



EBA/REC/2014/01

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29 January 2014

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# Recommendation

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On the use of the Legal Entity Identifier (LEI)

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# 1. Executive summary

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The EBA has developed draft Implementing Technical Standards on Supervisory Reporting (ITS) ensuring uniform reporting requirements across all EU Member States, as mandated by the Capital Requirements Regulation (CRR). The ITS cover reporting of own funds and capital requirements, financial information, large exposures, liquidity ratios, leverage ratios and asset encumbrance. In the context of the ITS and in accordance with EBA Decision No 90/2014 on reporting to the EBA, as of July 2014, the competent authorities have to submit to the EBA the data included in the ITS collected from a sample of institutions in their jurisdictions. For submitting data to the EBA, a single supranational identifier of banks needs to be chosen to collect and store data.

With this Recommendation, the EBA supports the adoption of the Legal Entity Identification (LEI) system proposed by the Financial Stability Board (FSB) and endorsed by the G20, aimed at achieving a unique, worldwide identification of parties to financial transactions. The Global LEI System (GLEIS) is not yet fully operational but a number of entities, sponsored by national authorities, have already started to issue LEI-like identifiers (pre-LEIs) in order to satisfy local reporting requirements.

The EBA's decision to recommend the use of pre-LEIs as unique identification codes for supervisory purposes for every credit and financial institution in the European Union has been taken for the following reasons.

- There is widespread agreement among the public authorities and financial industry participants to move as soon as possible to a global LEI system that would provide a valuable 'building block' contributing to and facilitating many financial stability objectives, including enhanced supervisory convergence and high-quality, reliable and comparable data.
- The repercussions of the implementation of the LEI system would be negligible in comparison with the benefits that would arise, primarily from the harmonisation of identification codes across the different EU and international jurisdictions, different European Supervisory Authorities (currently the EBA and ESMA) and among financial institutions.
- A number of alternative options have been considered, namely setting up a new EBA code, expanding the current ECB MFI ID system and using the BIC system. The alternatives would not, however, be the best solution, as they could easily generate additional costs and operating risks for national supervisors and the EBA itself.

## 2. Background and rationale

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The EBA has developed draft Implementing Technical Standards on Supervisory Reporting (ITS) ensuring uniform reporting requirements across all EU Member States, as mandated by the Capital Requirements Regulation. In the context of the ITS and in accordance with EBA Decision No 90/2014 on reporting to the EBA, as of July 2014, the competent authorities have to submit to the EBA the data included in the ITS collected from a sample of institutions in their jurisdictions<sup>1</sup>. For the reporting requirements to the EBA to be fulfilled, a single supranational identifier of banks needs to be chosen.

There is widespread agreement at global level among public authorities and financial industry participants on the merits of establishing a uniform, global system for legal entity identification. In 2011, the G20 provided a mandate to the Financial Stability Board (FSB) to lead the coordination of international regulatory work with a view to achieving a unique, worldwide identification of parties to financial transactions<sup>2</sup>. In 2012, the FSB set out 35 'Recommendations for the Development and Implementation of the Global LEI System (GLEIS)'<sup>3</sup>. The G20 in Los Cabos endorsed the FSB's recommendations and asked the Board to take forward the work to launch the Global LEI System.

The Global LEI System is not yet fully operational. Nevertheless, an increasing number of aspirants to become Local Operating Units (LOUs), pre-LOUs, have been sponsored by their national authorities. Some of these pre-LOUs have already been endorsed by the Regulatory Oversight Committee (ROC)<sup>4</sup> as they were found to meet the principles designed to ensure that all of the

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<sup>1</sup> Banks in the sample have to fulfil at least one of the following criteria (which largely follow the published Single Supervisory Mechanism (SSM) quantitative criteria): (i) the institution is one of the three largest institutions in a Member State, including banking groups at the highest level of consolidation and subsidiaries of foreign banking groups, measured by total assets, in which the competent authority has jurisdiction; (ii) the institution's total assets are in excess of 30 billion EUR, both for institutions that represent the highest consolidation level of any given banking group and for non-EEA banking group subsidiaries; (iii) the institution's total assets are in excess of 20% of the Member State's GDP, both for institutions that represent the highest consolidation level of any given banking group and for non-EEA banking group subsidiaries. The Decision and the final sample of banks will be published in early 2014.

