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Consultation Paper on the proposal for Guidelines on the use of the Legal Entity Identifier (LEI)

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1. Responding to this paper

EIOPA welcomes comments on the Consultation Paper on the proposal for Guidelines on the use of the Legal Entity Identifier (LEI).

The consultation package includes:

- The Consultation Paper
- Template for comments

Please send your comments to EIOPA in the provided Template for Comments, by email: CP-14-037@eiopa.europa.eu, by **29 August 2014**.

Contributions not provided in the template for comments, or sent to a different email address, or after the deadline will not be processed.

EIOPA invites comments on any aspect of this paper. Comments are most helpful, if they:

- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with EIOPA's rules on public access to documents[1]. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by EIOPA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.eiopa.europa.eu under the heading 'Legal notice'.

[1] https://eiopa.europa.eu/en/about-eiopa/legal-framework/public-access-to-documents/index.html

2. Consultation Paper Overview & Next Steps

EIOPA carries out consultations in the case of Guidelines and Recommendations in accordance to Article 16 (2) of the EIOPA Regulation.

This Consultation Paper is being issued to consult the Guidelines addressed to national competent authorities to establish consistent, efficient and effective supervisory practices by harmonising the identification of legal entities, in order to ensure high-quality, reliable and comparable data.

This Consultation Paper presents the draft Guidelines and explanatory text.

The analysis of the expected impact of the proposed policy is covered in Annex I (Impact Assessment).

Next steps

EIOPA will consider the feedback received by 29 August 2014 and expects to publish a final report on the consultation by 14 September 2014 and to submit the Guidelines on the use of the Legal Entity Identifier (LEI) for adoption by the Board of Supervisors by 29 September 2014.

3. Guidelines on the use of the Legal Entity Identifier (LEI)

Introduction

1.1. EIOPA is issuing Guidelines on the Legal Entity Identifier (LEI) addressed to the national authorities competent for the supervision of the insurance and institutions for occupational retirement provision (IORP) sector (hereinafter "national competent authorities").

1.2. These Guidelines are intended to facilitate the use of LEIs as unique identification codes for insurance and reinsurance undertakings and groups as well as for institutions for occupational retirement provision under the national competent authorities' supervisory remit (hereinafter "all institutions under their supervisory remit").

1.3. These Guidelines seek to establish consistent, efficient and effective supervisory practices by harmonising the identification of legal entities in order to ensure high-quality, reliable and comparable data.

1.4. With these Guidelines, EIOPA supports the adoption of the Legal Entity Identification (LEI) system proposed by the Financial Stability Board (FSB) and endorsed by the G20, aimed at achieving a unique, worldwide identification of parties to financial transactions.

1.5. This Guidelines on the use of LEIs as unique identification codes respond to the following reasons:

- The common use of the same identification code for various reporting tasks and across the sectors will significantly improve quality of information, allowing for efficient execution of EIOPA's mandate defined by the EIOPA Regulation.

- The use of the LEI will allow improved automation of data processing and reduce reporting burden, improving quality and reducing costs for all involved parties.

- There is widespread agreement among the European authorities and financial industry participants to move as soon as possible to a global LEI system that would provide a valuable 'building block' contributing to and facilitating many financial stability objectives, including enhanced supervisory convergence and high-quality, reliable and comparable data.

- The repercussions of implementing the LEI system would be negligible in comparison with the benefits that would arise, primarily from the harmonisation of identification codes across the different EEU and international jurisdictions, different European Supervisory Authorities

(EIOPA, European Banking Authority (EBA) and European Securities and Markets Authority) (ESMA)) and among financial institutions.

- There are no alternative options available either in the insurance or pensions sectors to date. Setting up a new EIOPA code has been considered, however this solution could easily generate additional costs and operating risks for national competent authorities and EIOPA itself, neither would it address the consistency with the other sectors (banking and investment).

1.6. For the purpose of these Guidelines the following definitions and abbreviations are used :

- Legal Entity Identifier (LEI) code is a 20-digit alpha-numeric code that connects to key reference information that enables clear and unique identification of companies participating in global financial markets.

