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Submitted via Email to leiroc@bis.org

October 12, 2017

To: Legal Entity Identifier Regulatory Oversight Committee
Corporate Actions and Data History Working Group

Re: Consultation Document on Corporate Actions and Data History in the Global LEI System

The Global Financial Markets Association (GFMA)¹ welcomes the opportunity to provide feedback to the Legal Entity Identifier (LEI) Regulatory Oversight Committee (ROC) in response to its Consultation Document on Corporate Actions and Data History in the Global LEI System (Corporate Action Consultation).² GFMA generally supports the inclusion of Corporate Action history in a future enhancement of the LEI system, and shares the below feedback to begin a conversation regarding how to accurately reflect corporate action impacts on LEIs. However, as outlined below, the GFMA respectfully requests that the LEI ROC prioritize the broad adoption of LEIs, including the resolution of challenges associated with lapsed LEIs and hierarchy reporting, over expanding the global LEI ecosystem to track corporate actions that impact the LEI at this time.

Priority Analysis

The LEI's ability to materially enhance regulator and financial firm risk analysis, as well as efficiencies that come with accurate and clear identity reference data, is a function of the saturation of the LEI's adoption among legal entities that interact with the financial markets, and the accuracy of LEI data currently within the global LEI system. The path to broaden the adoption of LEIs, and the data hygiene required to ensure that LEIs within the system are current and accurate, faces challenges that, if not resolved as a first order of business, could prevent the LEI from achieving its full potential as a uniform global identifier for legal entities. These challenges include, but are not limited to, the user pay

¹ The Global Financial Markets Association (GFMA) brings together three of the world's leading financial trade associations to address the increasingly important global regulatory agenda and to promote coordinated advocacy efforts. The Association for Financial Markets in Europe (AFME) in London, Brussels and Frankfurt, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA. For more information, visit <http://www.gfma.org>.

² https://www.leiroc.org/publications/gls/roc_20170726-1.pdf.

model of LEI subscription and recertification, as well as inconsistencies among Local Operating Units (LOUs) regarding the proper method for reporting parent company hierarchy (e.g., Level II) data. The GFMA believes that the LEI ROC should assess the priority of these challenges fully prior to adding functionality to the global LEI system through corporate actions data enhancements discussed herein, or potential fund hierarchy data enhancements.³

Separately, the GFMA believes that the LEI ROC should analyze the costs of the proposed enhancement to the global LEI system of including corporate actions data to ensure that specific tangible benefits to the industry and regulators overcome such costs. Examples of such cost benefit analysis questions could include the following:

1. Does the cost of collecting actual dates of changes in relevant entity attributes or the legal perimeter or material composition (“effective dates”) outweigh the benefits (Question 10)?
2. Will the costs of leveraging corporate action feeds outweigh the benefits of having this information (Question 13)?

The GFMA believes that the inclusion of historical corporate action data would be a useful addition to the global LEI system. However, a robust cost benefit analysis would help the industry understand and weigh the priority of this effort in a world of scarce human and technology resources amongst financial market participants, security issuers and LOUs. Further, we suggest the Global LEI Foundation (GLEIF) consider including the corporate action data and history in a manner that allows consumers to exclude it from downloads of LEI information. The inclusion of additional data points, like the Level II data, and then layers of corporation action data related to the entity and its Level II accounting parents, will add significantly to the size of the downloadable common data file. For some consumers, the additional information may not be necessary and they could download a smaller file more quickly and store it more economically.

Definition of Corporate Action

In its analysis of the below questions, the GFMA consulted with the SIFMA Corporate Actions Society (CAS).⁴ The CAS noted that the Corporate Action Consultation included under the category of “corporate action” actions of a legal entity not generally understood as corporate action in the current colloquial use of that term. For example, when a legal entity changes its address, provided this address change has no impact on the rights of the holders of securities issued by that legal entity, this change is generally not understood as a “corporate action” in the united states.

³ Fund Hierarchy Consultation, 26 September 2017,
https://www.leiroc.org/publications/gls/roc_20170926-1.copy-1.pdf.

⁴ See more information about the SIFMA Corporate Actions Section here: <https://www.sifma.org/for-members/societies/cas/>

Responses to Specific Questions

As stated above, the below responses were assembled with the assistance of subject matter experts from the SIFMA Corporate Action Society.

