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GLEIF response to the Basel Committee on Banking Supervision (BCBS) Guidelines Identification and management of step-in risk Consultative Document

Dear Secretariat of the Basel Committee on Banking Supervision,

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide you with its comments on the consultative document, entitled 'Guidelines Identification and management of step-in risk Consultative Document' published by the Basel Committee on Banking Supervision in March 2017.

Our letter will limit its comments specifically to GLEIF's views on the use of Legal Entity Identifier's (LEI)'s in regard to the topic of the Guidelines Identification and management of step-in risk as the subject of the document. The GLEIF, established to act in the public and private interest as the operational arm of the Global LEI System, appreciate the opportunity to provide comments on the possible use of LEIs in regard to this consultation.

GLEIF has a very strong interest in ensuring there is a good understanding by rule makers of the significant benefits to the public and private sectors that derive from the widespread use of LEIs for entity identification in regulatory reporting and supervision. Following the 2008 financial crisis, the importance and benefit of a universal LEI became clear. Recognizing this, the FSB and global regulatory authorities, working with the private sector, developed the framework of a Global LEI System that will, through the issuance of unique LEIs, unambiguously identify entities engaged in financial transactions.

Regulators globally, therefore, play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices.

Consequently, we welcome the consideration of the BCBS for Guidelines Identification and management of step-in risk concerning the use of LEIs in its work.

The Legal Entity Identifier (LEI), as the identity management key, could be leveraged in the identification and management of step-in risk. The Financial Stability Board (FSB) created the LEI in a form of a reference code to uniquely identify legally distinct entities that engage in financial transactions. Now this high-quality identifier is accessible as a broad public good for the benefit of the users of the public and private sector.

The step-in process requires supervisory reporting for which communication is needed between banks and supervisors. There also is a requirement for cooperation and exchange of information

under which supervisors should share information with supervisors in other jurisdictions regarding the supervision of step-in risk for banking groups with branches or subsidiaries across multiple jurisdictions.

Using the LEI will insure international consistency for entity identification in this process which requires communication across multiple parties and jurisdictions and establishing effective arrangements for cooperation and information sharing.

GLEIF has worked with XBRL International to develop a standard LEI taxonomy in the XBRL standard. With LEIs incorporated into the XBRL taxonomies used to file financial statements, direct links to the financial statements of these legal entities can be established. This could be of value in the evaluation of the nature and risks of a bank's involvement with unconsolidated entities based on accounting disclosure requirements.

The scope of LEI data with the Global LEI System (GLEIS) is expanding, beginning in May 2017, to include the initial implementation of relationship data with the first two relationship types based on consolidated accounting principles to identify ultimate and direct parents of any entity registering for or renewing an LEI. This could be of value when supervising banking groups with branches or subsidiaries across multiple jurisdictions.

GLEIF recommends the use of the LEI as an important foundation in the supervisory reporting for step-in risk to produce a high degree of quality in the underlying data sets both for supervisors and banks.

We encourage the BCBS to progress the considerations regarding the use of LEI in the context of this consultative document.

Sincerely,

Stephan Wolf
CEO