

LEI Regulatory Oversight Committee

By email to: leiroc@bis.org

The Investment Association

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Date: 16/11/2015

Dear Sirs

RE: Consultation document on including data on branches in the Global LEI System

The Investment Association represents the UK asset management industry. Our members manage over £5 trillion in the UK of assets on behalf of UK, European and international clients, both retail and institutional. Collectively, our members make up the second-largest asset management industry in the world.

We are grateful for the opportunity to comment on the ROC's consultation on the potential extension of the Global LEI system to include certain types of branch entity. We broadly support the comments submitted jointly by the Global Financial Markets Association and various other trade associations but differ slightly in that we believe consideration should be given to revising the ISO 17442 standard in due course to accommodate those branches that are within the scope of the consultation but do not already qualify for an LEI.

We suggest that in the event of a branch being subject to regulation in its host jurisdiction that imposes capital requirements and ring-fencing in the event of failure, it could be considered a legal entity already for the purposes of ISO 17442 and qualify for an LEI today.

We believe that any extension of ISO 17442 (and any interim solution) to encompass other branches should be limited largely as suggested in the consultation, but without the requirement to be listed in a local business registry and a caveat instead that there should be a specific local regulatory requirement to identify the branch using a discrete LEI. We also suggest that the "international" criterion might need to be adjusted for countries in which there are multiple legal/regulatory jurisdictions.

Please do not hesitate to contact me if you wish to discuss our comments further.

Yours faithfully



David Broadway
Investment Operations Lead

Consultation Document:



Including data on branches in the Global LEI System

Annex: Questionnaire

Please type your answers into the attached questionnaire and send it to leiroc@bis.org by COB 16 November 2015. Where possible, please specify the reasons for the preferences expressed or the details of any trade-offs you see. (For an MSWord version: http://www.leiroc.org/publications/LEI_ROC-questionnaire_on_branches.docx).

The responses to the questionnaire will be shared within the ROC membership and with the GLEIF. Neither participants' identity nor any specifically identified reference to their opinion will be made public without their express consent. However, the responses themselves may be quoted on an anonymised basis. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

Identification of the respondent and confidentiality
Respondent: The Investment Association
Name and email of a contact person: David Broadway david.broadway@theinvestmentassociation.org
<input type="checkbox"/> Please check this box if you object to any of the responses below being quoted on an anonymised basis, and specify here any sections or questions to which this objection applies
<i>Please specify here as needed which response(s) should not be quoted:</i>
1 Uses of international branch information
1.1 What regulatory or private sector uses could benefit from allowing international branches to obtain LEIs?
<i>We agree that it would be useful to normalise the identification of international branches and support the proposal to do so within the Global LEI System (GLEIS), subject to certain caveats that we explore below in our responses to other questions.</i>
<i>We understand that, in some jurisdictions, local branches of financial institutions located elsewhere may be subject to locally capital requirements that would be ring-fenced in the event of default. As such, it may also be appropriate to consider such branches as the</i>



counterparties to any financial transactions that are entered into against that ring-fenced capital.

We also believe that, even where a branch is not financially ring-fenced as described above, it may be helpful to its local regulator(s) to be able to connect it to the headquarter entity for oversight purposes; and leverage of the GLEIS would be an efficient means to that end.

1.2 Are there complications that you envision from allowing international branches into the GLEIS, notably in view of possible breaches or risk of confusion with regard to the principle of exclusivity? If so, how would you propose to address them?

In footnote 5 to the consultation paper, it is suggested that the definition of legal entity in IOS 17442 was intended to be sufficiently broad to encompass all relevant entities as markets evolve. In fact, the issue of branches was considered specifically during the preparation of ISO 17442 and it was concluded that the definition should not embrace them.

Nonetheless, we have suggested above that there may be two types of branch entity - those that are financially ring-fenced and those that are not; and would suggest not only that financially ring-fenced branches qualify for LEIs under the current standard, but should be identified at that level as counterparty to relevant financial transactions.

