

**MEMO# 24939**

February 3, 2011

# **Joint Industry Associations Letter On Initiatives Concerning Universal Standard To Identify Parties To Financial Contracts**

[24939]

February 3, 2011

TO: BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 9-11  
BROKER/DEALER ADVISORY COMMITTEE No. 8-11  
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 8-11  
ETF ADVISORY COMMITTEE No. 12-11  
EQUITY MARKETS ADVISORY COMMITTEE No. 11-11  
FIXED-INCOME ADVISORY COMMITTEE No. 17-11  
OPERATIONS COMMITTEE No. 5-11  
SEC RULES COMMITTEE No. 12-11  
SMALL FUNDS COMMITTEE No. 7-11  
TRANSFER AGENT ADVISORY COMMITTEE No. 12-11 RE: JOINT INDUSTRY ASSOCIATIONS  
LETTER ON INITIATIVES CONCERNING UNIVERSAL STANDARD TO IDENTIFY PARTIES TO  
FINANCIAL CONTRACTS

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“DFA”), the U.S. Treasury Department’s Office of Financial Research (“OFR”) is charged with collecting data and setting standards for reporting that data to support the Financial Stability Oversight Council (“FSOC”) and its member agencies in fulfilling their responsibilities. The Institute recently joined with a group of trade associations in sending a letter to OFR. [\[1\]](#) The Joint Letter responded to OFR’s request for comment on a statement of policy regarding the development and use of a universal standard for identifying parties to financial contracts, also referred to as a Legal Entity Identifier (“LEI”). [\[2\]](#) In the statement of policy, OFR expressed its preference to adopt a universal standard that is developed and implemented by the financial industry and other relevant stakeholders. The Joint Letter is briefly summarized below.

The Joint Letter states that the trade associations are strongly committed to working with OFR and other financial regulators, both in the U.S. and worldwide, to establish effective

and efficient methods for developing a system of uniform LEIs. The Joint Letter recommends that OFR coordinate with all the major domestic and global financial services regulators so that there is only one LEI standard. It states that a single standard is the most efficient and effective approach and avoids the potential for error that is inherent in employing multiple identifiers. The Joint Letter also recommends that OFR be as clear as possible in its proposed rules about the scope of LEI requirements.

The Joint Letter provides the following preliminary observations regarding the LEI process:

- The entity responsible for the LEI process (the “LEI issuer”) should be a nonprofit with a stable funding source and an open and transparent process.
- The Department should clearly define who is responsible for obtaining an LEI, and the trade associations preliminarily believe that there are benefits to a self-registration model in which legal entities would register a limited amount of information about themselves and then would certify that information periodically, or upon changes.
- The trade associations agree in concept with the LEI characteristics contained in the cross-regulatory whitepaper entitled “Creating a Linchpin for Financial Data: The Need for a Legal Entity Identifier” (Dec. 10, 2010) (the “Linchpin Report”), [3] especially that the LEI be neutral.
- The data elements for the LEI process should be considered carefully, especially how to include individuals and how to define and track ownership.
- A carefully constructed process is necessary for the introduction and implementation of LEIs.

Martin A. Burns  
Director - Institutional Operations & Service

#### endnotes

[1] See 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 (“Joint Letter”), available at <http://www.regulations.gov/#!documentDetail;D=TREAS-DO-2010-0008-0026.1>.

[2] 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).

[3] The Linchpin Report is available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1723298](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1723298).

should not be considered a substitute for, legal advice.