Question 1: Have any important corporate actions that may affect the ownership, legal perimeter or material composition of an entity and/or the reference or relationship data in the GLEIS been omitted from Table 1?
The relevant corporate actions appear to have been included.
Question 2: How would you rank the priority in the context of the GLEIS of the proposed corporate actions in Table 1?
Completeness of a standard should be the objective. We would prefer an approach that provides comprehensive guidance on the impact of corporate and other actions on the LEI.
Question 3: Do the changes described in Table 1 sufficiently characterize the effects of the corporate actions on the GLEIS reference and relationship data? Please note any additional unique data needs not already reflected in the table that would help to identify or verify each action. What would you like to see as an end-user of the data?
<ul style="list-style-type: none"> ○ 1) and 2) Name and Trading name change is usually not processed as a Corporate Action. We urge the ROC to consider categorizing such items as Other Reference Data Actions, or something similar, to avoid confusion with the way the industry has defined corporate actions for years. We have indicated below the others that typically are not viewed as corporate actions. ○ 3) Address is usually not processed as a Corporate Action. ○ 4) & 5) We support the approach. Retrieval of the predecessor would be preferred. ○ 6) The relationship of B—whether the entity would continue to operate as B, or be absorbed—would impact if an LEI is issued. We suggest the ROC be clear in the description that all entities continue to operate (are not absorbed). ○ 7) We prefer full transparency for these sorts of actions. It can be very important to know each leg of the actions for tax or other purposes. So even if an element is only in place for a minute, its short existence should be captured. These interim steps are important to understand. ○ 8) Both the history and the effective date are important elements to capture. We support recommendation. ○ 9) We believe this should be treated as a combination of two corporate actions with

full transparency of the legs of the actions.

- 10) We support the recommendation but suggest that the ROC make it clear in the outcome that B is an indistinct division of C.
- 11) may not be processed as Corporate Action (see comments in 1 & 2 above).
- 12) may not be processed as Corporate Action (see comments in 1 & 2 above).
- 13) may not be processed as Corporate Action (see comments in 1 & 2 above).
- 14) Yes, we agree that data elements should be added to signal that a company is under liquidation. Often it can take years for a company to get through a liquidation event and it would be very helpful to the market if such information were captured. We note that this information would be viewed as real-time information, rather than just the recording of an historical event. So, it would need proper maintenance to ensure any changes to the status would be captured. It would be helpful for the GLEIF to have further discussions with industry concerning how a bankruptcy trustee or other controlling entity would be substituted for an accounting parent in an entity's Level II data, or if another data field would be contemplated to capture the identity of the entity controlling the entity under liquidation. It may be that such controlling entities will not have LEIs, for example.
- 15) Both the history and the effective date are important elements to capture. We support this recommendation.
- 16) B and C should be successor entities, but it would be helpful to be able to see them designated as simultaneous successors, so the system is not set up to track only one successor entity at a time.
- 17) May not be processed as a Corporate Action (see comments in 1 & 2 above).

Question 4: Feedback is sought on the questions raised in Table 1:

a) Proposal to (i) provide a history of data record changes due to corporate events and actions that can easily be searched by end-users of the GLEIS and (ii) add to the LEI reference data the effective date of the change for cases 1, 2, 3, 8, 12, 13, 15 and 17 (name change, trading name change, change of legal address and headquarters address, demerger/spinoff, transformation of an international branch into a subsidiary, transformation of subsidiary into an international branch, dissolution of an entity, and umbrella fund changing its legal structure to a stand-alone fund).

b) Proposal to facilitate the retrieval of predecessor entities for cases 4 and 5 (mergers).

- c) Whether an indicator of a spinoff relationship should be added in case 8.
- d) Two options to address a demerger/spinoff as described in case 9 as either (i) a combination of two corporate actions (demerger/spinoff and acquisition) or (ii) a spinoff relationship between two entities.
- e) Whether a spinoff relationship should be recorded when legally indistinct sub-entities are bought/sold as described in case 10.
- f) Whether a specific data element should be added to signal that an entity is under liquidation as described in case 14.
- g) Whether in the case of a breakup as described in case 16 the two entities resulting from the breakup should appear as successor entities, or whether the GLEIS should seek to identify a main successor, and apply a spinoff relationship to the other entity.

Please see our responses to Q3 for answers to the questions embedded in the chart. Overall, we believe history and tracking of predecessors and successors with effective dates and searching features would be very helpful. There are some vendors who provide such information, but not with assured quality or consistency of approach. Having this information would be very helpful from a systemic risk management perspective; this would have been helpful, for example, in untangling Lehman activities.

Question 5: What is the best approach for the GLEIS to address complex mergers where there is a meaningful question about which entity is the survivor? Should there be some element of flexibility or choice, or should there be strict rules around how such actions are processed and reflected in the reference and relationship data?

Complex acquisitions are just that – complex. So whatever standards the ROC can provide would be welcome and preferred to ensure consistent interpretation of events. However, it is likely that some flexibility would be needed as all possible scenarios would not be envisioned. In all cases, providing full transparency with the chain of events is preferred.

Question 6: To what extent should the GLEIS track spinoffs of business lines? Which entity is best placed to report a spinoff relationship?

All spin-offs should be captured, regardless of materiality. Properly the new entity should report.

Question 7: What concept of materiality, if any, should be considered relevant for reporting spinoffs? Should the GLEIS capture all publicly verifiable spinoffs regardless of materiality, or is there a minimum materiality threshold that could reasonably be established and objectively measured? Should spinoff reporting be optional?