As noted above, we do not believe the ISO 17442 standard encompasses branches that are not financially ring-fenced as it is written currently, nor should its interpretation be stretched to do so. This does not mean that it could not be revised to do so in the future and, indeed, we believe that in the longer term a single standard to identify both legal entities and branches in the limited circumstances envisaged in this consultation would be preferable to either separate standards or a less formalised approach based on the LEI format.

However, we believe that if non-ring-fenced branches are to be identified by an LEI or LEI-style code, the code should enable easy distinction of such branches from entities (including branches) that are financially stand-alone.

Unfortunately, such distinction cannot be achieved simply using the 5th and 6th characters, which are reserved currently. It would seem that every possible two-character combination of alphanumeric characters has been used at least once in the LEIs that were issued initially as CFTC Interim Compliant Identifiers (CICIs) before the ROC's determination that those two characters should be reserved. However, as the Global LEI Foundation (GLEIF) builds out the operational capabilities of the GLEIS and Central Operating Unit, we believe it should be possible to devise a mechanism, perhaps utilising the first four characters, currently reserved for the LOU prefix, without compromising the uniqueness of each LEI. Existing controls within the GLEIS should be sufficient to ensure exclusivity of branches to specific identifiers.

2 Conditions for issuing LEIs to branches

2.1 Are the conditions described in this consultation sufficiently restrictive or too restrictive? Please explain your answer and offer alternative suggestions. Be specific about what you would suggest adding or removing.



We agree that the assignment of branches should be established in a separate jurisdiction to the headquarter entity, but consideration should also be given to countries within which separate regulatory jurisdictions exist geographically, eg. Canada. We therefore suggest that Condition 1 should not be limited to "international" branches, but leave open the possibility to consider different legal/regulatory jurisdictions as necessary. We agree both that domestic branches should be excluded and that only one code should be assigned per host jurisdiction regardless of the number of offices that may be located there.

We believe Condition 2 is unnecessary and may be too restrictive, especially as it is not a condition for "full" legal entities to be so registered.

We support Condition 3, as we believe the supporting reference data must include a mechanism to link branches to the headquarter entity and that the LEI of the headquarter entity should be utilised for this purpose. We would refer you to the joint trade association response dated 19 October 2015 to the consultation on parent entity data, in which we indicated that parent entities should be obliged to obtain LEIs as soon as one was required by a subsidiary.

As noted in our responses in Section 1, we believe that a financially ring-fenced branch would qualify for an LEI today (and arguably should use it for identification if that is where the counterparty risk resides). We believe, however, that a further condition is necessary to ensure that identifiers for other types of inter-jurisdictional branch are assigned only where it is required for regulatory oversight purposes.

2.2 Should an international branch's head office be required to authorise that an international branch can obtain an LEI, prior to issuance of an LEI to the branch? Alternatively, should the GLEIS envisage a system where the contact person(s) of the headquarter entity, as recorded by the relevant LOU, would simply be notified that a request by one of its international branches was made? Please explain the reasons for your preference.

Although we would encourage the widest possible adoption of the LEI for the identification of legal entities as defined in the current ISO 17442 standard, further to our response to Question 2.1, we believe codes should be assigned to branches only where it is required for regulatory purposes in the host jurisdiction (be that to identify the branch as a ring-fenced counterparty or for other oversight purposes). That said, we also believe that the headquarter entity should be engaged in the issuance process in order to ensure that the status of the branch is verified.

2.3 In addition to host country business registries, could the registration in a business registry held in the home country also be accepted in the GLEIS as an acceptable means to provide certainty on the existence of an international branch as a separate entity in the host country, especially where the establishment of a branch involves both home and host authorities, for instance in the banking sector?

As noted in our response to Question 2.1, we do not agree that visibility of a branch in a business registry should determine whether or not it should be assigned a code.

2.4 What other factors should the ROC take into consideration?

We have nothing further to add to our responses above in this respect.