- GLEIF (Global Legal Entity Identifier Foundation) - operating a Central Operating Unit and Local Operating Units. The GLEIF is established as a foundation in Switzerland, operating as a not-for-profit foundation under Swiss law and has the objective of implementing a federated global LEI system in line with the High Level Principles and FSB recommendations, as endorsed by the Heads of State and Government of the G20 (Los Cabos, Mexico, June 2012), and under the oversight of the ROC.

- GLEIS (Global Legal Entity Identifier System) - the federated system with entities being issued by Local Operating Units (LOUs) and overseen by GLEIF[2].

- COU (Central Operating Unit) - the institution established by the GLEIF, which operationally conducts the works of the GLEIS and the data in the system.

- LOU (Local Operating Unit) - the body, endorsed by ROC who will actually be registering entities in the LEI system, issuing and maintaining the LEI code.

- ROC (Regulatory Oversight Committee) - The board of financial regulators which oversees the whole system.

1.7. The Global LEI System (GLEIS) is not yet fully operational but a number of entities, sponsored by national authorities, have already started to issue LEI-like identifiers (pre-LEIs) in order to satisfy local reporting requirements. These

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[2] For more information, please see report by the Financial Stability Board dated 8 June 2012: *A Global Legal Entity Identifier for Financial Markets* [http://www.leiroc.org/publications/gls/roc_20120608.pdf]

Pre-LEI codes will become the LEI codes, when the system is fully operating. These Guidelines are applicable to the Pre-LEI stage[3] accordingly.

1.8. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

1.9. The Guidelines shall apply from 31 December 2014.

Guideline 1 - Requesting of the LEI code

1.10. National competent authorities should request all institutions under their supervisory remit to obtain a code issued by a LOU (a LEI code).

1.11. For institutions reporting Solvency II information, national competent authorities should request that all such institutions obtain a LEI code for all entities in the scope of the group as defined under article 212 (1) (c) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II Directive)[4], on which information is required under their reporting obligations.

Guideline 2 - Verification of the LEI code request

1.12. National competent authorities should verify that institutions under their supervisory remit have requested the LEI codes as follows:

a) For institutions within the threshold defined in the Solvency II Directive, by 30 June 2015 at the latest;

b) For all other institutions (including IORPs), by 30 June 2016 at the latest.

Guideline 3 - Providing Instructions on the LEI code usage

1.13. National competent authorities should provide instructions on how the institutions referred in Guideline 2 should consistently use the LEI codes when fulfilling their reporting obligations.

[3] While the GLEIS is still being formed, some regulators have already begun to require market participants to have LEIs. These are being issued by so-called "pre-LOUs". These pre-LEIs codes match the format of the LEI, and can work as basic identifiers till the regular GLEIS is fully operating.
[4] OJ L 335, 17.12.2009

Guideline 4 - Assurance of the LEI code in the reporting to EIOPA

1.14. National competent authorities should ensure that the information provided to EIOPA concerning all institutions under their supervisory remit, contains the LEI codes obtained in accordance with these Guidelines.

Compliance and Reporting Rules

1.15. This document contains Guidelines issued under Article 16 of the EIOPA Regulation.

1.16. In accordance with Article 16(3) of the EIOPA Regulation competent authorities and financial institutions shall make every effort to comply with guidelines and recommendations.

1.17. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.

1.18. Competent authorities shall confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.

1.19. In the absence of a response by this deadline, competent authorities will be considered as non-compliant and reported as such.

4. Explanatory text

The purpose of the Global LEI Foundation (GLEIF) is to serve the broad public interest as the operational arm of the GLEIS, supporting on a not-for-profit basis the implementation and use of a global Legal Entity Identifier (LEI) and associated data on legally distinct entities that engage in financial transactions.

