

A Response by the Global Legal Entity Identifier Foundation (GLEIF) to the Financial Data Transparency Act (FDTA) Joint Data Standards:

Via electronic filing as submitted to the following financial regulators:

- Office of the Comptroller of the Currency, Treasury (OCC) Chief Counsel's Office, Attention: Comment, 400 7th Street SW, Suite 3E-218, Washington, DC 20219 - Docket ID OCC-2024-0012
- Governors of the Federal Reserve System (Board) Ann E. Misback, Secretary, 20th Street and Constitution Avenue NW, Washington, DC 20551 - Docket No. R-1837 and RIN 7100-AG-79
- Federal Deposit Insurance Company (FDIC) James P. Sheesley, Assistant Executive Secretary, Attention: Comments/Legal OES (RIN 3064-AF96), 550 17th Street NW, Washington, DC 20429 - RIN 3064-AF96
- National Credit Union Administration (NCUA) Melane Conyers-Ausbrooks, Secretary of the Board, 1775 Duke Street, Alexandria, VA 22314-3428 - Docket Number 2023-0019, RIN 3133-AF57
- Consumer Financial Protection Bureau (CFPB) Comment Intake—FDTA-INTERAGENCY RULE, c/o Legal Division Docket Manager, 1700 G Street NW, Washington, DC 20552 - Docket ID OCC-2024-0012
- Federal Housing Finance Agency (FHFA) Clinton Jones, General Counsel, Attention: Comments/RIN 2590-AB38, 400 Seventh Street SW, Washington, DC 20219 - Docket No. CFPB-2024-0034, RIN 3170-AB20
- Commodity Futures Trading Commission (CFTC) Christopher Kirkpatrick, Secretary of the Commission, Three Lafayette Centre, 1155 21st Street NW, Washington, DC 20581- RIN number 3038-AF43
- Securities and Exchange Commission (SEC) Vanessa A. Countryman, Secretary, 100 F Street NE, Washington, DC 20549-1090 – File number S7-2024-05
- Department of Treasury (Treasury) Chief Counsel's Office, Attention: Comment Processing, Office of Financial Research, 717 14th Street NW, Washington, DC 20220 - RIN 1505-AC86

RE: Comments on the Financial Data Transparency Act Joint Data Standards

October 17th, 2024

Dear Secretaries and Chief Counsels of the financial regulatory agencies (the Agencies),

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments on the Financial Data Transparency Act (FDTA) Joint Data Standards.

GLEIF appreciates the effort, coordination and thoroughness put forth by the Agencies' legal staff and chief data officers in organizing these proposed rules and appreciates the level of detail that describes Legal Entity Identifier (LEI), GLEIF and relevant details pertaining to both.

GLEIF will comment on the establishment of the LEI as the legal entity identifier data standard in the proposed joint rule and on the use of the LEI to identify legal entities related to the filer of a particular report, such as a subsidiary or parent of the filer (Section B – The Legal Entity Identifier). GLEIF will also comment on the LEI renewal process and on GLEIF’s validation agent model as it relates to Section B, Section C. Other Common Identifiers and Section D. Data Transmission and Schema and Taxonomy Format Standards. Lastly, GLEIF will comment on concerns raised by individual members of the SEC in statements accompanying the SEC’s proposal.

Section B. Legal Entity Identifier:

GLEIF supports the Agencies’ proposal to establish the International Organization for Standardization (ISO) 17442-1:2020¹, Financial Services - Legal Entity Identifier (LEI) as the legal entity identifier joint standard. The LEI directly fits the definition of the required legal entity identifier standard in the FDTA².

The LEI is a 20-digit, alpha-numeric code that 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. The LEI is the only global standard for legal entity identification that meets the criteria established by the FDTA and outlined in the joint proposed standards.

Established by the Financial Stability Board (FSB) 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-case agnostic and therefore has been embraced by different industry sectors and regulators since its introduction by the Regulatory Oversight Committee (ROC), in which the Board, CFTC, OCC, FDIC, CFPB, SEC, and Treasury are active members. The NCUA is a ROC observer, as is the Municipal Securities Rulemaking Board (MSRB), which is overseen by the SEC.

In 2012, the CFTC was the first regulator to require the LEI when the CFTC implemented swap reporting requirements via the Dodd-Frank Wall Street Reform and Consumer Protection Act. Since then, the Agencies have all participated in regulations, either directly or indirectly, that include the LEI. For example, the SEC already has made several amendments to include the LEI in the final rules for Form N-Port³, Form ADV⁴, Form PF⁵, and Form N-PX⁶. Under the oversight of the SEC, the MSRB

¹ GLEIF will use “ISO 17442” when referring to the ISO standard. ISO standards are subject to a review cycle every 5 years and therefore the inclusion of the year in the full standard name is subject to change.

