

MEMO# 25191

May 17, 2011

Update on Joint Industry Association Project Regarding Legal Entity Identifiers; Solicitation of Interest for Solution Providers

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TO: BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 26-11
BROKER/DEALER ADVISORY COMMITTEE No. 25-11
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 27-11
ETF ADVISORY COMMITTEE No. 33-11
EQUITY MARKETS ADVISORY COMMITTEE No. 23-11
FIXED-INCOME ADVISORY COMMITTEE No. 39-11
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 8-11
OPERATIONS COMMITTEE No. 15-11
SEC RULES COMMITTEE No. 49-11
SMALL FUNDS COMMITTEE No. 19-11
TRANSFER AGENT ADVISORY COMMITTEE No. 33-11 RE: UPDATE ON JOINT INDUSTRY ASSOCIATION PROJECT REGARDING LEGAL ENTITY IDENTIFIERS; SOLICITATION OF INTEREST FOR SOLUTION PROVIDERS

As we previously informed you, the Dodd-Frank Act established a new Office of Financial Research (“OFR”) within the Treasury Department with authority to collect data to support the Financial Stability Oversight Council’s efforts to monitor and mitigate systemic risk. To that end, in December 2010, OFR published a policy statement regarding its preference to adopt a universal standard for identifying parties to financial contracts that is established and implemented by private industry and other relevant stakeholders through a consensus process. [\[1\]](#) In response, on January 31, a coalition of global financial-services trade associations, including ICI, filed a letter with OFR announcing its strong commitment to working with regulators, both in the United States and worldwide, to establish effective and efficient methods for developing a system of uniform legal entity identifiers, or “LEIs.” [\[2\]](#) The trade associations concluded that a single standard would be the most efficient and effective approach to an LEI, avoiding the potential for error that is inherent in employing multiple identifiers. The trade associations also stated that a global, standardized LEI would help enable organizations to more effectively measure and manage counterparty

exposure, while providing substantial operational efficiencies and customer service improvements to the industry.

Following up on their commitment in the January Letter, on May 3, the trade associations released a comprehensive set of requirements for establishing an LEI system to aid global regulators and industry in monitoring systemic risk. [3] The requirements document identifies and discusses a series of topics the trade associations believe must be addressed in order to establish an effective LEI system that would be workable across different types of legal entities and international jurisdictions. These topics include: the scope of coverage; data model; operating model; governance model; business model; implementation; compliance; and technical principles. Following up on the publication of the requirements for establishing an LEI system, the trade associations now are inviting solution providers to submit proposals to build the LEI system through a Solicitation of Interest ("SOI") process. [4] The SOI encourages solution providers, who meet the enumerated prerequisites, to respond to questions in the SOI regarding their qualifications and proposed solutions by June 3, 2011.

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endnotes

[1] See ICI [Memorandum](#) No. 24773, dated December 9, 2010 (describing the OFR statement of policy as well as pending SEC and CFTC rule proposals that call for assigning unique identifiers to persons involved in swap transactions).

[2] See ICI [Memorandum](#) No. 24939, dated February 3, 2011 (summarizing the joint letter filed by the trade associations). See also Letter from The Clearing House Association L.L.C., the Enterprise Data Management Council, the Financial Services Roundtable, the Futures Industry Association, International Swaps and Derivatives Association, Inc., the Investment Company Institute, Managed Funds Association, and the Securities Industry and Financial Markets Association, to Mr. Lewis Alexander, Counselor to the Secretary, Office of Financial Research, U.S. Department of the Treasury, dated January 31, 2011 ("January Letter"), available at <http://www.regulations.gov/#!documentDetail;D=TREAS-DO-2010-0008-0026.1>.

[3] See Press Release, Financial Industry Trade Associations Coalition Releases Framework for a Global Legal Entity Identifier System, May 3, 2011, available at <http://www.sifma.org/news/news.aspx?id=25234>.

[4] See Global Legal Entity Identifier Solicitation of Interest, May 13, 2011, available at <http://www.sifma.org/Legal-Entity-Identifier/Resources>.