The GLEIS is based on a federated system of Local Operating Units (LOUs)[5] under contract to the GLEIF to meet certain standards of service and quality, to maintain free and open access to LEI reference data, and to act in ways that minimize the risk of market capture. The GLEIF in turn takes care of the management of the GLEIS and the relations with the LOUs, the ROC and other stakeholders. It also serves as the central provider of the technical infrastructure necessary to unite seamlessly and resiliently the information published by the LOUs for public use and to coordinate communication among LOUs and the Central Operating Unit (COU) within the GLEIS. The LEI Regulatory Oversight Committee (ROC), mandated by the Group of Twenty (G20) and the Financial Stability Board (FSB), oversees the GLEIF. In coordination and cooperation with the ROC, the GLEIF will take a prominent role in the development of relevant data standards. The GLEIF has the primary responsibility for implementing data standards, developing other necessary operational standards and protocols, and enforcing relevant adherence to standards and protocols by the LOUs and the COU through contracts, monitoring and/or audits.

Initially, the data in the GLEIS is intended to focus on information necessary to identify entities uniquely. In the longer run, the information is expected to expand to include other contextual information about the entities, particularly information describing relationships among entities. Maintaining high data quality is essential to the success of the GLEIS for the benefit of LEI end-users.

Having in mind the wide alignment between the objectives defined for the GLEIS and strategic goals of the Authority, EIOPA encourages and supports the establishment of the GLEIS. The use of LEIs by the national competent authorities when fulfilling their reporting obligations to EIOPA will enhance supervisory convergence and ensure the high quality, reliability and comparability of data, supporting Authority’s strategic objective to increase the overall efficiency of the supervisory system by promoting effective exchange of information.

As the Global LEI System is not yet fully operational, the implementation of pre-LEI codes is considered the practical alternative in the short term. It is therefore recommended that national competent authorities request that all institutions under their supervisory remit obtain a pre-LEI code, giving priority to

[5] Certain entities aspiring to become LOUs have been granted pre-LOU status by the LEI ROC and are currently issuing pre-LEIs per the principles published by the LEI ROC.

those undertakings included in the coverage defined in the Solvency II Directive. The national competent authorities are also advised to request that all information, which they provide to EIOPA concerning financial institutions, contains pre-LEI codes to be replaced by LEI codes once the Global LEI System becomes operational.In the course of 2014, EIOPA will continue to receive reference (master) data of Insurance and Reinsurance Undertakings, IORPs, Groups, and Conglomerates, in order to build its capacity for maintaining and publication of the relevant registers. The LEI will also serve as a reference to link any other data received by EIOPA for the financial institutions (e.g. reporting data, market data, cross-sectorial data etc.).

With this in mind, the LEI system would provide EIOPA and the NCAs with a unique identification code standardised to fit all purposes (registers, supervisory, reporting, transactions), as it would be used as a master data across all the information systems' domains.

At the same time, the LEI system would provide supervisors and EIOPA with more granular (but also briefer) information about the identity of the financial institutions. This information could be used to ease the production of automated specialised reports (peer review reports, country reports, etc.). Moreover, many financial institutions worldwide (including banks, investment firms, insurance and reinsurance undertakings and IORPs) have already acquired, or are in the process of acquiring, an LEI code.

It is worth noting that the implementation of the LEI system is compatible with the reporting requirements being developed presently by EIOPA and would imply no additional effort or cost to incorporate it into the reporting of the various registers' data, nor into the XBRL templates.

Basing on its mandate defined by the EIOPA Regulation EIOPA is preparing for the implementation of Solvency II. Insurance and reinsurance undertakings and national competent authorities will use the next year in order to prepare in a consistent and convergent way for reporting under the new framework in accordance with the Preparatory Guidelines.