<sup>2</sup> G-20 (2012), Cannes Summit Declaration: *'We support the creation of a global legal entity identifier (LEI) which uniquely identifies parties to financial transactions. We call on the FSB to take the lead in helping coordinate work among the regulatory community to prepare recommendations for the appropriate governance framework, representing the public interest, for such a global LEI by our next Summit'* (available at [http://www.g20civil.com/documents/Cannes\\_Declaration\\_4\\_November\\_2011.pdf](http://www.g20civil.com/documents/Cannes_Declaration_4_November_2011.pdf)).

<sup>3</sup> The Global LEI System will, in its full development, be structured as follows: it will be overseen by a Regulatory Oversight Committee (ROC) comprised of financial regulators from jurisdictions across the globe, and will be coordinated by a Central Operating Unit (COU) operated by the Global Legal Entity Foundation (GLEIF), a non-profit organisation. The COU will coordinate and oversee the actions of the Local Operating Units (LOUs), which will allow end users in local jurisdictions to register legal entities and assign Legal Entity Identifiers (LEIs). See the FSB Report on *A Global Legal Entity Identifier for Financial Markets* of 8 June 2012 (available at [http://www.financialstabilityboard.org/publications/r\\_120608.pdf](http://www.financialstabilityboard.org/publications/r_120608.pdf)).

<sup>4</sup> In order to become an endorsed pre-LOU, a candidate must be sponsored by a ROC member. That ROC member sponsor must then seek endorsement from the ROC by demonstrating that the pre-LOU candidate meets the *Principles to be observed by Pre-LOUs that wish to integrate into the Interim Global Legal Entity Identifier System (GLEIS)* (available at [http://www.leiroc.org/publications/gls/lou\\_20130727.pdf](http://www.leiroc.org/publications/gls/lou_20130727.pdf)). As of 14 January 2014, ten pre-LOUs



pre-LEIs issued by pre-LOUs will be eligible to become true LEIs once the GLEIS is fully operational. The endorsed pre-LOUs have started to issue LEI-like identifiers (pre-LEIs) which may be used for reporting and other regulatory purposes in the various jurisdictions represented in the ROC.

The EBA encourages and supports the establishment of the GLEIS. The use of pre-LEIs by the competent authorities when fulfilling their reporting obligations to the EBA will enhance supervisory convergence and ensure the high quality, reliability and comparability of data. As a medium term solution is envisaged, the implementation of pre-LEI codes was considered the best alternative in the short term.

It is therefore recommended that the competent authorities request that all institutions under their supervisory remit obtain a pre-LEI code, giving priority to those banks included in the sample identified in EBA Decision No 90/2014. The competent authorities are also advised to request that all information which they provide to the EBA concerning institutions and financial institutions contains pre-LEI codes.

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have been endorsed by the ROC: WM Datenservice, Institut National de la Statistique et des Etudes Economiques, CICI utility, Takasbank, London Stock Exchange, Irish Stock Exchange, Russia National Settlement Depository (NSD), Poland Krajowy Depozyt Papierów Wartościowych S.A. (KDPW), Dutch Chamber of Commerce (KvK), National Board of Patents and Registration of Finland (PRH) (see *Endorsed Pre-LOUs of the Interim Global Legal Entity Identifier System (GLEIS)* available at [http://www.leiroc.org/publications/gls/lou\\_20131003\\_2.pdf](http://www.leiroc.org/publications/gls/lou_20131003_2.pdf)).

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## 3. EBA Recommendation on the use of the Legal Entity Identifier (LEI)

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### Status of the Recommendation

This document contains a Recommendation issued pursuant to Article 16 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC ('the EBA Regulation')<sup>5</sup>. In accordance with Article 16(3) of the EBA Regulation, the competent authorities and financial institutions must make every effort to comply with the Recommendation.

The Recommendation sets out the EBA's view of appropriate supervisory practices within the European System of Financial Supervision, or of how European Union law should be applied in a particular area. The EBA therefore expects all competent authorities to whom the Recommendation is addressed to comply with them. The competent authorities to whom the Recommendation applies should comply by incorporating it into their supervisory practices as appropriate (e.g. by amending their legal frameworks or their supervisory processes), including where the Recommendation is directed primarily at institutions.

