

## **Progress note on the Global LEI Initiative**

This is the first of a series of notes on the implementation of the legal entity identifier (LEI) initiative. The G-20 in Los Cabos endorsed the FSB recommendations and asked the Board to take forward the work to launch the global LEI system by March 2013. Progress reports on the LEI initiative will be prepared approximately every three weeks.

Implementation Group: The FSB set up an Implementation Group (IG) to take forward the work. The IG comprises 55 experts from the global regulatory community, and includes members from 20 jurisdictions, as well as representatives from standard setters and international financial institutions. There are three main workstreams: legal and governance; operations; and corporate hierarchy data. A co-ordination group of 5-7 members guides each work stream, providing a geographic balance.

Private Sector Preparatory Group (PSPG): A call for members of a private sector expert group to collaborate on the work solicited widespread interest – about 170 members from almost 30 jurisdictions are participating actively in the group. Following an inaugural meeting in New York on 25 July, working groups have been set up to provide input in each of the three main areas, facilitated by members of the IG. A dedicated secure web based forum has been launched for communication and knowledge sharing, hosted by the Cleveland Federal Reserve.

Charter for the Regulatory Oversight Committee (ROC) and other Governance Issues: A key task for the IG is to prepare a draft Charter for the ROC for approval by the FSB in October and G20 in November. A first full draft will be reviewed by the IG in early September, prior to review by the Steering Committee in mid - September. The IG is working through a number of challenging issues, including: delivery of adequate regulatory enforcement power over the global system by the ROC; membership criteria (including the treatment of sub-national regulatory bodies and international bodies); decision making if consensus cannot be reached; what is an appropriate minimum regionally balanced quorum of support from authorities to launch the system that ensures balanced representation of early, medium and late movers; and the structure of the not-for-profit Global LEI Foundation (the legal form of the operational element of the LEI system). The choice of location and hence jurisdiction for the Foundation will have an important influence on the legal framework for the LEI system, including possibly the legal form of the ROC and the means available for expressing governance: the FSB Secretariat is seeking pro bono advice from legal experts on the location issue by early September. To facilitate the ultimate acceptance of the Charter by the FSB Plenary, IG members are seeking feedback from legal staff on the document as work proceeds.

Operations: The private sector has a key role in the operational implementation of the system: the Central Operating Unit (COU) of the system will be formed via the establishment of a not-for-profit global LEI foundation under the oversight of the ROC. A number of the PSPG Working Groups are focusing on operational aspects – a structured framework (Enterprise Architecture) is being used to organise the work. Early results will be reviewed in October. A number of potential Local Operating Units (LOUs) are involved in the analysis of operational solutions to ensure that the proposed model is acceptable to participants around the world.

Ownership and Hierarchy data: An important short term objective is to develop concepts and plans for extending the basic data on entity identification (which will be available when the system is launched) to include information on corporate ownership and other relationships. The extension is necessary to support risk aggregation and consolidation and thus capture the full benefits of the LEI system. Additional data, however, implies an expansion of scope and thus the benefits and costs of any particular extension must be considered carefully. The IG is working closely with the PSPG to develop preliminary recommendations by end-2012.

Early movers: The CFTC announced on July 24 that DTCC/SWIFT had been designated as the provider of CFTC Interim Compliant Identifiers (CICIs) for a limited period of two years. The CFTC also confirmed that the Commission plans to adopt the governance principles and LEI reference data requirements endorsed by the FSB, and that once these steps are completed the CICI system will subsequently transition into the global LEI. IG members are currently reviewing a number of technical issues to ensure that decisions by early movers do not have an adverse impact on the costs or operational flexibility of the global system, for instance by locking the future global LEI system into early, local technical system design choices.