The Solvency II reporting requirements include the LEI identifier, if possessed by the reporting institution. This does not assure however that the reporting institutions would actively apply for the LEI code and in consequence the commonality of use of the LEI code could be relatively low. Issuing these Guidelines EIOPA promotes the usage of the LEI codes, which will increase application of the LEI code by the reporting institutions and benefit to the better preparation of the Solvency II implementation:

- For submitting data to EIOPA, a single supranational identifier of undertakings needs to be used to collect, store and manage data. As the information received in the Solvency II reporting will be linked in the EIOPA Central

Repository to the reference (master) data of the financial institutions, it is crucial to have the common identifier used by the all system's domains.

- Among others, providing an *Identification code* is required by the several reporting templates. These Guidelines will promote the possession of the LEI code by the financial institutions reporting it to NCAs and EIOPA wherever the LEI code is required by the template.

Presenting the above, it is important to stress again that application of the LEI codes is not limited to the Solvency II Reporting as it relates to all other information collected for EIOPA, including registers of financial institutions (e.g. Registers of Insurance and Re-insurance Undertakings, Groups, Conglomerates, IORPs, etc.) and any other reporting submitted to EIOPA.

Issuing these Guidelines EIOPA ensures that insurance and reinsurance undertakings and groups as well as the institutions for occupational retirement provision, take the appropriate steps to:

a) build systems and structures to deliver high quality information for supervisory purposes, and

b) submit to their NCAs qualitative and quantitative information allowing for revision and evaluation of the proper functioning of the financial institution.

Detailed explanations to the Guidelines:

Guideline 1 - Requesting of the LEI code

1. National competent authorities should request all institutions under their supervisory remit to obtain a code issued by a LOU (a LEI code).

The NCAs are expected to issue appropriate regulations addressed to the insurance and reinsurance undertakings and groups as well as the institutions for occupational retirement provision under the national competent authorities' supervisory remit, which will require these institutions to apply for the LEI code.

2. For institutions reporting Solvency II information, national competent authorities should request that all such institutions obtain a LEI code for all entities in the scope of the group as defined under article 212 (1) (c) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency

II Directive)[6], on which information is required under their reporting obligations.

The guideline details by the reference to the Solvency II Directive, the scope of institutions reporting Solvency II information, which should apply for the LEI code.

Guideline 2 - Verification of the LEI code request

National competent authorities should verify that institutions under their supervisory remit have requested the LEI codes as follows:

a) For institutions within the threshold defined in the Solvency II Directive, by 30 June 2015 at the latest;

b) For all other institutions (including IORPs), by 30 June 2016 at the latest.

The guideline requires establishing the controlling procedures, which assure that the institutions referred in Guideline 1 apply for the LEI code within the foreseen deadlines.

The deadline defined in point a) relates to the larger institutions (using the threshold of the Solvency II Directive). This should assure the availability of the LEI code to be used for the Solvency II reporting.

The second deadline (point b) is foreseen for all smaller insurance and reinsurance undertakings and all the IORPs.

Within these deadlines the institutions defined herein should apply for the LEI code. Then, following the LEI application process (and the deadlines defined therein), the code will be issued by the Local Operating Units.

The Guideline 2 requires checking by the national competent authorities, if the valid application for the LEI code was submitted by the financial institution to a LOU within the deadline.

Guideline 3 - Providing Instructions on the LEI code usage

National competent authorities should provide instructions to the institutions under their supervisory remit to consistently apply the LEI codes when fulfilling their reporting obligations.

The guideline sets the obligation to instruct the institutions to use the LEI code, when fulfilling the reporting obligations.

[6] OJ L 335, 17.12.2009

The instructions included in the Solvency II Reporting requirements are treated as sufficient for the Solvency II Reporting. That means that the Guideline 3 will be mainly applicable for the reporting other than based on the Solvency II (e.g. reporting to the registers).

Guideline 4 - Assurance of the LEI code in the reporting to EIOPA

National competent authorities should ensure that the information provided to EIOPA concerning all institutions under their supervisory remit, contains the LEI codes obtained in accordance with these Guidelines.

The guideline requires NCAs to use the LEI code, when fulfilling the reporting obligations to EIOPA (among the others: EIOPA Solvency II Reporting, Register of Insurance and Reinsurance Undertakings, Register of IORPs, Register of Groups, Register of Conglomerates).

