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GLEIF response to the Financial Stability Board (FSB) Guidance on Central Counterparty Resolution and Resolution Planning Consultative Document

Dear Financial Stability Board,

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the consultative document, entitled 'Guidance on Central Counterparty Resolution and Resolution Planning Consultative Document' published by the Financial Stability Board in February 2017.

Our letter will limit its comments specifically to GLEIF's views on the use of Legal Entity Identifier's (LEI)'s in regard to the topic of guidance on central counterparty resolution and resolution planning as the subject of the document. The GLEIF, established to act in the public and private interest as the operational arm of the Global LEI System, appreciate the opportunity to provide comments on the possible use of LEIs in regard to the guidance on central counterparty resolution and resolution planning.

GLEIF has a very strong interest in ensuring there is a good understanding by rule makers of the significant benefits to the public and private sectors that derive from the widespread use of LEIs for entity identification in regulatory reporting and supervision. Following the 2008 financial crisis, the importance and benefit of a universal LEI became clear. Recognizing this, the FSB and global regulatory authorities, working with the private sector, developed the framework of a Global LEI System that will, through the issuance of unique LEIs, unambiguously identify entities engaged in financial transactions.

Regulators globally, therefore, play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices.

Consequently, we welcome the consideration of the FSB for the guidance on central counterparty resolution and resolution planning concerning the use of LEIs in its work.

Included here please find the comments provided on behalf of GLEIF relevant to the use of LEIs in regard to guidance on central counterparty resolution and resolution planning.

The Legal Entity Identifier (LEI), as the identity management key, could be leveraged to identify all legal entities involved in and reportable for Resolution Planning for Central Counterparties (CCPs). The FSB created the LEI in a form of a reference code to uniquely identify legally distinct entities that engage in financial transactions. Now this high-quality identifier is accessible as a broad public good for the benefit of the users of the public and private sector.

For the resolution process, the resolution authority will need to interact with the CCP, its clearing member participants, its equity holders, creditors, relevant legal and regulatory authorities, including the supervisory authorities, central banks, home resolution authorities, finance ministries and the public authorities responsible for guarantee schemes, if any, involved in cooperative arrangements, Crisis Management Groups (CMGs) for the CCPs and other FMIs, such as payment systems, exchanges and central securities depositories, in the markets served by the CCP.

Using the LEI will insure international consistency for entity identification in this process which requires communication across multiple parties and jurisdictions and establishing effective arrangements for cooperation and information sharing.

International standards have been recognized as a necessary component in the CMPI-IOSCO Principles, *Principles for financial market infrastructures*, which stand alongside the Guidelines for resolution planning. As outlined in Principle 22, Communication procedures and standards, the LEI was developed as standard of the International Organization for Standardization (ISO) and is designed to complement other ISO reference data standards and to be used in ISO financial messaging standards.

The LEI, as implemented by GLEIF, could address further requirements within the resolution planning process for CCP's. The Consultative Document outlines several additional requirements for identification of the activities of legal entities such as maintaining a detailed inventory, including a description and the location of the key MIS used in the CCP's material legal entities and the mapping of essential and systemically important functions to the legal entities under which they are conducted.

The scope of LEI data with the Global LEI System (GLEIS) is set to expand beginning in 2017 to include the initial implementation of relationship data with the first two relationship types based on consolidated accounting principles to identify ultimate and direct parents of any entity registering for or renewing an LEI.


The collection of relationship data in the GLEIS will expand further over time and could be an important source of the data needed in determining the connections for intra-group inter-linkages specified in the Consultative Document. Identification by LEIs and relationships recorded in the GLEIS also could provide group relationship information for the evaluation of possible sales of subsidiaries and spin-off of business units as part of resolution plans. GLEIF would work with the FSB and the LEI ROC to prioritize the implementation of additional relationship types not already specified by the LEI ROC.

Both in normal times and during resolution, FMIs, resolutions authorities and the comprehensive list of parties that will need to interact for these purposes need data that can be produced and maintained in a standard way, to be available for resolution planning and promptly for effective and timely risk control during resolution.

GLEIF recommends the use of the LEI as an important foundation in the collection and maintenance of data for resolution planning to produce a high degree of quality in the underlying data sets both for industry and regulators.

In conclusion, we would like to reiterate that the Global LEI System in place today supports the objectives of the FSB in the area guidance on central counterparty resolution and resolution planning. We therefore, encourage the FSB to progress the considerations regarding the use of LEI in the context of this consultative document.

Sincerely,



Stephan Wolf
CEO