



April 11, 2014

The Honorable Jacob J. Lew
Chairman
Financial Stability Oversight Council
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Re: Adoption of the Legal Entity Identifier

Dear Secretary Lew:

On behalf of the Securities Industry and Financial Markets Association¹, the purpose of this letter is to encourage you, in your role as FSOC Chairman, to advocate for a more fulsome adoption and use by the US regulatory community of the Legal Entity Identifier (LEI). The need for improved data and information supported by a LEI standard was specifically recognized in the Dodd-Frank Act, and is supported by the Financial Stability Board. Having a uniform, global legal entity identifier will help regulators and supervisors, researchers and firms to better measure and monitor systemic risk, as well as to more effectively measure and manage counterparty exposure and improve operational efficiencies. Critically, this standard will help support the shared objective of a more stable financial system. The global industry and regulatory community are strongly supportive of the Global LEI System (GLEIS) initiative and the benefits to operational efficiencies, systemic risk management and financial stability that it would provide.

Significant progress in establishing the GLEIS has been made to date, and the time for further expanding the use of LEI through rulemaking is favorable. The LEI Regulatory Oversight Committee, a committee of government authorities from around the world working to coordinate and oversee a global system of legal entity identification, is establishing a Board and Foundation to govern the global system, while also leading efforts to ensure the integrity and adoption of the system globally. It is our view that these efforts have been successful to date.

¹ SIFMA brings together the shared interest of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit www.sifma.org.

Globally, there are now 13 operating pre-Local Operating Utilities (LOUs) which provide LEIs; including the GMEI Utility, which is run to serve the U.S. and global markets by DTCC in collaboration with SWIFT, and has been the primary provider of LEIs for meeting CFTC reporting requirements. To date, nearly 238,000 LEIs have been issued globally, representing registrations from more than 160 countries. Of these records, about 28 percent represent US entities. In contrast, LEI registrations in Europe are nearly 60 percent of the total.

Consistent with G20 mandates to introduce the LEI for regulatory reporting, it has been the view of the industry since the initial discussions about developing the LEI that success of the GLEIS will, in the first instance, be a function of regulatory mandate. In the US, LEI registrations by financial services firms and their counterparties have been driven by the legal entity identification requirements of the CFTC's Swap Data Recordkeeping and Reporting rules. This is currently the only US regulatory requirement to use the LEI.

In the EU, financial firms and their counterparties are required to register for a LEI for the European Market Infrastructure Regulation (EMIR) reporting purposes. Importantly, new rulemaking in Europe is moving LEI usage beyond the swaps markets. The European Banking Authority (EBA) now requires EU authorities to request that all institutions under their supervisory remit, obtain and use a LEI when reporting to the EBA under its "Recommendation on the use of the Legal Entity Identifier (LEI) for supervisory purposes". This follows their agreement on the Implementing Technical Standards (ITS) on supervisory reporting. These standards will ensure uniform reporting requirements across all EU Member States in a number of areas such as own funds, financial information, large exposures, liquidity ratios, leverage ratios and asset encumbrance. In addition, once final, the EU's Markets in Financial Investments Regulation (MiFIR) Article 23 Transaction Reporting will require use of the LEI in reporting of securities and other transactions. This will be a powerful catalyst to the development of the GLEIS. Moreover, regulators around the world, in places such as Canada, Australia, Singapore and Hong Kong have embraced the LEI concept and are promoting its usage in reporting requirements, and other supervisory activities.

Consequently, we believe the FSOC and its members can and should play a key role in expanding the US adoption of the LEI and its related benefits by requiring LEIs to be used broadly in US regulatory reporting and other supervisory practices. This would be consistent with the Office of Financial Research's (OFR) Policy Statement of November 2010², "If a LEI is established to the satisfaction of the Office by July 15, 2011, the Office, in consultation with the Chairperson of the Council, plans to issue a regulation mandating the use of such a standard for data reported to the Office." More recently,

² http://www.treasury.gov/initiatives/Documents/OFR-LEI_Policy_Statement-FINAL.PDF



OFR Director Richard Berner testified before the Congress³ and indicated the OFR will work with FSOC member agencies to mandate the use of LEI through rulemaking. This is an initiative the industry greatly supports.

We believe FSOC efforts in this regard will help further catalyze the development of the LEI as the unique global standard for identification of legal entities that transact in financial markets, and the foundational tool underpinning improved operational efficiencies, systemic risk management and financial stability. We look forward to our continued work with the US and regulators from around the globe to ensure adoption of this important risk management tool.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Bentsen", with a stylized flourish at the end.

Kenneth E. Bentsen, Jr.
President & CEO
Securities Industry and Financial
Markets Association

cc: Janet L. Yellen, Chairman, Board of Governors of the Federal Reserve System
Thomas J. Curry, Comptroller of the Currency
Richard Cordray, Director, Bureau of Consumer Financial Protection
Mary Jo White, Chairman, Securities and Exchange Commission
Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation
Mark P. Wetjen, Acting Chairman, Commodity Futures Trading Commission
Mel Watt, Director, Federal Housing Finance Agency
Debbie Matz, Chairman, National Credit Union Administration

³ See "Congressional Testimony", <http://www.treasury.gov/initiatives/ofr/news/Pages/default.aspx>