



State Street Corporation

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Legal Entity Identifier Regulatory Oversight Committee
Via email: leiroc@bis.org

Re: Consultation Document on Funds Relationships in the Global Legal Entity Identifier System

Dear Sir or Madam:

State Street Corporation (“State Street”) appreciates the opportunity to comment on the Legal Entity Identifier (“LEI”) Regulatory Oversight Committee’s (“ROC’s”) consultation document (“consultation document”) on Funds Relationships in the Global LEI System (“GLEIS”).¹ Specifically, the consultation document proposes an update to the way funds relationships are recorded in the GLEIS. Its objective is to implement relationship data consistently throughout the GLEIS and provide a means to facilitate a standardized collection of funds relationships information at the global level through: (1) providing a definition of funds relationships and (2) aligning the cases where this information is necessary to what will be done for direct and ultimate accounting parent entities.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management, data and analytics, and investment research and trading. With \$32.110 trillion in assets under custody and administration and \$2.673 trillion in assets under management as of September 30, 2017, State Street operates in more than 100 geographic markets worldwide. State Street is organized as a United States (“U.S.”) bank holding company, with operations conducted through several entities, including its wholly-insured depository institution subsidiary, State Street Bank and Trust Company, and its asset management business, State Street Global Advisors (“SSGA”). SSGA Funds Management, Inc., a U.S. registered investment adviser, and other affiliates of State Street form SSGA.

As an overall matter, State Street strongly believes that custody banks, such as State Street, should be represented during discussions related to reference data, including the LEI. Custody banks can provide a unique perspective in these discussions, as we have the unique ability to aggregate information from thousands of clients and are focused on the overall infrastructure of reference data. Therefore, we can advocate on behalf of our clients as a whole by looking across our client base and provide insight, whereas a singular firm has a more limited perspective. Additionally, custody banks play a critical role in the post-execution lifecycle of all financial transactions between entities and also provide services beyond just the custody of physical assets and cash, such as middle office outsourcing, fund accounting,

¹ LEI ROC - “Consultation Document on Funds Relationships in the Global LEI System” available at https://www.leiroc.org/publications/gls/roc_20170926-1.copy-1.pdf.

and regulatory reporting on behalf of clients. Moreover, we have significant experience in reference data and already commit substantial resources to such important efforts.

We support the development of the GLEIS as a means of improving the quality of entity data and their relationships within the global financial system and therefore enhancing the ability to uniquely identify and address the sources of potential systemic risk. The ability to obtain relationship data, such as fund relationships, is a laudable goal. However, the future success of incorporating funds relationships data into the GLEIS is contingent on completing other phases of LEI initiatives, including the incorporation of legal hierarchy structures. In our opinion, there must be facilitation of broader use of LEIs in regulatory reporting and other supervisory requirements. Additionally, we believe that mandating relationship data upon registering for an LEI will increase the burden on LEI registrants and thus has the potential to increase the barriers for LEI uptake and adoption, a factor the ROC should take into consideration as it proceeds with this initiative.

Finally, as discussed in more detail in our specific responses to the Annex 1: Questionnaire for the public, State Street makes certain technical recommendations:

- Further defining the word “managing” in the definition of Fund Management Entity;
- A glossary of terms which provides precise definitions;
- Delaying capturing entities such as sub-advisors at the outset of implementation of funds relationships (depending on how you are defining sub-advisors);
- Including funds under a declaration of trust in the Umbrella Fund definition along with series funds, turnkey funds and insurance separate accounts;
- Modifying the Master-Feeder relationship definition so it is more precise;
- Not having an “other fund family relationship” category but if LEI ROC feels there must be an “other” category, it is important to consider certain funds relationships;
- Discontinuing the fund family associated entity as currently defined;
- Strict use of the LEI when identifying funds relationships;
- Moving forward with the proposed standard requiring the reporting of fund managing entity and requiring a self-managed fund to report itself as the Fund Management Entity;
- Opt-outs for legal obstacles but generally opposes other opt-outs;
- Not requiring sub-funds or compartments to report their umbrella fund;
- Including additional verification sources;
- A method to capture changing information not readily available in the public domain;
- Excluding relationships where a fund is simply invested in another one; and
- Defining once and for all with certainty that every Local Operating Unit (“LOU”) will follow the naming convention for Umbrella / Sub-Funds.