### Reporting requirements

According to Article 16(3) of the EBA Regulation, the competent authorities must notify the EBA as to whether they comply or intend to comply with this Recommendation, or otherwise with reasons for non-compliance, by 29.03.2014. In the absence of any notification by this deadline, the competent authorities that have failed to provide notification will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form provided in Section 5 to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu) with the reference 'EBA/REC/2014/01'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities.

Notifications will be published on the EBA website, in line with Article 16(3).

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<sup>5</sup> OJ L 331, 15.12.2010, p. 12.

## Title I - Subject matter, scope and definitions

1. This Recommendation seeks to establish consistent, efficient and effective supervisory practices by harmonising the identification of legal entities when information is provided to the EBA by the competent authorities under Article 35 of the EBA Regulation, in order to ensure high-quality, reliable and comparable data.
2. The Recommendation is addressed to the competent authorities as defined in Article 4(40) of Regulation (EU) No 575/2013<sup>6</sup>.

## Title II- Requirements regarding the use of (pre-) LEIs

3. The competent authorities should request that all institutions under their supervisory remit which are subject to reporting obligations under Regulation (EU) No 575/2013 obtain a code issued by a pre-LOU endorsed by the ROC (a pre-LEI code). The competent authorities should request that all such institutions obtain a pre-LEI code for all entities within their group on which information is required under their reporting obligations.
4. The competent authorities should verify that institutions under their supervisory remit have requested the pre-LEI codes referred to in paragraph (3), as follows:
  - for institutions for which information is required to be transmitted to the EBA in the context of the ITS and in accordance with EBA Decision No 90/2013 on reporting to the EBA by 31 March 2014 at the latest;
  - for all the other institutions by 31 December 2014 at the latest.
5. The competent authorities should provide instructions on how the institutions referred to in paragraph (3) should consistently use the pre-LEI codes when fulfilling their reporting obligations.
6. The competent authorities should ensure that the information which they provide to the EBA concerning the institutions referred to in paragraph (3), including information concerning entities within these institutions' groups, contains the pre-LEI codes obtained in accordance with this Recommendation.

## Title III- Final provisions and implementation

7. This Recommendation will apply from 31.01.2014.

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<sup>6</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

## 4. Accompanying documents

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### 4.1 Cost-benefit analysis / impact assessment

#### The problem

In light of the upcoming implementation of the ITS on Reporting, the EBA needs a unique identification code for supervisory purposes for every credit and financial institution in the European Union.

#### The objective

By establishing a unique identification code, the EBA will achieve the necessary harmonisation among the EU Member States' supervisory authorities. The National Supervisory Authorities (NSAs) could also benefit from this identification, should the identification be extended to banking activities other than supervisory reporting, to better monitor transactions in their jurisdictions for their everyday tasks (e.g. post-trade supervision of financial transactions, etc.).

#### The options

Currently, there are various identification systems. The systems most commonly used by the EU supervisory authorities and central banks are the following.

- Monetary Financial Institution (MFI) ID: this system is used by the ECB and euro area National Supervisory Authorities (NSAs) to identify the counterparties of the Eurosystem in monetary operations (refinancing operations of the Eurosystem vis-à-vis the EU banks)<sup>7</sup>. Currently, the MFI ID system, pursuant to Regulation (EC) No 24/2009 (ECB/2008/32), is mandatory only for credit institutions needing to be registered for monetary policy purposes. It is not legally binding on credit institutions in non-euro area EU countries nor, within the euro area, is it binding on institutions other than credit institutions that are subject to reporting obligations.
- Banking Identification Code (BIC)/SWIFT<sup>8</sup>: this system is mainly used by payment systems to identify the credit and financial institutions which participate in financial transactions.

The EBA's aim is to find a unique identification system which would identify, in a reliable and automated way, EU institutions and financial institutions as defined in Regulation (EU) No 575/2013 and that are subject to reporting obligations in accordance with the Implementing Technical Standards on Supervisory Reporting under Regulation (EC) No 575/2013.

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<sup>7</sup> The format of the identification code is XXYYY, where XX (letters) represents the country code and YYY (numbers of letters) is the unique per country code of a bank belonging to this jurisdiction.