Annex I: Impact Assessment

1. Procedural issues and consultation of interested parties

In the course of the development of the Guidelines we have considered also the results from the public consultation carried out by EBA in 2013 on the same topic. In particular we have:

- analysed the results from the EBA questionnaire on usage of LEI codes within EU countries; and
- analysed the responses to the Public Consultation run by EBA on the LEI Recommendation[7].

2. Problem definition

Currently, there are various identification systems used for the insurance and occupational IORPs sector reporting. The systems most commonly used by the EU supervisory authorities use the identification codes issued by the various business registers maintained at national levels[8].

In light of the Preparatory Guidelines and upcoming implementation of the Solvency II Directive, EIOPA needs a unique identification code for supervisory purposes for every insurance and re-insurance undertaking in the European Union.

The unique identifier is also required to collect, store and disseminate data on the financial institutions to be published in the lists and registers published by EIOPA basing on its Regulation.

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[7] The consultation period lasted for one month and ended on 28 November 2013. Seventeen [17] responses were received, of which 15 were published on the EBA website. For the details, please, see *EBA RECOMMENDATION ON THE USE OF LEGAL ENTITY IDENTIFIER (LEI)* [accessible at: http://www.eba.europa.eu/documents/10180/561173/EBA-REC-2014-01+%28Recommendation+on+the+use+of+the+Legal+Entity+Identifier%29.pdf/b8af0dfe-f70c-48f8-b7db-65b91cb67a07.

[8] For the banking sector also the following other options have been considered, which are not judged as relevant for the insurance sector:

- Monetary Financial Institution (MFI) ID: this system is used by the ECB and euro area National Supervisory Authorities (NSAs) to identify the counterparties of the Eurosystem in monetary operations (refinancing operations of the Eurosystem vis-à-vis the EU banks). Currently, the MFI ID system, pursuant to Regulation (EC) No 24/2009 (ECB/2008/32), is mandatory only for credit institutions needing to be registered for monetary policy purposes. It is not legally binding on credit institutions in non-euro area EU countries nor, within the euro area, is it binding on institutions other than credit institutions that are subject to reporting obligations.
- Banking Identification Code (BIC)/SWIFT: this system is mainly used by payment systems to identify the credit and financial institutions which participate in financial transactions.

There is widespread agreement at global level among public authorities and financial industry participants on the merits of establishing a uniform, global system for legal entity identification. In 2011, the G20 provided a mandate to the Financial Stability Board (FSB) to lead the coordination of international regulatory work with a view to achieving a unique, worldwide identification of parties to financial transactions[9]. In 2012, the FSB set out 35 'Recommendations for the Development and Implementation of the Global LEI System (GLEIS)'. The G20 in Los Cabos endorsed the FSB's recommendations and asked the Board to take forward the work to launch the Global LEI System.

The Global LEI System is not yet fully operational. Nevertheless, an increasing number of aspirants to become Local Operating Units (LOUs), so-called pre-LOUs, have been sponsored by their national authorities. Some of these pre-LOUs have already been endorsed by the Regulatory Oversight Committee (ROC)[10] as they were found to meet the principles designed to ensure that all of the pre-LEIs issued by pre-LOUs will be eligible to become true LEIs once the GLEIS is fully operational. The endorsed pre-LOUs have started to issue LEI-like identifiers (pre-LEIs) which may be used for reporting and other regulatory purposes in the various jurisdictions represented in the ROC.

The LEI will become compulsory for reporting purposes at the European Securities and Markets Authority (ESMA). In fact, according to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EMIR), OTC derivative transactions must be reported to a trade repository. Following the recommendations from the FSB, ESMA has decided to identify entities in the reporting using the LEI.

In addition the EBA has issued on 29 January 2014 the Recommendation on the use of the Legal Entity Identifier (LEI), addressed to the competent authorities reporting to the EBA as from 31 December 2014 latest.

