/r_120608.pdf.

[14] *See id.*

associated reference data. Additionally, the FSB called for a network of local operating units ("LOUs") to be sponsored by local regulators, endorsed by the ROC, and accredited by the GLEIF. To date, 26 LOUs have been globally endorsed by the ROC[15] and have issued LEIs to more than 384,000 entities[16] from 189 countries.[17]

Regarding any concerns that an LEI reporting requirement would establish a monopoly for the provision of legal identifiers, LEIs are not issued by any single provider. They are issued by many utilities within a multi-dimensional federated system. Each of the 26 endorsed LOUs operate under the ROC's global regulatory oversight, the FSB's cost-recovery model, and the GLEIF's governance standards. Market participants are protected by the competitive nature in which LOUs are operated, endorsed, and accredited.

3. **In the case of funds that have not obtained an LEI, will those funds seek to obtain an LEI in the future absent any regulatory requirement to do so?**

DTCC does not believe funds are likely to obtain LEIs unless required to do so. However, requiring funds to obtain and use LEIs in their regulatory reporting will yield various benefits with minimal cost. By adopting an LEI mandate for funds, the SEC's ability to conduct systemic risk analysis and oversight is enhanced, and financial institutions' counterparty risk management will improve given the GLEIS' efficient identification of financial institutions.

4. **In addition to the fees for obtaining and maintaining an LEI, would there be other costs associated with funds obtaining LEIs?**

In addition to the LEI fee, investment managers would incur costs to inform counterparties of the fund's LEI as part of know-your-customer ("KYC") practices. DTCC believes, however, that such processes, like those associated with obtaining an LEI, are relatively inexpensive and industry and vendor tools are available to efficiently transmit this information to counterparties.

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[15] *See* The Legal Entity Identifier Regulatory Oversight Committee - LEI ROC, *available at* http://www.leiroc.org/.

[16] *See* The Global Legal Entity Identifier Foundation (GLEIF), *available at* https://www.gleif.org/en/services/gleif-services/access-lei-data/lei-download.

[17] *See* The Legal Entity Identifier Regulatory Oversight Committee - LEI ROC, *available at* http://www.leiroc.org/.

DTCC welcomes the opportunity to discuss these comments with the SEC. Please contact me at 212-855-3240 or LThompson@dtcc.com.

Sincerely,

Larry E. Thompson

Larry E. Thompson
Vice Chairman and General Counsel

Cc: Sherman G. Boone, Senior Policy Advisor, Division of Economic and Risk Analysis, Securities and Exchange Commission