<sup>8</sup> For more information, see <http://www.theswiftcodes.com/>



In its efforts to devise a new system, the EBA considered the following options:

- expanding the current MFI ID system to cover the missing institutions;
- using the BIC system;
- devising a new EBA system for identifying banks in the EU;
- adoption of the Legal Entity Identification system, a system proposed by the FSB and endorsed by the G20, aimed at achieving a unique, worldwide identification of parties to financial transactions.

The first three options were excluded for the following reasons, respectively.

- The expansion of the existing MFI ID system was not considered to be an effective solution as it would require a number of institutions to adopt a system that would not be used for other purposes and that would be replaced in the near future by the LEI.
- The BIC system could be a reliable alternative as it is widely used by credit and financial institutions for transaction purposes across the EU, and is also used by non-euro area countries to identify banks. Nonetheless, as it is a code used for the identification of transactions in payment services, supervisors were not always able to obtain BIC codes from their national registers. Since payment and supervisory functions, even in the same jurisdiction, are not always connected, there would be additional costs and expenditure of time arising from the communication between the two separate functions in the same jurisdiction. This option was therefore also disregarded.
- The third option was initially considered to be viable for reporting purposes as it would represent a rapid solution without significant costs, since the specifications would be set internally at the EBA and communicated to the supervisory authorities. However, this solution could be more burdensome in the long run for the NSAs, as they would be obliged to monitor and keep a register of more than one identification code, i.e. 'the new ID for reporting purposes', another ID for transaction purposes, etc. It would also impose an additional cost on the banks due to the dedication of resources for implementing and monitoring the new code in their existing reporting frameworks.

### **The preferred option**

The Financial Stability Board's paper on 'a global legal identifier for financial markets' recommended establishing an identifier that could be used globally, by providing an exhaustive list of supervisory and operational objectives that would be fulfilled by the implementation of an LEI.

Furthermore, the LEI will become compulsory for reporting purposes at the European Securities and Markets Authority (ESMA). In fact, according to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EMIR), OTC derivative transactions must be reported to a trade repository. Following the recommendations from the FSB, ESMA has decided to identify entities in the reporting using the LEI.

With this in mind, the LEI system would provide the EBA and the NSAs with a unique identification code standardised to fit all purposes (supervisory, reporting, transactions), as it would also be used for reporting transactions to trade repositories.

At the same time, the LEI system would provide supervisors and the EBA with more granular (but also briefer) information about the identity of banks. This information could be used to ease the production of automated specialised reports (peer review reports, country reports, etc.) at the EBA. Moreover, many banks worldwide (mainly in the US) have already acquired, or are in the process of acquiring, an LEI code.

Since, as specified above, the LEI is a global initiative – and provides more granular information to ESMA supervisors and banks – and banks will be required to adopt it, it is recommended that the EBA follow this initiative and adopt the LEI system for supervisory reporting purposes. It is worth noting that the implementation of the LEI system is compatible with the IT specification of the ITS on Supervisory Reporting and would imply no additional effort or cost to incorporate it into the XBRL templates.

### **Costs and benefits of the preferred option**

The impact, in monetary terms, cannot be assessed, as the EBA does not have aggregate or more granular information on the direct or indirect costs arising from the implementation of any of the proposed options. It is therefore only feasible to assess the costs and benefits arising from the implementation of the preferred option, i.e. implementation of the LEI system.

#### **The baseline**

The use of the LEI is becoming widespread: more than 95 000 pre-LEI codes have been issued by the endorsed providers (see table below). In the near future, the implementation of the LEI in the reporting to trade repositories, as defined by ESMA, would make the LEI de facto mandatory in the EU.

## **Costs**

In terms of the financial impact of acquiring an LEI code, the costs<sup>9</sup> of acquiring and maintaining an LEI are listed in the following table. Since the LEI system has not yet been implemented, the costs refer to those charged by the predecessors of the LEI.