² A common, non-proprietary legal entity identifier for regulated organizations. The entity identifier must be available under an “open license,” which in existing law (per 44 U.S.C. § 3502(21)) means “a legal guarantee that a data asset is made available - at no cost to the public; and with no restrictions on copying, publishing, distributing, transmitting, citing, or adapting such asset.”

³ <https://www.sec.gov/files/formn-port.pdf>

⁴ <https://www.sec.gov/files/formadv-instructions.pdf>

⁵ <https://www.sec.gov/files/formpf.pdf>

⁶ <https://www.sec.gov/files/formn-px.pdf>

also includes the LEI on Form A-12⁷ and G-32⁸. Lastly, the Board implemented FR Y-10⁹ to monitor changes in organizational structure or the regulated investments or activities of certain banking organizations has included the LEI since 2015. The LEI currently exists in more than 50 various U.S. laws and regulations¹⁰, the majority of which are administered by the SEC.

Indirectly, the CFPB's Home Mortgage Disclosure Act Rule (Regulation C), also benefited the NCUA, as credit unions that issue mortgages have been required to obtain an LEI since 2018. The OCC, FDIC, NCUA, and the Board have benefited from long standing forms filed with the Federal Financial Institutions Examinations Council (FFIEC), of which all are participating members. The FFIEC is an official interagency council empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions, which is very much aligned with the intent of the FDTA.

GLEIF also supports the Agencies' decision to exclude the additional entity identifiers listed in the joint data standards for the reasons outlined by statutory requirements in the FDTA.

Section B. Legal Entity Identifier - The use of the LEI to identify legal entities related to the filer of a particular report, such as a subsidiary or parent of the filer:

The joint proposed rules request comment on the use of the LEI to identify legal entities related to the filer of a particular report, such as a subsidiary or parent of the filer. GLEIF notes that only an entity eligible to receive an LEI or its authorized representative may obtain a LEI code. The permission of the LEI registrant to perform an LEI registration on its behalf by a third party is considered to satisfy the requirements of self-registration only if the registrant has provided explicit permission for such a registration to be performed. A duly authorized representative of a parent company can obtain LEIs on behalf of a subsidiary. For example, public companies that file annual reports (Form 10-K) with the SEC could obtain LEIs for subsidiaries listed in Exhibit 21. While Exhibit 21 does not currently mandate the submission of LEIs for subsidiaries, it presents another example of the data interoperability potential envisioned under the FDTA.

The Global LEI System (GLEIS) requires an entity seeking an LEI to confirm or certify its own reference data and requests confirmation as to the continued accuracy of the reference data annually. The GLEIS requires Local Operating Units (LEI Issuers, LOUs) to validate reference data against reliable registration authorities¹¹, which are published by GLEIF.

Section B. The Legal Entity Identifier - LEI Renewal Process:

The joint proposed rules provide each Agency with discretion to determine whether to require reporting entities to renew their LEIs and corresponding reference data. To ensure accurate, reliable data and the utility of the LEI as an entity identifier, GLEIF recommends updating the rule to require an LEI be kept current for filing entities. Providing an open-ended decision among agencies as to whether or not an agency would require renewal of an LEI would undermine the integrity, reliability,

⁷ <https://www.msrb.org/sites/default/files/2022-09/MSRB-Registration-Checklist-Form-A-12.pdf>

⁸ <https://www.msrb.org/sites/default/files/Summary-Table-G-32-New-Fields.pdf>

⁹ https://www.federalreserve.gov/apps/reportingforms/Report/Index/FR_Y-10

¹⁰ <https://www.gleif.org/en/lei-solutions/regulatory-use-of-the-lei>

¹¹ <https://www.gleif.org/en/about-lei/code-lists/gleif-registration-authorities-list>

and interoperability of useful entity information, causing more work for regulators to verify the information when the LEI is designed as a counterparty identification and verification standard.

The LEI renewal process contributes to maintaining a high level of data quality, because it requires re-validation of the LEI reference data recorded for a legal entity against third party sources by the LEI Issuer. The ROC has specified that an LEI issuing organization must re-validate the reference data associated with a previously issued LEI under its administration “on a regular basis and no longer than one year from the previous validation check”. This re-validation check “must include verifying with the entity that the relevant information is accurate”.