Consultation Document on Funds Relationships
in the Global LEI System

Annex 1: Questionnaire for the public

Please type your answers into the attached questionnaire and send it to leiroc@bis.org by COB **26 November 2017**. Where possible, please specify the reasons for the preferences expressed or the details of any trade-offs you see.

The responses to the questionnaire will be shared within the ROC membership and with the GLEIF. **Unless participants check the box below, responses will also be made public on the LEI ROC website.** If participants check the box, 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 or aggregated on an anonymised basis. A standard confidentiality statement in an email message or requests for confidential treatment other than the box below will not be treated as a request for non-disclosure.

Identification of the respondent and confidentiality
<p>Respondent: State Street Corporation</p> <p>Name and email of a contact person: Anthony E. Videtto III AEVidetto@statestreet.com</p> <p><input type="checkbox"/> Please check this box if you object to the publication of your responses to this questionnaire.</p>
<i>Please specify here as needed if there are specific response(s) that should not be quoted:</i>
Question 1: Do you have comments on the definition of a “Fund Management Entity” relationship?
<p><i>Please insert your response here:</i></p> <p>The consultation document defines Fund Management Entity as “a legal entity whose regular business is managing one or more investment funds (possibly distinguishing a main Fund Management Entity from other Fund Management Entities involved in the management of the same fund).” State Street notes that funds have very complex structures and relationships and therefore uniquely and unambiguously defining these relationships are critical. As such, State Street recommends a more prescriptive definition for Fund Management Entity where “managing” is further defined.</p> <p>Specifically, the definition should clarify how it is intended to apply in connection with the following:</p> <ul style="list-style-type: none"> • when an asset manager manages the assets; • when an authorized corporate director has been appointed; • when an entity has been appointed to provide fund management administrative tasks; and • when an entity is appointed as the fund management company in respect of a fund (e.g. a Undertakings for Collective Investment in Transferable Securities (“UCITS”) fund) and the fund management company then delegates all of the portfolio management function to another entity (the investment manager). <p>More generally, providing a glossary of terms which provides precise definitions would be very helpful in eliminating ambiguity. Without a clear definition of the Fund Management Entity, there</p>

would be ambiguity which could create confusion and inconsistent data in the GLEIS.

Question 2: In the case of multiple “Fund Management Entities” for a single investment fund, should the reporting be limited to the “main” or “principal” managing entity or should there be a distinction between “(Main) fund management entity” and “Other fund management entity” e.g. sub-adviser?

Please insert your response here:

As noted previously, State Street believes that ambiguity in definitions will lead to poor data quality in the GLEIS. Therefore, we do not agree with the creation of an “other fund management entity” category. The use of the term “other” does not uniquely or unambiguously define the relationship.

Additionally, although State Street agrees with capturing entities such as sub-advisors, we believe this is unnecessary at the outset of implementation as the focus should be to capture the relationships critical to the fund.

Question 3: Do you have comments on the definition of an “Umbrella Fund” relationship between the Umbrella funds and its sub-funds and compartments? Should the definition of umbrella funds cover series funds (such as US series funds)? Should it include turnkey funds? Should it include the relationship between an insurance company and its separate accounts or should a specific relationship (such as sponsor) be created?

Please insert your response here:

The consultation document defines an Umbrella Fund relationship as “a situation where an investment fund has one or more than one sub-funds/compartments where all sub-funds/compartments have a common (Main) Fund Management Entity and each sub-fund/compartment has its own investment objectives, separate investment policies and strategies, segregation of assets, separate investors and where an investment fund has segregated liability between sub-funds/compartments.”

State Street generally agrees with the Umbrella Fund definition and believes it should cover not only series funds, turnkey funds (to the extent that the sub-funds are eligible for an LEI), and insurance separate accounts, but should also include funds that are established under a common declaration of trust. For example, many fund families such as U.S. registered investment companies, collective investment trusts and common trust funds are structured as multiple funds of a master trust, with each fund having the distinct characteristics referenced above.

Additionally, State Street believes it is imperative that the GLEIS finally and definitively define the naming convention for Umbrella / Sub-Funds across all LOUs. Today there are widespread formatting differences which lead to confusion and potential duplicate LEIs being issues. Some LOUs follow the <Umbrella> + <Fund Name> convention and others do not.

Question 4: Do you have comments on the definition of a “Master-Feeder” relationship? Do you have views or additional examples of concrete cases that would be covered by the proposed definition?

