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Global Legal Entity Identifier Foundation (GLEIF)
St. Alban-Vorstadt 5
4052 Basel
Switzerland



RE: Feedback to Global LEI System Concept Paper

Dear Sir/Madam,

The Institute of International Finance (IIF) would hereby like to provide feedback on the preliminary draft for discussion on the **Global LEI System Concept Paper: Incorporating Banks into the Global LEI System 2.0**.

We have requested feedback from our member firms on the concept paper and below is an overview of the feedback we have received so far. Since the feedback was limited in number, we agreed with the individual firms that it should be transmitted on behalf of the individual firms rather than as an agreed IIF position. We hope that you will still find the feedback useful to your initiative. If we do receive any other feedback we will share that with you as well.

From Mitsubishi UFJ Financial Group

We recognized the followings are jurisdictional challenges;

- (1) The LEI coverage itself is still very low in Japan;
- (2) The Japanese banking KYC systems are based in Japanese characters, not based in alphabets;
- (3) The official registry data is very well organized, received, and used as an original copy in the Japanese business practice and we may have a challenge when Japanese banks regard GLEIS data as a part of the original data:

In particular, the business process of KYC is required to be coordinated with multiple overseas regulations and many challenges are expected for individual financial institution, if they try to adopt it by them alone.

Any support from or regulations by the authorities or international bodies would definitely boost the market adoption of LEI in the KYC area.

From the Netherlands Development Finance Company (FMO)

The objectives are clear in that increasing the coverage by the usage of LEI-codes by a more extended group of companies. (Currently covered number of companies with LEI-codes slightly over 1 million with a targeted future coverage of 20 million companies).

In the paper it is suggested that banks could play a more active role in this in providing the initiative for providing LEI-codes to new customers in the onboarding process, and during the lifecycle of a company in the KYC process.

Currently the base of counterparties for FMO in general do not have lei-codes (apart from the treasury parties).

For FMO a global adoption of LEI will certainly support the KYC-process and with that also the regulatory reporting process that is becoming more and more granular.

From Scotiabank

Expanding the scope of LEIs to be included in every financial transaction is a prudent step to increasing transparency and standardization across the industry, and is a laudable goal that Scotiabank supports. As we are the primary users of LEIs, it makes sense to align the financial onboarding process with those of the LEI registration. Doing so will streamline the customer experience, improve the quality of our data, and reduce the cost of data maintenance.

With this being said, we do have some comments itemized below:

- **Overall Vision:** The comment that registrants do not perceive tangible benefits from obtaining an LEI will not change as a result of this revision. This will transfer the registrant's operational burden onto the banks, and regardless of the implementation, the costs incurred will eventually make their way to the customer.
- **Benefit 1:** As stated, a benefit of this proposal is that retention rates will be improved by providing this service. In the current model, the service is not provided by any bank, and presumably in the future state, a vast majority of banks would offer the service, providing no discernable difference. The benefit realized would be temporary for those who sign-on early versus those institutions that wait.
- **Benefit 2:** The improved ease-of-business, with the implied recipients of said improvement being the banks, does not change in this proposed scenario. Leveraging the existing construct of LOUs-as-sole-issuers provides the same ease of doing business for the banks without the need or overhead of having to manage and maintain the repository.
- **Fee Structure:** It seems that the pain of the pricing structure is felt only by those registrants in the SME space; presumably, the existing segmentation structures by banks could assist with creating costing stratification based on revenue or asset size – shifting some of the burden off the smaller clients and onto some of the larger clients.
- **Client Consent:** In order to register clients on their behalf, consent would need to be provided; this would need to be legally papered appropriately. Additional complexity would exist across larger international banks as each jurisdiction would require its own specific legal consent process.

- **Ability to attain intended goal:** The underlying stated objective is to make LEIs a standard across all financial transactions for legal entities, yet, registrants only currently do so because it is a regulatory requirement to trade in certain products in certain markets. It would seem that the most effective approach to attain this goal would be to make LEI a regulatory requirement for all financial dealings. Without this, it seems unlikely that registrants will volunteer for any process they do not deem essential – whether it be streamlined or not.

In review of your proposed implementation models, we have the following feedback:

Model 1 – Bank as LEI Issuer

- **There is a contention issue:** Presume Company X does business with Banks A, B, & C (each was engaged sequentially, and A became the LEI issuer) and the company shifts all business from Bank A to Bank C. In this proposed Model, Bank A retains the responsibility to maintain LEI information for a non-customer, which will not be effective for either Bank A or the customer. There does not seem to be a way to remove this contention within the proposed plan.
- **Quantity of Publishers:** It would follow from this proposal that either some banks will be allowed to participate, or all will. If the former situation is true, some non-publishing banks will need to go to publishing banks for this service – which will create problems. If the latter is true, the number of LEI creators will balloon into the thousands, creating significant administrative overhead to keep everything orderly.
- **Potential Banking Secrecy breach:** Having the bank of registration listed in the LEI record will indicate a relationship between the entity and the bank in question, which poses a potential breach of some secrecy laws (e.g. Singapore, China). Has this been considered?
- **Challenge Process:** Banks participating in such a challenge capacity would have to add new processes and staffing to handle this net-new operational activity as this currently resides outside of KYC processes. Additionally, the current challenge management SLA is 10 business days – but it is unclear what happens if that SLA is not met in the proposed system.

Model 2 – Bank becomes registration agent of LOU

- This model seems to be the option that provides the least resistance, while accomplishing the stated goals. If banks can partner with LOUs to streamline that process, everybody wins.
- The commentary about the challenge process above applies here too.

Model 3 – Bank becomes registration agent of GLEIF


- This too may work, however, the omission of the existing LOUs from this model poses an issue to existing participants in the GLEIS system. There needs to be additional clarity around what happens to existing LOUs in this scenario.
- There's a noteworthy omission of step 10 from this model – was that intentional or by design?

Scotiabank also welcomes the opportunity to be engaged in this review process; a strong GLEIS benefits all parties, and contributes greatly to the health and safety of the overall financial world. We look forward to continuing this work together.

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On behalf of the IIF and our members, thank you for taking our views into consideration around this initiative. We look forward to continuing to contribute constructively to your work in this and other areas. If you have any questions in the meantime, please do not hesitate to contact me directly at Andrés Portilla (aportilla@iif.com).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Portilla', with a large, stylized initial 'A' and 'P'.