Renewal means that the LEI reference data related to the registering entity is re-validated against a third-party source. Renewal therefore is essential to ensuring high data quality with regard to the global LEI population and, consequently, trust in the Global LEI System.

Meeting the objectives defined by the FSB and the Group of Twenty (G-20) with the launch of the LEI initiative is contingent upon availability of accurate and up to date LEI data. Implementation of the LEI increases the ability of authorities in any jurisdiction to evaluate risks, conduct market surveillance and take corrective steps. Use of an LEI also generates tangible benefits for businesses including reduced counterparty risks and increased operational efficiencies.

As noted in the joint proposed rules, the costs of obtaining and renewing an LEI are governed by a cost-recovery model and imposed only to the degree necessary to cover the administrative expenses of the LEI system. Any increase, or decrease for that matter, requires review and approval by GLEIF. Also, as mentioned in the joint proposed rules, GLEIF is overseen by the ROC. The ROC charter specifically states, “by providing that fees, where and when imposed by the LOUs are set on a non-profit cost-recovery basis under the premise that the operational model of the LOU is efficient and avoids excessive costs and, that where possible, a parallel arrangement holds for the LOUs.”

Section B. The Legal Entity Identifier – Validation Agent Model:

GLEIF is working directly with financial institutions, fintechs and credit agencies with its Validation Agent model¹² to issue LEIs for their clients, in cooperation with LEI Issuer organizations officially accredited by GLEIF, by leveraging their business-as-usual client identification procedures in Know Your Customer (KYC) and client onboarding processes. This model, triggering LEI growth beyond regulatory mandates supports the financial ecosystem to become more transparent and accessible for all parties. Financial institutions, including five Global Systemically Important Banks (G-SIBs), have already begun utilizing the LEI within client onboarding, KYC and customer due diligence processes without administrative or financial burden for their clients. Financial institutions also see the benefit in renewing the LEI on an annual basis and do so accordingly.

Section C. Other Common Identifiers:

GLEIF supports the inclusion of the identifiers listed in Section C: Other Common Identifiers, however, would also suggest the inclusion of an additional standards.

¹² <https://www.gleif.org/en/lei-solutions/validation-agents>

In December 2019, GLEIF announced the creation of the digital equivalent of the LEI: the verifiable Legal Entity Identifier, or “vLEI”¹³. The vLEI is a digitally signed credential that makes an LEI instantly and strongly verifiable when presented in digital form, enabling digital interactions that utilize the vLEI to have a high level of assurance about the identity of the actors and the organizations they represent.

vLEIs are digitally signed credentials that leverage the LEI to make assertions about a legal entity. vLEIs can be used to sign data submissions, such as eXtensible Business Reporting Language (XBRL), and documents, such as PDFs, and in many other business processes and transactions. The assertions within vLEIs include the LEI code, the identity of a person acting on behalf of an organization and the role the person plays in or for the organization.

The vLEI offers a secure, verifiable approach to organizational identity and organizational credentials which are capabilities which will be needed as the U.S. agencies seek to comply with the Executive Order requiring Zero Trust Architecture, especially for authentication and permissioning for applications run by the US agencies.

The expansion of the ISO 17442 standard Part 3 to specify how to embed the LEI in vLEIs was published this month, October 2024.

Section D. Data Transmission and Schema and Taxonomy Format Standards:

GLEIF recommends that the Agencies consider including additionally the Universal Financial Industry Messaging Scheme ISO 20022 among the standards established in the joint rules. This standard provides a methodology for the creation of financial messages and provides a semantic foundation for financial services. ISO 20022 includes the LEI as part of the data model and corresponding financial messaging. It is already leveraged in several contexts for the construction of standardized regulatory reports in the financial industry and has wide adoption by financial market infrastructures for the delivery of payments and other financial transactions. ISO 20022 provides a crucial mechanism for linking and aggregating data to detect and mitigate systemic risk and prevent market manipulation, among other important regulatory purposes of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Furthermore, ISO 20022 is already under consideration within the CFTC and part of the Board’s FedNow implementation plan, which initiates in 2025.

In July 2019, GLEIF published the semantic model in the form of a taxonomy relevant to integrating the LEI into XBRL, 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 LEI taxonomy provides a consistent and tested approach for incorporating LEIs within XBRL reports. GLEIF suggests that the Agencies could make further use of the XBRL reporting capability. 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.