Please insert your response here:

The consultation document defines the Master-Feeder relationship as one “where a Feeder Fund is exclusively, or almost exclusively, invested in a single other fund, or several funds that have identical investment strategies referred to as a Master Fund (or Master Funds).”

State Street believes that the use of “other” in the Master-Feeder relationship definition is imprecise. We recommend modifying the definition for Master-Feeder relationship to:

Where a Feeder Fund **invests all, or substantially all, of its investible assets** ~~is exclusively, or almost exclusively, invested~~ in a single ~~other~~ fund ~~or several funds~~ that **has** ~~have~~ **an** identical investment **strategy strategies** referred to as a Master Fund ~~(or Master Funds)~~.

We believe this modification will eliminate ambiguity in the Master-Feeder relationship definition.

Question 5: Do you have comments on the creation of a category “other fund family relationship”, to ensure a better transition with the current concept of “fund family”, in case the two definitions above would not cover all “family” situations in domestic regulations? Could you provide examples of situations that would be reported under this category (please quote the relevant laws and regulations, as applicable).

Please insert your response here:

The consultation document indicates that the other fund family relationship would capture other family relationships (such as those specific to a jurisdiction) that are not captured in the Fund Management Entities, Umbrella Fund or Master-Feeder relationships.

As previously noted, State Street believes that ambiguity in definitions will lead to poor data quality in the GLEIS. Therefore, we do not agree with the creation of an “other fund family relationship” as it does not distinctly describe the type of relationship. If the GLEIS does intend on creating this “other” category, we believe that the GLEIS should consider important relationship types such as:

- Administrator
- Corporate Sponsor
- Trustee
- Sub-Fund
- Sub-Investment Manager
- Public Administration

Also, State Street believes that providing a glossary of terms which provides precise definitions would be very helpful in eliminating ambiguity.

Question 6: Do you have comments on the proposal to discontinue the “Fund family” associated entity as currently defined and recorded in Level 1 reference data (although historical files would keep the information). What would be the appropriate way to migrate the information for lapsed records and records of inactive entities? (for instance into the “other fund family relationship”?)

Please insert your response here:

State Street agrees with the proposal to discontinue the “Fund family” associated entity as currently defined and recorded in Level 1 reference data. We do not believe the information for lapsed records and records of inactive entities should be migrated, given that the data is somewhat unusable as it is unclear what the user provided and the information is not easily understood.

Question 7: *Should the four types of relationships described in this section apply to*

- (a) pension funds?***
- (b) sovereign wealth funds?***

Please insert your response here:

State Street notes it would be critically important to define other relationship types such as Corporate Sponsor and Trustee if the LEI ROC were to include pension funds and sovereign wealth funds.

Question 8: *Are you aware of domestic regimes of funds regulation that would not be compatible with the definitions and proposals in this report?*

Please insert your response here:

State Street is not aware of any domestic regimes of funds regulation that would not be compatible with the definitions and proposals in the consultation document.

Question 9: *What are your views on the costs and benefits of identifying the “Fund Management Entity”, the “Umbrella Fund”, the “Master Fund” and the “Other fund family” strictly with an LEI (as opposed for instance to using the name). Should using a name (rather than an LEI) be permissible in some cases? If you suggest using a name, or some other means or combination of means (other than the strict use of the LEI), please assess the costs and benefits of this alternative.*

Please insert your response here:

State Street strongly supports the strict use of LEIs when identifying funds relationships in order to ensure data integrity in the GLEIS. Relationship entities are all party to an entity in question and thus to the transaction. We believe that commonalities across many other entities will appear once a critical mass is established.

Question 10: *Do you have comments on the proposed standard requiring funds to report to the GLEIS a fund managing entity when they have one? Should a self-managed fund report itself as the Fund Management Entity or should the absence of a relationship with a Fund Management Entity be recorded in another way?*

Please insert your response here:

State Street agrees with the proposed standard requiring funds to report to the GLEIS a fund

managing entity (if it has one) and also believes that a self-managed fund should report itself as the Fund Management Entity. If a self-managed fund reports itself as the Fund Management Entity, then it would indicate to users that there may be no separate entity responsible for management, especially if the GLEIS plans to consider any “opt-out” logic. However, State Street believes that the GLEIS should proceed with caution when allowing opt-outs, as this will undermine the reporting process.