<b>Pre-LOU</b>	<b>Country of establishment</b>	<b>Registration fee (cost of acquiring an LEI) – in €</b>	<b>Annual fee (annual cost of maintaining an LEI) – in €</b>	<b>Pre-LEI website</b>
WM Datenservice	DE	150	100	<a href="https://www.geiportal.org">https://www.geiportal.org</a>
Institut National de la Statistique et des Etudes Economiques	FR	100	50	<a href="https://lei-france.insee.fr">https://lei-france.insee.fr</a>
CICI utility	US	152	76	<a href="https://www.ciciutility.org">https://www.ciciutility.org</a>
Takasbank	TR	109	55	<a href="http://www.takasbank.com.tr/en/Pages/LEI.aspx">http://www.takasbank.com.tr/en/Pages/LEI.aspx</a>
London Stock Exchange	UK	120	66	<a href="http://www.lseg.com/LEI">http://www.lseg.com/LEI</a>
Irish Stock Exchange	IE	150	100	<a href="https://www.isedirect.ie">https://www.isedirect.ie</a>
Russia National Settlement Depository (NSD)	RU	136	68	<a href="https://www.nsd.ru/en/services/lei">https://www.nsd.ru/en/services/lei</a>
Poland Krajowy Depozyt Papierów Wartościowych S.A. (KDPW)	PL	115	53	<a href="http://www.kdpw.pl/en/business/LEI/Pages/default.aspx">http://www.kdpw.pl/en/business/LEI/Pages/default.aspx</a>
Dutch Chamber of Commerce (KvK)	NL	150	100	<a href="http://www.leiroc.org/publications/gls/lou_20140107.pdf">http://www.leiroc.org/publications/gls/lou_20140107.pdf</a>
National Board of Patents and Registration of Finland (PRH)	FI	110	70	<a href="http://www.prh.fi/en/uutislistaus/2013/P_1048.html">http://www.prh.fi/en/uutislistaus/2013/P_1048.html</a>

<sup>9</sup> Where expressed in another currency, the costs were converted into euros using forex rates as at 14 January 2014

Pre-LOU	Country of establishment	Registration fee (cost of acquiring an LEI) – in €	Annual fee (annual cost of maintaining an LEI) – in €	Pre-LEI website
All (average cost)		129	74	

To evaluate the direct cost of the proposed measures, the current impact assessment took into account the following factors:

- the current average cost of registration is EUR 129 and the annual maintenance fee will be approximately EUR 74;
- to a large extent, this cost should be assigned to ESMA's requirement for registration.

To this end, **the additional direct cost** due to the implementation of the LEI system, in relation to total operational costs, is considered to be **negligible to zero** for the banks, NSAs and the EBA.

The EBA has also considered additional indirect costs that would arise from the implementation of LEIs due to the following factors:

- the inclusion of LEIs in banks' internal systems and appropriate adjustments to accommodate this inclusion;
- a second-level adjustment to eliminate potential data inconsistencies amongst pre-LEIs in order to achieve maximum harmonisation of the data requested at a later date;
- some additional costs (**of low magnitude**) in the early stages could be incurred by LOUs in their effort to process the increased number of registrations in a timely manner (according to EMIR by Q1 2014);

Even after considering the costs arising from the indirect factors above, the **overall additional cost (direct and indirect)** from the implementation of LEIs would still lead to **negligible cost** in relation to the overall operational cost.

### **Benefits**

The benefits from the implementation of LEIs would primarily arise from the harmonisation of identification codes across different EU and international jurisdictions, different European Supervisory Authorities (currently the EBA and ESMA) and among banks. This harmonisation would facilitate the interconnectivity of the information that is available at the different

supervisory domains, preventing excessive unnecessary communication and reducing manual intervention.

Furthermore, it would provide banks, especially Systemically Important Financial Institutions (SIFIs), with the opportunity of getting their data warehouses in order by rationalising the number of identification codes which they have to use in the EU when responding to reporting requirements to different institutions and agencies. This is potentially a very significant benefit to banks, enabling them to reduce costs and make better use of their data.

The adoption of LEIs would lead:

- banks to improve their operational risk management;
- banks to create a more reliable business profile;
- NSAs to handle and submit supervisory data more efficiently;
- the EBA to identify banks more easily.

The benefits in monetary terms from utilising LEIs cannot be precisely estimated. However, the magnitude of the **overall benefit**, in relation to total operational costs, can be considered to be **medium** for the supervisory authorities, the EBA and the banks. On the other hand, pre-LOU institutions would experience **medium-level** benefits due to the increased revenues.