¹³ <https://www.gleif.org/en/vlei/introducing-the-verifiable-lei-vlei>

Concerns Raised in Statements by Individual Members of the Securities and Exchange Commission:

In a statement¹⁴ issued on the joint proposed rule, SEC Commissioner Mark Uyeda expressed discomfort with a single private third-party administering an identifier system and collecting payment. He also expressed concern that the cost of obtaining an LEI is unaffordable for some reporting entities.

The FSB anticipated the concern about a private third-party collecting payments by devising the non-governmental organization (NGO) governance and oversight structure described above. The choice of that structure over an alternative controlled by the U.S. or any other single government enabled the system to get buy-in from other members of the FSB. The advantage of a system that works globally as compared to just nationally is that a global system accommodates broader use cases.

Neither of the alternatives that Commissioner Uyeda suggested that the Agencies consider, including the Commission's CIK and the file number issued by the Delaware Department of State's Division of Corporations, would have the global advantage of the LEI system. Neither would cover even "all entities required to report to covered agencies," which Financial Stability Act Section 124(c)(1)(A) expressly requires. Moreover, neither the CIK and the Delaware state identifiers are developed or maintained by a voluntary consensus standards body and therefore do not meet the criteria of the FDTA.

The Agencies may be able to mitigate the concern about affordability for smaller reporting entities by becoming LEI issuers themselves or by facilitating LEI issuance in some other way, as described above. Regardless, broader adoption is likely to continue to bring the cost of LEI issuance down over time.

Today, agencies have registration processes, some of which generate internal IDs. As mentioned above, the SEC issues the CIK and there are other identifiers, like the OCC ID and NCUA ID issued by other Agencies. GLEIF suggests that a useful exercise would be for the Agencies to compare and contrast what data is collected currently for entity registration, how the data is verified and what entity redundancy coverage exists among Agencies. Ultimately, a central utility or principal acting Agency could issue, renew and share LEI data on behalf of all Agencies.

In his statement, Commissioner Uyeda also suggested that the Agencies "require an entity to use and disclose its LEI only if that entity has already obtained one for other purposes." The suggestion to require use of an LEI only when available is inconsistent with the goal of promoting interoperability of financial regulatory data across members of the FSOC, for which the use of a common entity identification standard is essential. Requiring use of an LEI only when available fails to overcome the collective action problem that motivated passage of the FDTA.

In a separate statement¹⁵ issued on the joint proposed rule, SEC Commissioner Hester Peirce noted that mandating the adoption of a product or service managed by a third-party carries risks. In

¹⁴ <https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-financial-data-transparency-act-080224>

¹⁵ <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-financial-data-transparency-act-080224>

particular, she asked whether the existing oversight of GLEIF manages the risk of GLEIF and the LOUs using their “regulatory-mandated advantage to, for example, raise fees inordinately, demand obtrusive information from registrants, or provide poor service.” The existing oversight of GLEIF does address these risks. For instance, GLEIF uses cost-recovery principles as part of the LOU accreditation process and inspects the LOUs’ compliance with these principles annually. Any LEI registration fee increase, or decrease for that matter, requires review and approval by GLEIF. In addition, the ROC’s charter provides that the objectives of the ROC in overseeing the LEI system include ensuring “that any fees, where and when imposed....are set on a non-profit cost-recovery basis under the premise that the operational model....is efficient and avoids excessive costs....”. Lastly, if a particular LOU demanded information from registrants in excess of that required by another LOU or provided poor service, registrants could transfer their business to a competing LOU.

Regarding Commissioner Peirce’s question on whether timely obtaining and maintaining the required LEIs will be manageable for small entities and for large entities with many subsidiaries, GLEIF asserts that the LEI is accessible for both groups for the reasons outlined above, including but not limited to the low burden of obtaining and renewing an LEI, the ability of a duly authorized representative of a parent company to obtain LEIs on behalf of a subsidiary, and the ability of reporting entities to go to competing LOUs for service.

In Conclusion:

The adoption of the LEI is a crucial step towards creating a more transparent, efficient, and interoperable financial regulatory ecosystem for entity identification. As adoption and use of the LEI expands, the use of the unique identifier will address a significant gap in entity identification that has hampered regulatory identification of fraud and previous responses to market crises and risk exposure, like with the 2008 financial crisis. In the long term, adopting the LEI as a standard will significantly enhance regulators’ ability to assess systemic risks and respond to market events more effectively within individual agencies, across covered agencies, and, possibly, across the whole of government, versus the short-term costs of implementing the LEI.

GLEIF remains at your disposal to further discuss and support the Agencies during the implementation period. Do not hesitate to engage us in your discussions and questions related to the LEI.

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