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BVI`s position on the EIOPA Consultation Paper on the proposal for Guidelines on the use of the Legal Entity Identifier (LEI)

BVI[1] gladly takes the opportunity to present its views on the EIOPA Consultation Paper on the proposal for Guidelines on the use of the Legal Entity Identifier (LEI).

We strongly support the EIOPA Guidelines to use the (pre)-LEI as a unique identification code for supervisory purposes and for reporting obligations (Solvency II) for every insurance, reinsurance undertakings and IORPs in the EU. A regulatory implementation of the usage of (pre)-LEI in the insurance sector will extend the coverage of the Legal Entity Identifiers in the (financial) industry and will enhance the supervisory convergence and ensure the high quality, reliability and comparability of data, supporting the authorities strategic objective to increase the overall efficiency of the supervisory system by promoting effective exchange of information.

We share the EIOPA view that the introduction of a new proprietary EIOPA code is counterproductive and will therefore dilute the intention of the G20/FSB to implement a standardized unique identification code for every entity. Furthermore, such approach is inconsistent with other sectors (e.g. banking and investment fund industry), both within and outside the EU. For example, in 2013 the National Association of Insurance Commissioners (NAIC) in the US has already implemented a guideline which requires the usage of the (pre)-LEI for reporting purposes.[2]

We strongly share EIOPA`s Guidelines that national competent authorities should request and verify if all institutions under their supervisory remits obtain and use in their reporting obligations the LEI codes. Furthermore, we recommend that the competent authorities further request all supervised institutions to use a (pre)-LEI code to identify entities wherever counterparty, issuer, or other relationship information is required to be submitted for regulatory reporting.

By requiring the use of the LEI for any counterparty identified for the purpose of regulatory reporting, legal entities who have not already done so will need to obtain a LEI. Requirements like this will greatly expand the collective benefit from widespread adoption of the LEI for all legal entities.

In the European investment fund industry, regulated investment funds (UCITS/AIF) and their respective investment fund management companies also have to apply for (pre)-LEIs due to the new reporting obligations concerning EMIR and AIFMD. According to data provided by the German (LOU) WM Datenservice and the US GMEI, between 20 and 40 per cent of all issued (pre)-LEIs are fund related LEIs.
BVI strongly embraces the federated Global LEI System (GLEIS) and the benefit it brings to financial stability. The GLEIF which oversees the GLEIS is now operational. The EIOPA Guidelines incorporating

[1] BVI represents the interests of the German investment fund and asset management industry. Its 82 members currently handle assets of EUR 2.2 trillion in both investment funds and mandates. BVI enforces improvements for fund-investors and promotes equal treatment for all investors in the financial markets. BVI`s investor education programmes support students and citizens to improve their financial knowledge. BVI`s members directly and indirectly manage the capital of 50 million private clients in 21 million households. (BVI's ID number in the EU register of interest representatives is 96816064173-47). For more information, please visit www.bvi.de.
[2] http://www.naic.org/documents/committees_e_app_blanks_related_filing_issues_lei_guidance.pdf

BVI
Bundesverband Investment
und Asset Management e.V.

Contact
Phone +49 69 15 40 90 0
www.bvi.de

BVI Berlin
Unter den Linden 42
10117 Berlin

BVI Brussels
Rue du Trône 14 – 16
1000 Bruxelles

BVI Frankfurt
Bockenheimer Anlage 15
60322 Frankfurt am Main

the LEI into supervisory practices within the European System of Financial Supervision will be an important step forward in promoting the use and scope of the global LEI system, thereby enabling economics of scale and reduction of costs, both on the LOU and GLEIF level.

A sector standard for insurance and pension companies will broaden the field of application of LEIs, thereby supporting the aim that not only regulators use the same standard in many fields, but also the industry will want to use it in its operations as well. Then the standard will work for all participants and will over time lead to the expected million Euro savings in reduced matching reference data cost.

The (pre)-LEI is only the first step towards a standardization of reference data. The financial services industry ultimately wants a single, global reference data infrastructure which is provided for by the GLEIS. The GLEIS is an important step to ensure high quality data, while avoiding the trap of fragmentation of data standards in a global economy. The GLEIS has a G20 approved organizational and governance concept which ensures that it works lean and on a non-profit basis. The GLEIS will give data certainty to all users on unequivocally factual, bare basic facts.

The GLEIS will also improve commercial data sources as data vendors will all use the LEI system as source, and the mapping to LEI will ultimately guarantee interoperability of commercial data sources. Vendors have already started to accept that reference data is a public good while it is clear that there is much depth data beyond reference data for vendors earning money. A case in point is Bloomberg that is already releasing its proprietary identifier to the public (“Open Symbology”).

Another important benefit of the LEI versus any other (commercial) identifier is that data liability is direct, e.g. entities/issuers are liable for their data input into the GLEIS. This fulfills a long-held demand from regulators, market participants, and data vendors and is crucial for data quality. This will reduce the cost of reconciling multiple data sources within all market participants.

We agree with the proposed timetable as suggested in the Consultation Paper (Guideline 2). We propose that the national competent authorities request all institutions under their supervisory remit to apply for a LEI as early as possible as this will ensure that all relevant market participants have valid LEIs in place when the reporting obligation starts. The start of the EMIR reporting obligation is a good example that the application of a (pre)-LEI by many market participants in a relatively short timeframe before or near the regulatory deadline causes bottlenecks in the creation of the (pre)-LEIs by the LOUs.

The process for obtaining a LEI is simple. Registration only takes a few minutes and (pre)-LEIs are issued within a few business days. There are currently 30 LOUs, with already 15 endorsed Pre-LOUs issuing LEIs.

Beyond the Solvency II reporting at hand, the use of the LEI within existing regulatory reporting will likely take longer to integrate. However, this is an implementation matter and does not prevent EIOPA from adopting the use of LEIs for all institutions immediately in the field of Solvency. Migration of industry and authorities to the full implementation of GLEIS standards, including but not limited to the LEI, will be a market-driven effort which will take many years to come. It will enable a joint learning experience for industry and authorities and will improve the system.

The GLEIS will provide a central point where the market knows where to converge to on reference data matters. Legacy standards both regulatory and market based will coexist with LEI for a certain time, yet the wish is that the GLEIS will offer mapping to the new standard. Ultimately, adoption eases with penetration of LEI across all regulatory reporting schemes and the incentives to use LEI become stronger for every firm and the market as a whole.