### Net impact of the preferred option

The additional impact of the preferred option is deemed positive, as shown in the following table:

	<b>Additional cost</b>	<b>Additional benefit</b>	<b>Net impact</b>
<b>Banks</b>	Negligible	Medium	Positive
<b>EBA and NSAs</b>	Zero	Medium	Positive
<b>Pre-LOUs</b>	Low	Medium	Positive
<b>All stakeholders</b>	<b>Negligible</b>	<b>Medium</b>	<b>Positive</b>

The implementation of the LEI system would have a positive net impact on both the EBA and supervisory authorities as well as on the banking sector.

### **Proposed way forward**

Although the EBA favours the implementation of the LEI system, it considered it useful to consult the Banking Stakeholder Group (BSG) on the technicalities and time frame of the implementation of the LEI system.

## **4.2 Views of the Banking Stakeholder Group (BSG)**

At the meeting of 30 October 2013, the Banking Stakeholder Group discussed the draft Recommendation on the use of the Legal Entity Identifiers (LEIs) [EBA CP 2013 42].

It was pointed out that the work originates from a global initiative from the FSB. The importance of the EBA's single European reporting framework (including, but not limited to, FINREP and COREP) was noted in that respect, and this will greatly facilitate the EBA's risk work (e.g. its risk dashboard), stress testing and impact assessment, amongst other things.

The BSG largely supported the EBA's proposal as a useful way forward but expressed concerns for smaller banks with their more limited IT architecture capacity.

The BSG was asked to consider whether to formulate an official opinion on [EBA CP 2013 42] by the EBA's requested deadline of 28 November 2013.

### 4.3 Feedback on the public consultation

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for one month and ended on 28 November 2013. Seventeen [17] responses were received, of which 15 were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments, and the actions taken to address them if deemed necessary.

In many cases, several industry bodies made similar comments, or the same body repeated its comments in the response to different questions. In such cases, the comments and the EBA analysis are included in the section of the paper where EBA considers them to be most appropriate.

The BSG responded to the Consultation Paper echoing the need to be compatible with the development of global LEIs in line with the suggestion of the G20.

Changes to the draft Recommendation have been incorporated as a result of the responses received during the public consultation.

#### Summary of key issues and the EBA's response

**Use of the LEI as the unique code for supervisory reporting purposes.** Respondents agreed with the EBA's decision to support the adoption of the Legal Entity Identification system proposed by the FSB and endorsed by the G20, aimed at achieving a unique, worldwide identification of parties to financial transactions.

The need for high-quality data is seen as crucial for the swift analysis of and reaction to events for authorities and industry. As data flow between automated systems in networks among many market participants, it is imperative that data quality must also be defined in terms of its level of standardisation, because there are strict limits on the number of data dialects (competing standards) IT systems can tolerate. Since the LEI system represents a valuable step towards a global standardisation of reference data, it will also contribute to ensuring high-quality data, while avoiding the trap of fragmentation of data standards in a global economy.

Some respondents raised concerns about the need to introduce a pre-LEI system whilst international agreement on the final LEI has not yet been reached, so that the firms will have to migrate from pre-LEIs to actual LEIs in due course. In response to this, the EBA confirms that for the purposes of this Recommendation, the pre-LEIs to be used for reporting to the EBA are those issued by pre-LOUs endorsed by the ROC which will be eligible to become true LEIs once the GLEIS is fully operational.

**The scope of entities for which LEIs will be requested.** According to the EBA's Recommendation, the competent authorities should request that all institutions under their supervisory remit which are subject to reporting obligations under Regulation (EU) No 575/2013 (CRR) obtain a (pre-) LEI code; the competent authorities should request that all such institutions obtain a pre-LEI code for all entities within their group on which information is required under their reporting obligations.

A significant share of respondents raised concerns about the fact that reporting entities would be required to make use of pre-LEIs to identify counterparties outside their group, for example, within the framework of Large Exposures reporting. On the other hand, other respondents urged the EBA to recommend that the competent authorities under their supervisory remit use an LEI code to identify entities where every counterparty, issuer or other relationship is required to be resubmitted for regulatory reporting.

