# Response of the Global Legal Entity Identifier Foundation (GLEIF) to the European Banking Authority (EBA) Consultation Paper to update the identification methodology of global systemically relevant institutions (G-SIIs) form

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the European Banking Authority (EBA) Consultation Paper to update the identification methodology of global systemically relevant institutions (G-SIIs) form. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) as a necessary preliminary step to develop an identification methodology for GSIIs.

Uniform disclosure requirements enable authorities to identify and compare GSIIs and their group structures. However, disclosure requirements can only be harmonized to the extent that they rely on common standards and templates.

Although development of the establishment of the Single Resolution Mechanism (SRM) might help the orderly resolution of cross-border groups within the banking union, it is stated in the Regulation (EU) 2019/877 that the absence of harmonized rules in the Member States participating in the Single Resolution Mechanism (SRM) in respect of the implementation of the total loss-absorbing capacity (TLAC) standard creates additional costs and legal uncertainty and makes the application of the bail-in tool for cross-border institutions and entities more difficult.

That is why GLEIF demonstrated in its response to the EBA's Consultation Paper on the Draft Implementing Technical Standards on Disclosure and Reporting of MREL and TLAC that relying on a variety of codes for entity identification, instead of a unique global identifier, prevents standardized identification of legal entities, drives costs for manual reconciliation, and takes supervisors away from their core business of implementing risk reduction measures. With the LEI, supervisors can easily leverage the relationship information in the LEI record for better assessing intra-group risk exposures within a financial institution. GLEIF would like to share a financial institution's LEI record (https://search.gleif.org/#/record/6SHGI4ZSSLCXXQSBB395) as an example of displaying the nested subsidiary information across different jurisdictions in the Global LEI Repository in a standardized way.

In the recently published Bank of International Settlements Basel Committee on Banking Supervision (BCBS) Guidelines for "Sound management of risks related to money laundering and financing of terrorism", under the "Risk indicators and risk assessment" section the BCBS highlighted that the Global LEI System makes available information on the jurisdictions in which subsidiaries and branches of a group are located.

The scope of application is stated as (i) groups headed by an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company and (ii) institutions that are not subsidiaries of an EU parent institution, an EU parent financial holding company or an EU parent mixed financial holding company, which observe a leverage ratio exposure measure exceeding EUR 200 billion on a consolidated or individual basis, respectively (and including insurance subsidiaries), using an adequate exchange rate, which takes into account the reference exchange rate published by the European Central Bank applicable at the financial year end and international standards.

GLEIF suggests the EBA to require these entities in scope of the application to disclose their group structure via the LEI of all consolidated entities in the group as part of the disclosure requirements.

GLEIF is of the opinion that requiring the LEI for each subsidiary in the group structure would enable transparency and efficiency in the communication between the competent authority and the financial institution. Additionally, the competent authority would have the benefit of the third party validation of the group structure via the LEI Issuer. All LEI Issuers are accredited by GLEIF and follow a rigorous framework for validation and verification that is enforced by the Master Agreement. This would then enable further analysis of information relative to the amount of total exposure and intra-financial system liabilities collected in the proposed Template as the Annex of the Consultation.

Lastly, GLEIF would like to point out that a consistent mandate of the LEI in RTS/ITS supervisory reporting can enhance EBA's supervisory capabilities, standardize reporting requirements for all legal entities and contribute to the European Commission's overall objective of consistent and harmonized application of reporting requirements in the EU as outlined in the European Commission's Fitness Check of EU Supervisory Reporting Requirements published in November 2019.

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