

## **BBA response to EBA CP Consultation Paper on the use of Legal Entity Identifier (LEI)**

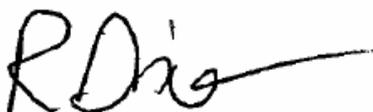
### **Introduction**

The British Bankers' Association ("BBA") is the leading association for UK banking and financial services, representing members on the full range of UK and international banking issues. It has over 160 banking members that are active in the UK and which are headquartered in 50 countries and have operations in 180 different countries worldwide. All the major British banking groups are members of our association as are large international EU banks, US and Canadian banks operating in the UK and a range of other banks from the Middle East, Africa, South America and Asia, including China. The integrated nature of banking means that our members are engaged in activities, ranging widely across the financial spectrum from deposit taking and other more conventional forms of retail and commercial banking activities to products and services as diverse as trade and project finance, primary and secondary securities trading, insurance, investment banking and wealth management. All of them regularly report information on their risk exposures to supervisors and so the BBA is pleased to respond to this consultation on the use of the Legal Entity Identifier (LEI).

The BBA is very supportive of the implementation of a LEI, as it is potentially of great benefit to both banks and regulators as reporting frameworks develop. Our answers to the questions in the CP are in the annex attached to this letter, and outline some of our thoughts as to how we can together insure the successful implementation of a globally harmonised approach to the introduction of LEI.

We encourage the EBA to engage with ESMA, and any other bodies working on the LEI to ensure there is a single solution, as it would be very unhelpful if there are any inconsistencies in the development of the LEI, either at European level or more widely.

Yours sincerely



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## **Annex**

### **1. Which are your views on the use of pre-LEIs as unique identification codes for supervisory purposes for credit and financial institutions in the European Union?**

In principle we are supportive of the use of pre-LEIs. The key challenge will be ensuring that the local operating units (LOUs) of the pre-LEI are able to process what will no doubt be a very high number of requests and registrations, particularly in the case of a last minute rush which could place severe stress on the LOUs. Thought also needs to be given to how firms will migrate from pre-LEIs to actual LEIs in due course.

It is currently unclear as to who has jurisdiction over subsidiaries; if a firm has a presence in multiple countries, some of which do not have an LOU, is the EBA aware of what the approach will be in these instances?

### **2. Can you provide inputs for assessing the costs and benefits of this draft recommendation?**

We believe the initial costs of implementing the LEI should not be too onerous. Whilst, it is too early to assess any future costs of using the LEI, we are concerned that additional implementation costs may be incurred if the LEI infrastructure has;

- Inconsistent data standards across LOUs. Data fields currently differ between LOUs, this could lead to further data being requested at a later date.
- Part implementation of the ISO standard, e.g. business registry ID consultation is still underway. ([http://www.lei.org/publications/gls/lou\\_20131103.pdf](http://www.lei.org/publications/gls/lou_20131103.pdf))
- Unclear and untested operational capacity to process the registrations effectively and in a timely manner to meet the proposed LEI based reporting obligations, specifically given other LEI related regulation due within Q1 2014 under EMIR. It would be unfortunate if the push to use LEI more widely was compromised by data quality and integrity issues from the outset.

### **3. Please, provide your feedback on the proposed timeline and the proposal of having less tight deadlines for banks not included in the EBA sample.**

We would suggest the EBA consider phasing in what entities will require a LEI. For many firms there will be a very high number of entities needing an identifier, many of which will rarely (if ever) actually be involved in activity that needs reporting. It would help smooth the implementation of the LEI if some thought could be given to how the LEI could be prioritised for entities that will need the code from the go-live date, and allow the others to be assigned a code at a later date.

Based on factors such as materiality, business activity and status (e.g. dormant or non-trading), it would seem disproportionate to have to register all entities to meet FINREP deadlines or indeed to register them at all. In particular, FINREP template 40 requires an entity-by-entity breakdown of the group structure, including the LEI Code. We would be concerned if this meant there was a requirement for all subsidiaries of a firm to register for an LEI code to meet that requirement alone. A number of our members have many hundreds of subsidiaries, most of which would not otherwise need to apply for a LEI.

This will take some of the pressure of the LOUs, and provide firms with a better opportunity to complete their internal on-boarding and system updates.