The EBA confirms that the institutions covered by the Recommendation are those: i) defined in the CRR; ii) that are under the supervisory remit of a Competent Authority; and iii) are also subject to reporting obligations under the CRR. Therefore, reporting entities will not be required to make use of pre-LEIs to identify counterparties outside their group (for example, counterparties to which an institution has large exposures), or entities other than institutions as defined in the CRR (for example, insurance firms that are defined in EU law as insurance undertakings).

**Cost of using the LEI as the unique code for supervisory reporting purposes.** Some respondents raised concerns about the costs of the LEI implementation, which might be relatively high especially for decentralised banking groups. The costs should take into account not only the registration fees (around 100 euros) but also the costs related to the lack of global coordination and the fact that institutions will need to set up a complete organisation with dedicated means and human resources in a restricted time frame.

However, the majority of respondents pointed out that: i) the Global LEI System is relatively cheap compared to the billions of euros already spent by the industry, central banks and regulators on data cleansing and reconciliation costs; ii) other non-EBA requirements to report using the LEI are already in place (for example, in order to be compliant with Dodd-Frank and EMIR, as of 12 February 2014); iii) implementing the LEI system would generate relevant benefits in terms of lower operational costs (for example, it would facilitate the interconnectivity of information, and reduce manual intervention and the cost of reconciling multiple data sources, providing better and more useable input data for the aggregation of exposures, risk measurement and for monitoring and responding to systemic financial risk).

Furthermore, it was pointed out that: i) over the longer term, the benefits for users will far outweigh the implementation costs; these benefits will accrue incrementally and the costs will reduce proportionately as pre-LEIs become increasingly accepted and mandated for regulatory reporting requirements; ii) other positive aspects for the use of the LEI should be borne in mind



(for example, no potential licensing issues, no commercial interests, unrestricted use of data with expectation of high quality).

**Operational risks due to the proposed timeline.** Some respondents raised concerns regarding the risk of a ‘bottle neck’ in the system due to a possibly high number of requests and registrations, particularly in the case of a last-minute rush, which could place severe stress on the LOUs.

This risk appears to be insignificant as: i) the process for obtaining a (pre-) LEI requires only several minutes for registration and a few business days for a (pre-) LEI to be issued; ii) the issuance process is seen as scalable, and it could cope with a substantial increase in demand should this result from a new reporting requirement; iii) there are now ten endorsed LOUs and more are likely to come in the near future, making the local service for obtaining a (pre-) LEI in Europe relatively easy; iv) nearly all financial institutions will be subject to EMIR regulation in any case, meaning they would already have pre-LEIs soon (in Germany, for instance, nearly 90% of financial institutions already have a pre-LEI).

However, since institutions cannot be made liable for any delays related to processing or other organisational issues which the pre-LOUs may face, the deadline has been amended and now refers to ‘requesting a pre-LEI code’ instead of ‘obtaining a pre-LEI code’.

## Summary of responses to the consultation and the EBA’s analysis

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<b>General comments</b>			
<b>The scope of entities for which LEIs will be requested.</b>	Some participants raised concerns about the fact that reporting entities would be required to make use of the pre-LEI to identify counterparties outside their group, for example, within the framework of Large Exposures reporting. One respondent suggested using, on a temporary basis, alternative codes to flag third parties outside the banking group.	<p>At this juncture, from the EBA’s perspective, a single supranational identifier of banks is needed for the reporting requirements to the EBA to be fulfilled.</p> <p>These reporting requirements refer to the institutions as defined in the CRR that are under the supervisory remit of a Competent Authority and are also subject to reporting obligations under the CRR.</p> <p>Therefore, the EBA confirms that reporting entities will not be required to make use of pre-LEIs to identify counterparties outside their group (for example, counterparties to which an institution has large exposures), or entities other than institutions as defined in the CRR (for example, insurance firms that are defined in EU law as insurance undertakings).</p>	None
<b>The scope of entities for which LEIs will be requested.</b>	To ensure the full benefit of the LEI, a significant share of respondents urged the EBA to recommend that it should be a	See above	None