Question 11: *Should the opt-outs b) and c) from reporting the Fund Management Entity to the GLEIS be restricted to funds that are not registered or be available for registered and non-registered funds? If the former, is the scope of registered funds sufficiently well-defined? Are there any example where a Fund Management Entity’s identity would not be public for registered funds?*

Please insert your response here:

The consultation document discusses two opt-outs for Fund Management Entity including:

“b) legal obstacles prevent providing or publishing this information: which included (i) obstacles in the laws or regulations of a jurisdiction; (ii) other binding legal commitments such as articles governing the legal entity or a contract.

c) the disclosure of this information would be detrimental to the parties to the relationship. This included reasons generally accepted by public authorities in similar circumstances, based on a declaration by the entity.”

Although State Street generally opposes opt-outs which give users the ability to complete and submit a request without providing the most accurate information, we agree that legal obstacles preventing providing or publishing the information is a valid opt-out reason.

Question 12: *Do you have comments on the proposed standard requiring sub-funds or compartments to report to the GLEIS their umbrella fund?*

Please insert your response here:

State Street does not believe that it should be mandatory to require sub-funds or compartments to report to the GLEIS their umbrella fund, as this information should already be reported under the umbrella fund and therefore would be duplicative.

Question 13: *Is the list of opt-outs appropriate?*

Please insert your response here:

As noted previously, State Street generally opposes opt-outs which give users the ability to complete and submit a request without providing the most accurate information. However, as discussed, there are instances, such as legal obstacles, where there are valid reasons to opt-out.

Question 14: *Do you have comments on the proposed level of verification of funds relationships? Are there appropriate sources for verifications in your jurisdiction? Should the LOU verify the statement by an entity that the entity is a fund? If so, how?*

Please insert your response here:

The consultation document states that the following sources should be used when available for verification purposes:

1. National company registries;
2. Regulatory filings to regulators or central banks, as well as registers and databases kept by competent authorities (other registration authorities, which is consistent with the approach of the list of business registries and registration authorities currently maintained by the GLEIF); and
3. Fund prospectuses vetted by authorities.

State Street agrees with the named sources for verification purposes and further believes that the LOU should verify an entity's statement that it is a fund. The LOU should use the sources noted above, along with any other means to ensure referential data integrity. This could include using additional paid verification sources such as Thompson Reuters or Bloomberg.

Question 15: *Are there any specific consideration that could impact data elements such as, the level of verification; the sources of information; the dates of the relationships?*

Please insert your response here:

State Street believes that one specific consideration should be the accuracy of data when data changes. For example, when an Investment Manager (who may be considered the Fund Management Entity), is fired and replaced, this change is not necessarily accounted for in the public domain until the next Statement of Additional Information² is published. State Street recommends that the GLEIS consider a method to capture information when it changes and is not readily available in the public domain.

Question 16: *Do you support excluding at this time the relationships where a fund is simply invested in another one (as this would be covered by other types of relationships, such as Master-Feeder above, and would require further work on investment relationships, beyond funds)?*

Please insert your response here:

At this time, State Street supports excluding relationships where a fund is simply invested in another one. State Street views relationships where a fund is simply invested in another one as the fund being a participant/investor similar to other non-fund participants/investors. Generally, the fund documents give the investor fund the right to change that investment at any time; therefore, it is not viewed as a fund relationship but rather as part of the investor fund's holdings. We believe this is a different type of relationship than the Master-Feeder relationship that is trying to be captured and maintaining such information in the GLEIS would be onerous.

Question 17: *Respondents to the public consultation are invited to give their views as to the criteria that should be taken into account when determining whether a relationship should be included in the Global LEI System.*

² A Statement of Additional Information ("SAI") is a supplementary document to a mutual fund's prospectus which contains additional fund information such as further disclosures about operations.

Please insert your response here:

Overall, State Street agrees with the approach in the consultation document, but as noted previously, we believe more precise definitions and clarity as to how to input data into the GLEIS would be helpful. Without precision, the usability of the data collected will come into question.

Conclusion

In conclusion, State Street supports the development of the GLEIS as a means of improving the quality of data in the global financial system and strongly believes that custodians, such as State Street, should have a seat at the table during discussions related to data, including the LEI. Additionally, as noted in our specific responses to the questionnaire, State Street recommends certain technical considerations when incorporating funds relationships in the GLEIS.

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

Sincerely,



Anthony E. Videtto III