

Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Securities and Exchange Commission on Reporting of Securities Loans

January 7th, 2022

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Commission (Commission) on the Proposed Rule for the securities lending market.

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.

GLEIF will also focus on generally the data elements included in the Proposed Rule, most notably the LEI, as well as responding to question 28.

28. Other than LEI, are there other issuer identifiers such as the EDGAR Central Index Key (commonly abbreviated as “CIK”) that could be provided should the issuer have one? If yes, should the other identifier be required in addition to LEI or in the alternative?

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, in which 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 respond to the data elements included in the Proposed Rule:

The inclusion of standards as part of the proposed data elements to be reported to the Commission, through a Regulated National Securities Association (RNSA), is fully supported by GLEIF. Open, non-proprietary data standards, which are established by voluntary standard bodies, create transparency, and facilitate the open exchange of information for regulators. GLEIF supports the Commission’s effort to include the LEI in the data elements for the identification of issuers and parties to a lending transaction.

The LEI, as one of the data elements, would assist in providing investors and other market participants with public access to material information regarding securities lending transactions.

Financial regulators have incorporated the LEI for many different regulatory purposes. By implementing the LEI more comprehensively the Commission would set forth a consistent identification scheme highlighted by the LEI. For example, the Financial Industry Regulatory Agency (FINRA), as an established RNSA, currently includes the LEI within the Consolidated Audit Trail (CAT).

GLEIF would like to provide comments to Question 28:

The LEI is the only global standard for legal entity identification. The value proposition of LEI has been recognized by several U.S. regulators, most notably the Commission, but also includes 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. These rules and further global regulations have resulted in comprehensive assignment of LEIs for issuers, both public and private. Today, private issuers do not get assigned Central Index Key (CIK) numbers since private issuers are not required to report or file with the Commission. This is also true for private entities that are parties to financial transactions and participate in security lending.

Consistent use of the LEI in the U.S. would greatly 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 Commission could leverage the LEI, as an established open source, to harmonize and sharing of critical data both at home and abroad.

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 and in cooperation with the RNSA, should leverage the LEI, as well as instrument level identifiers that are also open-source standards, 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. As such, the Commission should consider this when assessing any proposed solutions which suggest or mention proprietary identification schemes.

The Commission and the RNSA could also benefit from data that accompanies a LEI record. For example, company legal name, which is also included in the proposed data elements, can be retrieved automatically, 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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