



State Street Corporation

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Secretariat to the Financial Stability Board
c/o Bank for International Settlements CH-4002
Basel, Switzerland
Via e-mail: fsb@fsb.org

Re: FSB Thematic Peer Review on Implementation of the LEI

Dear Sir or Madam:

State Street Corporation (“State Street”) appreciates the Financial Stability Board’s (“FSB”) outreach to industry in seeking feedback on the implementation of the Legal Entity Identifier (“LEI”).¹ Currently, the FSB is conducting a thematic review of FSB members’ progress in the global adoption of LEIs in order to identify and manage financial risks. As part of this thematic review, the FSB requests feedback from stakeholders, including financial institutions, regarding the following areas of LEI implementation: (1) identifiers used in jurisdictions and the extent to which they are mapped to the LEI; (2) awareness and adoption of the LEI; (3) private sector uses of the LEI; (4) challenges and costs associated with acquiring and maintaining the LEI; (5) obstacles faced by industry when adopting and implementing the LEI; and (6) ways to promote further adoption of the LEI.

Headquartered in Boston, Massachusetts, State Street specializes in the provision of financial services to institutional investors. This includes investment servicing, investment management, data and analytics, and investment research and trading. With \$33.867 trillion in assets under custody and administration and \$2.723 trillion in assets under management, State Street operates in more than 100 geographic markets worldwide, including North America, Europe, the Middle East and Asia.² State Street is organized as a United States bank holding company, with operations conducted through several entities, primarily its wholly-insured depository institution subsidiary, State Street Bank and Trust Company.

¹ See <http://www.fsb.org/2018/08/thematic-peer-review-on-implementation-of-the-legal-entity-identifier-summary-terms-of-reference/>

² As of June 30th, 2018.

State Street is a strong proponent of diverse industry representation in reference data discussions, such as those involving the adoption and use of the LEI. This includes custody banks, such as State Street, who are focused on the overall infrastructure of reference data and have the unique ability to aggregate information from several clients. Custody banks have extensive experience in the provision of global custody, middle office outsourcing, fund accounting, and regulatory reporting on behalf of clients. Moreover, we have significant experience in reference data and already commit substantial resources to the management of information architectures.

Overall, State Street strongly supports broader use of LEIs in regulatory reporting and other similar supervisory requirements. The use of LEIs has promoted greater understanding of the scope of financial entities, which in turn makes cross-referencing and aggregating data much easier to undertake. Additionally, the broad adoption of LEIs throughout the global financial markets enables financial institutions to more effectively manage data, thereby improving their ability to monitor and assess systemic risk and create greater efficiencies in the financial market place. Currently, firms undergo many manual processes to investigate and remediate anomalies in client data. These manual reconciliations would be largely diminished with the broader adoption of the LEI.

Our views are broadly aligned with those expressed in the International Swaps and Derivatives Association's detailed response to the FSB's thematic review questions, which we broadly endorse. As such, this comment letter is intended to affirm, at a high level, our strong support for the use of LEIs in reference data and to emphasize the importance of regulatory mandates in ensuring its broad-based adoption by financial market participants. Specifically, State Street recommends that the FSB support the expansion of regulatory mandates in local jurisdictions to utilize the LEI and support requirements that users annually renew LEIs.

I. Mandate the Use of LEIs

While we recognize the value of industry-led efforts to promote the use of LEIs in appropriate circumstances, we believe that the main obstacle to LEI adoption is the lack of regulatory compulsion. As such, we support regulatory mandates in local jurisdictions designed to promote LEI adoption and believe that without regulatory support, other initiatives will take precedence over LEI adoption due to limited resources.

In our view, the example of the European Union is highly instructive, in this respect. Indeed, until the Markets in Financial Instruments Directive II regulation imposed a requirement on market participants to use LEI identification for all trades, LEI adoption was fairly limited. However, as a result of this mandate, the European Securities and Markets Authority and National Competent Authorities have observed a significant increase in LEI coverage, with the number of LEIs increasing to over 1.25 million.³

³ See <https://www.gleif.org/en/lei-data/global-lei-index/lei-statistics>.

We therefore urge the FSB to proactively encourage regulatory authorities to mandate the use of LEIs in their respective jurisdictions.

II. Mandate the Annual Renewal of LEIs

In order to encourage consistency of use, State Street also supports mandating the annual renewal of LEIs. In the current regulatory environment, most regulatory authorities do not require that LEIs, once issued, be renewed or updated by the client. Therefore, underlying entity reference data is not always current or accurate. Mandating the annual renewal of LEIs supports the ability to trace underlying historical information of the legal entity and minimizes data quality issues. For example, if an LEI were to lapse, corporate action events, such as mergers and acquisitions, which occur during this lapsed period, may not be recorded leading to information gaps and material data quality issues.

Conclusion

In conclusion, State Street strongly supports the broad adoption and use of LEIs globally. While we recognize the benefits of industry-led efforts in certain circumstances, we believe that the adoption of LEIs is best supported through regulatory mandates in various local jurisdictions. This includes mandating the annual review and renewal of LEIs as a means of mitigating potential data quality issues resulting from lapsed LEIs.

Please feel free to contact me at smgavell@statestreet.com should you wish to discuss State Street's submission in further detail.

Sincerely,



Stefan M. Gavell