

Regulation ATS for ATs That Trade U.S. Government Securities, NMS Stock, and Other Securities; Regulation SCI for ATs That Trade U.S. Treasury Securities and Agency Securities; and Electronic Corporate Bond and Municipal Securities Markets

March 1st, 2021

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Securities and Exchange Commission (SEC) on proposed amendments pertaining to Form ATS, Form ATS-G, Form ATS-N, Form ATS-R (collectively “Forms”). GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI).

GLEIF applauds the SEC for ten previous amendments to rules for the inclusion of the LEI.

The value proposition of LEI has also been recognized by several U.S. regulators such as the Federal Reserve, Consumer Financial Protection Bureau, National Association of Insurance Commissioners, U.S. Treasury, which utilize the LEI. U.S. Customs and Border Protection is working on the Global Business Identifier (GBI) Initiative, in which the Bureau will test the LEI as part of an evaluative proof of concept to determine the optimal GBI solution. Furthermore, the LEI currently exists in 26 various U.S. laws and regulations.

The LEI is the only global standard for legal entity identification. It is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO) and an adopted U.S. standard. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity’s ownership structure and thus answers the questions of ‘who is who’ and ‘who owns whom’. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

The drivers of the LEI initiative, i.e. the Group of 20, the Financial Stability Board and many regulators around the world, have emphasized the need to make the LEI a broad public good. As such, the LEI and its associated reference data are accessible to all as open, public data. It is registered and regularly verified according to protocols and procedures established by the LEI Regulatory Oversight Committee. The LEI is the only global standard for legal entity identification. It is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO) and an adopted U.S. standard. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Each LEI contains information about an entity’s ownership structure and thus answers the questions of ‘who is who’ and ‘who owns whom’. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

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Consistent use of the LEI in the US could greatly enhance information sharing across different government entities. Today, the US government utilizes [more than 50 different identifiers](#) for legal entity identification; which causes manual reconciliation of data and drain of resources. Instead of using/accepting a plethora of identifiers, the SEC could leverage the LEI, as an established open source, to harmonize and sharing of critical data both at home and abroad. The Foundation for Evidence-based Policy Making Act of 2018 (Evidence Act) seeks to synchronize data across various agencies, inclusive of regulators. Consultations and amendments to existing requirements, like the Forms, are an opportunity to re-consider existing identifier schemes with longer term vision for broader use and open sharing across US agencies.

The LEI is an open standard and therefore has no restrictions on use or redistribution. All LEI and associated LEI data can be found on GLEIF's public website. As such, there should be no privacy concerns about data security when using the LEI. Given the Commission aims to prevent data breaches and reduce both the risk of attracting bad actors and the impact on retail investors in the event of a data breach, making the LEI, an open global standard, mandatory for all legal entities would overcome Commission's concerns regarding data privacy and potential data breach.

The Central Repository Directory number serves a purpose in identifying broker dealers and their affiliates. The LEI should not replace the CRD, at least initially, but should serve as a complimentary identifier for broader purposes of the SEC and other regulators, as cited above in the Evidence Act. Broker-dealers and other entity types, such as affiliates, service providers and supporting entities, which are named based fields within the Forms today could also be identified more appropriately with an LEI. By implementing the LEI more comprehensively in the Forms, the SEC could aggregate across all Forms, with the LEI serving as a linchpin. Attempting to do this level of aggregation by name has proven itself time and time again unsuccessful.

The SEC would also benefit from data that accompanies a LEI record. For example, company name and address (legal and headquarters), both of which are collected within Forms today can be automatically retrieved from the LEI record. All LEI data is validated and verified by LEI issuers against authoritative sources which results in a trusted source of entity data. LEI issuers are rigorously accredited by GLEIF and renewed annually.

For the identification of senior managing officials and their link with their organization, GLEIF would like to provide an update on its latest work in Verifiable Credentials (VCs). Thanks to advances in distributed ledger/blockchain technology, digital identity management with the additional feature of decentralized identity verification is now possible. Based on a concept known as Self Sovereign Identity (SSI), this new approach to authentication and verification of digital identity began as a means by which a person, the identity owner, has ownership of his/her personal data together with control over how, when, and to whom that data is revealed. In several proof of concepts (PoCs), GLEIF challenged SSI providers to extend the basic concept of 'individual wallets' and to create "organization wallets". In these wallets,

the basis for identity is the organization's LEI, and the VCs issued to persons in their official roles within or in relation to the legal entity are tied to the organization and its LEI. Critical to this is the fact that the contents of the wallet credentials, in the form of a digital schema, can be designed by each organization to cover the particular identification and verification needs that the organization may have. The initial PoCs conducted by GLEIF simulated a regulatory filing. In this scenario, the SSI provider and GLEIF enabled a trust chain by connecting VCs anchored in the blockchain. The regulator was able to verify the authenticity of the VCs of persons in official roles at the legal entity, the legal entity itself, the LEI Issuer, as well as GLEIF. Work recently has begun on an [international standard](#) for identifying official organizational roles, that is planned to be used within these credentials to clearly state the roles of persons acting on behalf of legal entities, is under development at the ISO.

GLEIF would be pleased to further engage with the Commission on this topic and provide further information, if requested.

Submitted by:

Stephan Wolf, CEO GLEIF

