

BVI's response to the EBA's Consultation Paper on the Use of the Legal Entity Identifier (LEI)

BVI¹ gladly takes the opportunity to submit its comments on the EBA consultation paper on the use of the Legal Entity Identifier (LEI).

We would like to make the following comments to the questions:

Which are your views on the use of pre-LEIs as unique identification codes for supervisory purposes for credit and financial institution in the European Union?

We strongly support the EBA recommendation to use the (pre)-LEI as unique identification codes for supervisory purposes for every credit and financial institutions in the EU.

BVI embraces the Global LEI System initiative (GLEIS) and the benefits to financial stability that it would provide.

In the European investment fund industry, investment funds and their respective investment fund management companies also have to apply for (pre)-LEIs due to the new reporting obligations concerning EMIR and AIFMD.

Regulators around the world can play a key role in facilitating the expansion of the LEI system and its related benefits by requiring the LEIs to be used broadly in regulatory reporting and other supervisory practices. With this goal in mind, EBA's requirement to incorporate the LEI into supervisory practices (e.g., by amending legal frameworks or supervisory processes) within the European System of Financial Supervision will be an important step forward in promoting the use and scope of the global LEI system.

The draft Implementing Technical Standards (ITS) cover reporting requirements for a broad set of data including own funds and capital, financial information, large exposures, liquidity ratios, leverage ratios and asset encumbrance. We would expect the LEI to also be used in the identification of entities within the ITS reporting, for example, to identify the counterparties to which a financial institution has large exposures.

We strongly urge EBA to recommend that the competent authorities request all supervised institutions to use a (pre)-LEI code to identify entities wherever counterparty, issuer, or other relationship information is required to be submitted for regulatory reporting. By requiring the use of the LEI for any counterparty identified in the ITS or other regulatory reporting, legal entities who have not already done so will need to obtain a LEI. Requirements like this will greatly expand the collective benefit from

¹ BVI represents the interests of the German investment fund and asset management industry. Its 76 members currently handle assets of EUR 2.0 trillion in both investment funds and mandates. BVI enforces improvements for fund-investors and promotes equal treatment for all investors in the financial markets. BVI's investor education programmes support students and citizens to improve their financial knowledge. BVI's members directly and indirectly manage the capital of 50 million private clients in 21 million households. (BVI's ID number in the EU register of interest representatives is 96816064173-47). For more information, please visit www.bvi.de.



widespread adoption of the LEI for all legal entities. Furthermore, we believe that EBA should make it clear in its Recommendation that the LEIs should be used to identify the entity undertaking the reporting, as well as any counterparty information included in the required reports.

As noted above, BVI is strongly supportive of a federated Global LEI System and the benefits to financial stability that would entail from widespread use of a single identifier – the LEI.

We strongly believe that reference data standards like the LEI must be for all: industry, regulatory authorities, other market participants, and they need to be global in a world of global markets and actors.

A sector standard, e.g. for banks only, is not acceptable as it means there will be many standards, thus no standard. On the contrary, if regulators use the same standard in many fields, industry will want to use it in its operations as well. Then the standard will work for all participants. The GLEIS which is backed by the G20 is capable of fulfilling this expectation.

The (pre-) LEI is only the first step towards a standardisation of reference data. The financial services industry ultimately wants a single, global reference data infrastructure which is provided for by the GLEIS. The GLEIS is an important step to ensure high quality data, while avoiding the trap of fragmentation of data standards in a global economy. The GLEIS is technically feasible and relatively cheap compared to the billions of Euros of data cleansing and reconciliation costs spent by the industry, central banks and regulators today. The GLEIS has a G20 approved organisational and governance concept which ensures that it works lean and on a non-profit basis. The GLEIS will give data certainty to all users on unequivocally factual, bare basic facts.

The GLEIS will certainly be implemented as it is backed by the necessary legal compulsion effort of all the regulators which are members of the ROC. Starting from now on with the LEI, over time more data, especially on relationship between entities, will be covered by the system.

The GLEIS will also improve commercial data sources as data vendors will all use the LEI system as source, and the mapping to LEI will ultimately guarantee interoperability of commercial data sources. Vendors have already started to accept that reference data is a public good while it is clear that there is much depth data beyond reference data for vendors earning money. A case in point is Bloomberg that is already releasing its proprietary identifier to the public ("Open Symbology").

As a result, we applaud EBA's initiative and encourage serious consideration of the clarification to the Recommendation we noted above.

Can you provide inputs for assessing the costs and benefits of this draft recommendation?

It is very difficult to quantify costs and benefits of implementing the LEI system as a whole. However, we think that the benefit in terms of reduction of operational cost and risk and the potential of the GLEIS to act as a crystallisation germ for further standardisation and quality growth in financial data will in the medium to long-term largely outweigh the minor costs associated with the registration and the annual maintenance fees as presented on page 11.

We agree with the assessment by EBA that the envisaged harmonisation would facilitate the interconnectivity of the information that is available at the different supervisory domains, preventing excess communication and reducing manual intervention.

Another important benefit of the LEI versus any other (commercial) identifier is that data liability is the same as for prospectus, i.e. entities/ issuers are liable for data in the GLEIS. This fulfills a long-held demand from regulators, market participants, and data vendors and is crucial for data quality. This will reduce the cost of reconciling multiple data sources within all market participants.



We support EBA moving forward with its recommendation with this more qualitative assessment of LEI benefits. The financial crisis has shown that disclosure alone doesn't work – inspite of millions of public prospectuses regulators and industry were left blind in the crisis. Therefore high quality data is needed for swift analysis and reaction to events, for authorities and industry. As data flows between automated systems in networks among many market participants, it is imperative that data quality must be defined in terms of how standardised it is, because there are strict limits on the number of data "dialects" (competing standards) IT systems can tolerate. There should be no more reference data islands going forward. The reference data in GLEIS will be good for all globally as has been recognised by the G 20 and laws implementing the LEI in the EU, the US and numerous jurisdictions around the globe.

Please, provide your feedback on the proposed timeline and the proposal of having less tight deadlines for banks not included in the EBA sample.

We support the proposed timeframes outlined in the Consultation. The process for obtaining a LEI is simple. Registration only takes a few minutes and (pre)-LEIs are issued within a few business days. There are now five endorsed LOUs and there are likely more to come in the near future, making local service for obtaining a (pre) LEI in Europe quite easy. All LEIs issued by these endorsed LOUs are eligible for reporting to all regulators that have assented to the ROC charter. This "mutual acceptance" of LEIs ensures that a single, unique and persistent LEI is assigned to each legal entity.

The use of the LEI within other regulatory reporting, especially existing reporting, would likely take longer to integrate. However, this is an implementation matter and does not prevent EBA from adopting the use of LEIs for ITS immediately. Migration of industry and authorities to the full implementation of GLEIS standards, including but not limited to the LEI, will be a market-driven effort which will take many years to come. It will enable a joint learning experience for industry and authorities and will improve the system. The GLEIS will provide a central point where the market knows where to converge to on reference data matters. Legacy standards both regulatory and market based will coexist with LEI for a certain time, yet the wish is that the GLEIS will offer mapping to the new standard. Ultimately, adoption eases with penetration of LEI across all regulatory reporting schemes and the incentives to use LEI become stronger for every firm and the market as a whole.