(Same as response to 6)

Question 8: Should the ROC define an explicit policy on when an entity should be

treated as “the same” over time, should it accept the decision of official sources in the country of the legal address of the entity, or something else? What do you see as the relative advantages and disadvantages of these options?

Please insert your response here: This would not usually be a corporate action. However, as an “Other Action” we would urge the ROC to require documentation where a new LEI is issued, that it was due to unique laws in a specific country, and that other countries might treat the action differently.

Question 9: Would the clarifications above concerning the use of the “inactive” entity status and “retired” registration status be appropriate? Do you have examples of cases where jurisdictions officially categorize legally existing entities as inactive, and if so, what source(s) could be used to validate this status?

Please insert your response here: We agree that clarification of the definition of “inactive” and “retired” and “dormant” would be very helpful to the market and support the ROC’s intention to create standardization. For example, a classification of an entity that registered, but never really formed is much different than a company that went out of business. A dormant company may come back to life. Clarity on these distinctions would be very useful.

Question 10: Do the benefits of collecting actual dates of changes in relevant entity attributes, legal perimeter or material composition (“effective dates”) outweigh the costs? Are there important use cases that would not be possible if effective dates are not available in the LEI data?

The capturing of effective dates is preferred – such dates are needed to evaluate the status of a company and the historical data being captured.

Question 11: Should the GLEIS develop a comprehensive model for history of entity data as well as for the history of the entity and its relationships? If so, what is the preferred means of expressing such a structure?

Access to the accurate history of companies is very challenging. As noted above in 4), there are some vendors that provide such information, but not with assured quality or consistency of approach. If an opportunity exists, the data should be captured and should be readily searchable from several parameters. S&P and FII are vendors that capture history of issuers and corporate actions and may be a source for the ROC and GLEIF.

Question 12: What user requirements would you foresee for a system to search and view historical entity data? Is there any approach to presenting entity history to end-users, whether in the public or private sector, that you can point to as an “industry standard” or one that implements “good practices”?

(Same as response to 11)

<p>Question 13: What do you see as the pros and cons of the proposed approach to leveraging corporate action data feeds? What sources (both public and private/commercial) would you recommend or not recommend?</p>
<p>We support the ROC leveraging all means of getting corporate actions data as a tool for ensuring quality data. Having timely and accurate data is necessary if the LEI data is going to be used as a source. Possible sources include transfer agents of issuers, as well as some reporting services, such as FII & S&P. The GLEIS should consult with industry representatives prior to developing the process LOUs will be required to use to “elicit updates to LEI records by the affected entities” (page 17 of the consultation) or to make changes with the engagement of the affected entities.</p>
<p>Question 14: In cases where an entity has ceased to exist without reporting that information to the GLEIS, what would be the appropriate alternative sources and methods to capture this information? Are there ways to incentivize the prompt reporting by the entity to the LOU of other corporate actions, as foreseen in the Global LEI System, to maintain high quality reference data and data history?</p>
<p>(Same as response to 13)</p>
<p>Question 15: How timely should the GLEIS attempt to be in capturing information on corporate actions affecting the legal perimeter or material composition of an entity?</p>
<p>(Same as response to 13)</p>
<p>Question 16: What should the standard be for validating spinoffs? Where external validation is not possible, what should be the possibility of using entity-provided information?</p>
<p>In the U.S., public companies have Securities and Exchange Commission (SEC) filing requirements and there are various State regulations for reporting this data. Vendors have sources as well. In cases where entity-provided data is used, perhaps a status code of “Self-validated” could be used to alert users to the level of validation performed.</p>
<p>Question 17: Are there any alternative approaches that are not outlined in this paper that would be necessary to support the long-term collection and maintenance of corporate actions on the LEI reference and relationship data and entity history?</p>
<p>There are sources, for public companies, such as FINRA reporting, that can also be leveraged. We urge the ROC to leverage these resources.</p>
<p>Question 18: What other input should the ROC consider with respect to the framework presented in this consultation paper?</p>
<p>Perhaps the ROC should convene a workshop with experts on corporate actions to further discuss the ROC’s approach on this topic.</p>

Question 19: Are you aware of any confidentiality or legal prohibitions that may impact the collection of corporate action information in the GLEIS? If so, please describe them in as much detail as possible?

There are certainly material non-public information (MNPI) aspects to some corporate actions, and it would be impossible to update LEI records until such time as MNPI is no longer an issue.

* * *

Thank you for the opportunity to comment on the LEI ROC's efforts to expand LEI to capture corporate action information. Please feel free to contact Will Leahey (wleahey@sifma.org or +1 (212) 313-1127) should you desire any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Allison Parent", with a long horizontal flourish extending to the right.

Allison Parent
Executive Director
Global Financial Markets Association