

## Second Consultation Document on Fund relationships in the Global LEI System

### Annex 4: Questionnaire for the public

Please type your answers into the present questionnaire and send it to [leiroc@bis.org](mailto:leiroc@bis.org) by COB **14 January 2019**. 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.

<b>Identification of the respondent and confidentiality</b>
<b>Respondent:</b> The Asset Management Group, Securities Industry and Financial Markets Association, Managed Funds Association, and International Swaps and Derivatives Association, Inc.
<b>Name and email of a contact person:</b> Elisa Nuottajarvi ( <a href="mailto:enuottajarvi@sifma.org">enuottajarvi@sifma.org</a> ), Laura Harper Powell ( <a href="mailto:lharperpowell@managedfunds.org">lharperpowell@managedfunds.org</a> ), Eleanor Hsu ( <a href="mailto:ehsu@isda.org">ehsu@isda.org</a> ).
<input type="checkbox"/> Please check this box if you object to the publication of your responses to this questionnaire.
<i>Please specify here as needed if there are specific response(s) that should not be quoted:</i>
<b>Question 1: Do you have comments on the revised definitions of a “Fund Management Entity”, “Umbrella Structure” and “Master-Feeder” relationship?</b>
<i>Please insert your response here:</i>  Our comment focuses on the universal definition of “fund” or “investment fund”, which we see as vehicles that are organized for investment management, such as US ‘40-Act funds and EU UCITS funds. We recommend excluding the categories of pension funds and sovereign wealth funds from this definition until further study indicates need for additional data. Our reasoning for this exclusion is two-fold; first since these funds do not pose systemic risks the purpose of collecting the fund relationship information is not clear, and second, the range of possible organizational structures for these categories might make it difficult to answer the question of who the fund management entity is. The relationships as defined in the consultation may not fit the pension fund and the sovereign wealth fund structures resulting in unstructured and potentially erroneous data in the GLEIS for these fund relationships. For the time being, we would ask the LEI ROC to carve pension funds and sovereign wealth funds out of the optional reporting scheme until the LEI ROC and the industry can

determine if they should be included for some practical reason and define what the relationship structure would look like for these more complicated relationships.

**Question 2: *Should the Umbrella Structure relationship cover not only series funds (including turnkey funds ) and insurance separate accounts, (to the extent that the sub-structures are eligible for an LEI), but also include funds that are established under a common declaration of trust?***

*Please insert your response here:*

Based on our reading of the consultation we feel that funds that are established under a common declaration of trust should be included in the reporting for the Umbrella Structure relationship.

**Question 3: *What are your views on the requirement to report related entities with an LEI, when entities report a relationship with a Fund Management Entity, an Umbrella Structure, or a Master-Feeder relationship?***

*Please insert your response here:*

It should be optional to report related entities with an LEI. This allows for the full range of related entity types and relationships, and prevents the purchasing and maintenance of LEIs for related entities which otherwise would not need them.

**Question 4: *Do you have comments on the proposed optional approach for collecting fund relationships? On the exceptions to the optional approach? On the measures to mitigate the limitations of such an approach?***

*Please insert your response here:*

The collection of all fund relationship data should be optional, where it is not mandated to be reported by regulators.

The original purpose of the LEI was to bring transparency to the legal entities and their trading activity. Having the LOUs verify this information makes the system a consistently reliable source for legal entity data that helps identify that specific legal entity. Regulatory requirements for this data and for the verification of it at the purchase of the LEI, at onboarding, during trading, and at settlement and reporting, ensures that the industry provides quality data at the LOUs.

Accumulating too much additional reference data underlying the LEIs will increase costs for all parties and, in the case of the fund relationships, likely offer little additional value over that which could be obtained leveraging a clearer Level 1 collection that identified funds and fund types. The LOUs should seek to retain reliable sources of LEI data for identifying legal entities – and be wary of expanding their business into reference data repositories for management, custodial, or subadvisory relationships.

**Question 5: *Do you have comments on the proposed level of verification of fund 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:*

**Question 6:** *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:*

**Question 7:** *(on Annex 1, section 1) Could there be cases where the legal jurisdiction would be different from the jurisdiction of the registration authority (e.g., a trust organised under UK law but registered in another country). If so, is the correct approach to record as “Legal jurisdiction” the UK, knowing that the jurisdiction of registration could be identified through the BusinessRegisterEntityID, given the proposal made in this document?*

*Please insert your response here:*

Yes, there could be cases where the legal jurisdiction is different from the jurisdiction of the registration authority. An example would be that a UK asset management firm could be registered with the SEC in the US as an investment adviser. The guidelines seem to correctly address this.