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>requirement for not only credit and financial institutions, but for all financial market participants conducting financial transactions. Although it was acknowledged that the EBA and the competent authorities cannot require a counterparty, issuer or other reported entity outside its remit to obtain an LEI, the broad requirement to use an available LEI to identify all entities in regulatory reporting would reinforce the adoption of the LEI as the standard for entity identification.</p>		
<p><b>Responses to questions in Consultation Paper EBA/CP/2013/42</b></p>			
<p><b>Question 1.</b>  <b>Which are your views on the use of pre-LEIs as unique identification codes for supervisory purposes for credit and financial institution in the European Union?</b></p>	<p>All the respondents supported the EBA's intention to recommend the use of the LEI as the unique code for supervisory reporting purposes. Other alternative options mentioned in the Consultation Paper are not considered worth pursuing. On the other hand, the LEI system is viewed as a valuable step towards a global standardisation of reference data and will also help to ensure high-quality data, while avoiding the trap of fragmentation of data standards in a global economy.</p>	<p>The EBA welcomes the support from respondents.</p>	<p>None</p>
<p><b>Question 2.</b>  <b>Can you provide inputs for assessing the costs and</b></p>	<p>Two respondents raised concerns about the costs for the industry and wanted more inexpensive solutions to be found.</p>	<p>The EBA has carefully considered the feedback received, but notes that any alternative options could easily generate additional costs and</p>	<p>None</p>



Comments	Summary of responses received	EBA analysis	Amendments to the proposals
<p><b>benefits of this draft Recommendation?</b></p>	<p>The majority of respondents believed that the initial costs of implementing the LEI would not be too onerous. Some pre-LOUs which responded to the consultation confirmed that the costs for the registration of a pre-LEI and the annual maintenance fee are correctly shown in the consultation table (approximately 130 euros). The majority of respondents also pointed out that in the longer term, the benefits for users will far outweigh the implementation costs.</p>	<p>operating risks for national supervisors and the EBA itself.</p>	
<p><b>Question 3. Please provide your feedback on the proposed timeline and the proposal to have more flexible deadlines for banks not included in the EBA sample.</b></p>	<p>The majority of respondents agreed with the proposed timeline.</p> <p>Two respondents raised concerns regarding the risk of a ‘bottle neck’ in the system due to a possibly high number of requests and registrations, particularly in the case of a last-minute rush, which could place severe stress on the LOUs.</p> <p>One respondent suggested that the time frame</p>	<p>The EBA understands the concerns but notes that many banks already have pre-LEIs, at least for their main entities and trading units. This is because many of them either have activities falling under the Dodd-Frank related obligations to report OTC derivative trades to third party trade repositories, or conduct business with derivatives, which entails EMIR trade repository reporting obligations.</p> <p>Furthermore, since the process for obtaining a</p>	<p>The Recommendation has been amended.</p>

Comments	Summary of responses received	EBA analysis	Amendments to the proposals
	<p>for other institutions to obtain pre-LEI codes by of 31 December 2014 (Title II(4)) should be extended to 31 December 2015, since this implementation date seems more suitable for smaller institutions.</p>	<p>(pre-) LEI requires only several business days for a (pre-) LEI to be issued, the proposed timeline (31 March 2014 or 31 December 2014) should not present any issues.</p> <p>However, since institutions cannot be made liable for any delays related to processing or other organisational issues which the pre-LOUs may face, the deadline has been amended and now refers to 'requesting a pre-LEI code' instead of 'obtaining a pre-LEI code'.</p>	

## 5. Confirmation of compliance with guidelines and recommendations

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Date:

Member/EEA State:

Competent authority

Guidelines/recommendations:

Name:

Position:

Telephone number:

Email address:

I am authorised to confirm compliance with the guidelines/recommendations on behalf of my competent authority:  Yes

The competent authority complies or intends to comply with the guidelines and recommendations:  Yes  No  Partial compliance

My competent authority does not, and does not intend to, comply with the guidelines and recommendations for the following reasons<sup>10</sup>:

Details of the partial compliance and reasoning:

Please send this notification to [compliance@eba.europa.eu](mailto:compliance@eba.europa.eu)<sup>11</sup>

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<sup>10</sup> In cases of partial compliance, please include the extent of compliance and of non-compliance and provide the reasons for non-compliance for the respective subject matter areas.

<sup>11</sup> Please note that any other methods of communicating this confirmation of compliance, such as sending it to a different email address from the one shown above, or by an email that does not contain the required form, will not be accepted as valid.