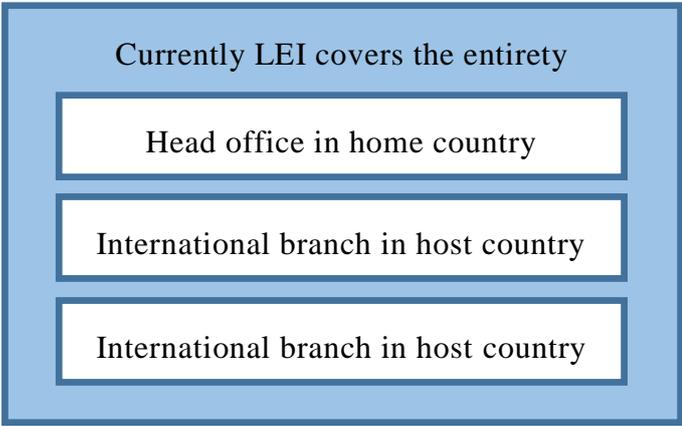


3 Other

3.1 Do you have any comment on the definition of international branches on page 1 of this consultation document?

We agree broadly with the ROC's definition of international branch for this purpose, but as noted in our response to Question 2.1, we believe the ROC should examine the case for expanding the scope of the proposal to allow for "inter-jurisdiction" branches within the same country.

3.1 Do you think it should also be possible to assign an LEI to the “home activity excluding foreign branches,” for instance to avoid that the “headquarter-LEI” be used for two competing purposes: (i) identifying the entire legal person (home country activity plus foreign branches) and (ii) identifying only the home country activity? Please describe the uses or the risks you would see to such an LEI.



We do not believe it would be necessary to assign separate LEIs for the headquarter entity in its home state. Although host jurisdictions might require local branches to be financially self-sufficient or otherwise identifiable for supervisory purposes, it is difficult to see why this would ever be the case in the entity's home jurisdiction.

To do so may cause confusion as to which LEI should be used in counterparty identification with potential consequence of misleading systemic risk data being made available to regulators.

3.2 **a)** Because the existence of a branch is so closely linked to its head office, can it be considered that the LEI of the branch LEI would necessarily expire when the head office LEI does, or are there cases where the branch would be considered in the host jurisdiction to survive, for instance, to a dissolution of the head office entity? **b)** Similarly, in case a branch has been acquired by another legal entity, should it keep its LEI and the associated entity information be updated with the LEI of the new head office? **c)** If a branch is incorporated into a distinct legal person, should the LEI become inactive, be marked as a “CORPORATE_ACTION” and a successor entity LEI mentioned, or should the entity keep its LEI with a mere update of the legal form?

(a) We do not believe a purely branch identifier should survive expiry of the headquarter LEI. As noted above, however, we believe the use of such identifiers should be limited to



regulatory oversight. In contrast, where a branch had a full LEI as a financially ring-fenced entity and survived dissolution of the headquarter entity, either through re-establishment as a new legal entity or transfer to another headquarter entity with similar ring-fenced status, its LEI could and should continue with appropriate revisions to the associated reference data.

(b) Where a branch (of either type) were acquired by a new headquarter entity with no change in status, we believe the existing code should continue with the associated reference data updated accordingly.

(c) As in (a), we believe the treatment should depend upon whether the branch is identified purely for regulatory oversight purposes or as a quasi-entity with ring-fenced assets.

In the former case, the identifier should not have been used for counterparty identification and, as we suggested earlier, should be clearly distinguishable as a purely branch identifier - the change in status of the branch to a legal entity in its own right should result in a new "full" LEI being assigned and this would have minimal impact on historic data in which the branch code was used.

In the case of a ring-fenced branch, the existing "full" LEI should continue in order to maintain continuity of any past transactional data in which it is identified as a counterparty, with the associated reference data updated accordingly.

3.3 Is there anything important at this stage related to branches that has been omitted from this consultation or any other comment or suggestion you would like to make?

For clarity, we seek to illustrate below how we envisage inter-jurisdictional branches might be identified in the GLEIS and in due course potentially under the ISO 17442 standard