**Question 8:** *(on Annex 1, section 2) In addition to the mandatory reporting of the Umbrella Structure relationship with the LEI of the umbrella structure, it is proposed that LEI ROC Policy clarify that:*

- *the name of the sub-structure should always include the name of the umbrella structure, possibly recommending to the GLEIF that it should be done in a more systematic, structured and transparent manner; where the relationship with the umbrella structure is recorded in the GLEIS, there should be a data format or process ensuring that the name of the sub-structure is updated without delay when the name of the umbrella structure changes*
- *to be able to verify the consistent implementation of the naming convention, the Entity Legal Form (ELF) code list should cover sub-structures. The GLEIF should monitor that the correct name structure “umbrella structure name” + “sub-structure name” is used for ELF codes that correspond to sub-structures that require such a naming convention. Views are sought on whether, for the same ELF code, there could be cases where the naming convention is needed and cases where it is not needed and whether some flag would be needed (e.g, in the “entity category” data element).*
- *when issuing or maintaining the LEI of the sub-structure of an umbrella structure, the LOU should verify that the umbrella structure has a current LEI and the relationship with the umbrella structure is recorded in the LEI system, to make sure that the legal existence and name of the umbrella structure have been verified against the official registration.*
- *the reference data of the sub-fund have to be registered and validated specifically and separately from the umbrella fund, using a registration or validation authority that mentions the data of the sub-fund.*

*Do respondent to the consultation see issues for market participants and LOUs to implement the proposals above?*

Please insert your response here:

**Question 9: (On Annex 1, section 3) Questions for consultation are whether:**

- *The Registration Authority should always be the business registry, when the entity is registered there. The Registration Authority (business registry) is not applicable for non-incorporated funds. In these cases the datafield should be filled in with “not applicable” instead of the ID of the supervisory authority (see LEI Common Data File format V.2.1).*
- *The Validation Authority for a fund should always be the supervisory authority.*
- *The data of a fund should only be declared “fully corroborated” if*
  - (1) the validation authority is the one specialised in funds, and all the data is found in that source or*
  - (2) if criteria (1) is not met, the LOUs should verify that the prospectus (or similar documents) has been approved by supervisory authority and has been published before.*
- *Otherwise in cases where no official registry is available, and other documents not meeting the conditions above need to be used, the validation status should be “entity supplied only”. This may happen if an legal entity needs an LEI in its application, before the prospectus is approved. In conformity with the Master Agreement (Appendix 5) which specifies that the contracts that LOUs have with entity should include the “obligation of the Legal Entity to promptly submit any changes regarding any aspect having an actual or potential influence on the LEI and/or LE-RD”, and the GLEIS Governance Principles (FSB Recommendation 18) according to which LOUs have the responsibility “to encourage necessary updating”, the LOU should verify, after the customary delay, whether the fund was authorised and registered, so that the reference data can be checked against the official source, and the Validation Authority ID and Validation Authority Entity ID can be added.*
- *Investment fund’s data should only be validated against data published by the home country Registration and/or Validation Authority.*

Please insert your response here:

**Question 10: (On Annex 1 section 4 on Pools of assets) Questions for consultation:**

- *whether these pools are acting as counterparties in financial transactions and have to apply for LEIs for reporting purposes.*

- *whether specific measures should be implemented to facilitate their identification, given their “legal names” may be very close to the fund group they belong to: for instance (i) a specific relationship, (ii) a naming convention (e.g. adding "pool" at the end of their Legal Name, as some already do, which however may contradict rules on legal names, and may be duplicative, as there should be other ways to distinguish different legal entities than changing the legal name, for instance distinct registration authority ID, distinct legal forms)*

*Please insert your response here:*

It does appear to be potentially problematic to modify the legal name to incorporate “pool” or some other description within the legal name itself. Example: if the Legal Name field were to be used in conjunction with other system reporting capability the modified legal name could present issues to the “linked” system. In addition, any free form field (Legal Name) that would allow for descriptions such as Pool would lend itself to errors/misspellings or invalid entries. It seems a drop down field or, at a minimum, an adjacent field that followed the legal name may be a better option.