

Press release

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FSB publishes peer review of implementation of the Legal Entity Identifier

The Financial Stability Board (FSB) published today a [Thematic Review on Implementation of the Legal Entity Identifier](#) (LEI). The LEI is a 20-character, alpha-numeric code that was introduced following the financial crisis to be adopted globally, to uniquely identify legally distinct entities that engage in financial transactions.

Since its endorsement by the G20 in 2012, the Global LEI System has been successfully brought into operation, with over 1.4 million entities uniquely identified by an LEI in more than 200 countries. Most FSB jurisdictions have implemented rules mandating LEI use in at least one area. Adoption has been most successful when the LEI has been mandated by regulators as part of an international standard-setting effort or across multiple market segments. Widespread coverage has already been achieved in over-the-counter (OTC) derivatives and securities markets. In these areas, the LEI has come the closest to meeting the G20's objective to "encourage global adoption of the LEI to support authorities and market participants in identifying and managing financial risks".

The regulatory uses of the LEI are multiple and the benefits can be substantial. The LEI standardises identification of legal entities at the global level, to support the management and analysis of large datasets. Implementation of the LEI enhances regulators' surveillance by tracking market abuse across institutions, products and jurisdictions. The LEI can also assist regulators' and market participants' aggregation and more flexible retrieval of granular data on entities from multiple sources, as well as the analysis of counterparty risks, interconnectedness and complex group structures. Many in the financial industry are supportive of the LEI, citing substantial existing and potential benefits stemming from its use.

Notwithstanding this progress, the LEI has far to go to meet the G20's objective. Coverage is too low outside securities and derivatives markets to effectively support new industry or regulatory uses, or to reach a tipping point where voluntary take-up by market participants would suffice to propel further adoption. LEI adoption also remains uneven across jurisdictions, with coverage concentrated in Canada, the EU and the United States. More efforts should be made both at national and international levels to promote LEI adoption and enhance the benefits to authorities and market participants from its use by addressing identified obstacles. These obstacles include the current business model, which does not clearly align the current benefits and costs of LEI use for participants; a lack of LEI coverage for so-called 'Level 2' (relationship) data; and insufficient links with other (in particular, business registry) identifiers.

The report sets out four sets of recommendations to address the issues identified in the peer review and promote broader LEI adoption. The recommendations are addressed to FSB member jurisdictions, the FSB, relevant standard-setting bodies and international organisations, the LEI Regulatory Oversight Committee and the Global LEI Foundation.

Lesetja Kganyago, Governor of the South African Reserve Bank and Chair of the FSB's Standing Committee on Standards Implementation (SCSI) that oversaw the preparation of the peer review, said "The LEI has a valuable role to play in helping with the effective assessment of risks in the global financial system. The peer review reaffirms the FSB's commitment to a broader use of LEIs globally in order to meet the G20's objective."

Amir Zaidi, Director of the Division of Market Oversight at the US Commodity Futures Trading Commission (CFTC) and Chair of the peer review team, said "Implementation of the peer review recommendations will provide a firm basis to expand LEI adoption and realise fully the benefits from its use for both authorities and market participants."

Notes to editors

The FSB began a regular programme of peer reviews in 2010, consisting of [thematic reviews and country reviews](#). The objectives of thematic reviews are: to encourage consistent cross-country and cross-sector implementation; to evaluate (where possible) the extent to which standards and policies have had their intended results; and to identify gaps and weaknesses in reviewed areas and to make recommendations for potential follow-up (including through the development of new standards) by FSB members. The objectives and guidelines for the conduct of these reviews are set out in the [Handbook for Peer Reviews](#).

The peer review is the fifteenth thematic review conducted by the FSB. This report describes the findings of this review, including the key elements of the discussion in the FSB SCSI. The draft report was prepared by a team of experts drawn from FSB member and other institutions and led by Amir Zaidi, Director of the Division of Market Oversight at the US CFTC.

The financial crisis showed the difficulty of identifying counterparties to financial transactions across borders with accuracy and speed. To address this problem, in 2011 the G20 supported the creation of an LEI and called on the FSB to take the lead in helping coordinate work among the regulatory community to prepare recommendations for the appropriate governance framework for the Global LEI System. At the June 2012 Los Cabos Summit, the G20 Leaders endorsed the FSB report, [A Global Legal Entity Identifier for Financial Markets](#). Since then, the FSB has continued to support the implementation of the LEI.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman for Supervision, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.