The use of the LEI is becoming widespread: by May 2014 more than 250,000 pre-LEI codes, in 178 countries, have been issued by the endorsed 13 Pre-LOUs (see TableT II below). In the near future, the implementation of the LEI in the reporting to trade repositories, as defined by ESMA, would make the LEI de facto

[9] G-20 (2012), Cannes Summit Declaration: '*We support the creation of a global legal entity identifier (LEI) which uniquely identifies parties to financial transactions. We call on the FSB to take the lead in helping coordinate work among the regulatory community to prepare recommendations for the appropriate governance framework, representing the public interest, for such a global LEI by our next Summit*', available at http://www.g20civil.com/documents/Cannes_Declaration_4_November_2011.pdf

[10] In order to become an endorsed pre-LOU, a candidate must be sponsored by a ROC member. That ROC member sponsor must then seek endorsement from the ROC by demonstrating that the pre-LOU candidate meets the *Principles to be observed by Pre-LOUs that wish to integrate into the Interim Global Legal Entity Identifier System (GLEIS)* (available at http://www.leiroc.org/publications/gls/lou_20130727.pdf). As of 30 April 2014, 13 pre-LOUs have been endorsed by the ROC: (see *Endorsed Pre-LOUs of the Interim Global Legal Entity Identifier System (GLEIS)* available at http://www.leiroc.org/publications/gls/lou_20131003_2.pdf).

mandatory in the EU for institutions obligated according to Art. 9 of EMIR Regulation.

3. Baseline

In the course of the drafting of each provision in the Guidelines, an analysis has been carried out with respect to the expected costs and benefits generated by these texts.

When analysing the expected impact from proposed policies, the impact assessment methodology envisages that a baseline scenario is applied for comparing policy options. This helps to identify the incremental impact of each policy option considered. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention.

In particular the baseline for this Guideline includes current practice, as there is no legal provision which addresses this issue in a harmonised way across European countries.

4. Objective pursued

These Guidelines seek to establish consistent, efficient and effective supervisory practices by harmonising the identification of legal entities in order to ensure high-quality, reliable and comparable data.

5. Policy Options

In order to perform the tasks mandated to the Authority by the EIOPA Regulation, including but not limiting to the implementation of the Solvency II Reporting and establishment and maintenance of the register of financial institutions as defined in the art. 8, EIOPA has considered a unique identification system which would identify, in a reliable and automated way the financial institutions defined in EIOPA Regulation and which would facilitate reporting obligations.

In its efforts to develop such a unique identification system, EIOPA has considered the following policy options:

Policy option 1: To develop a new EIOPA system for identifying undertakings under the scope of the EIOPA Regulation (a.o. insurance and re-insurance undertakings and institutions for occupational retirement provisions in the EU);

Policy option 2: To adopt the Legal Entity Identification system, a system proposed by the FSB and endorsed by the G20, aimed at achieving a unique, worldwide identification of parties to financial transactions.

6. Analysis of impacts

With respect to policy **option 1** (To develop a new EIOPA system), the following aspects have been considered:

- it would represent a rapid solution without significant costs, since the specifications would be set internally at EIOPA and communicated to the national competent authorities.

- this solution is expected to be more burdensome in the long run for the NCAs, as they would be obliged to monitor and keep a register of more than one identification code, i.e. 'the new ID for reporting purposes', another ID for transaction purposes, etc.

- It would also impose an additional cost on the financial institutions due to the dedication of resources for implementing and monitoring the new code in their existing reporting frameworks.

With respect to policy **option 2** (To adopt the Legal Entity Identification system), the following aspects have been considered:

- The benefits from the implementation of LEIs would primarily arise from the harmonisation of identification codes across different EU and international jurisdictions, different European Supervisory Authorities (EIOPA, EBA and ESMA) and among financial institutions. This harmonisation would facilitate the interconnectivity of the information that is available at the different supervisory domains, preventing excessive unnecessary communication and reducing manual intervention.

- Furthermore, it would provide institutions, especially Systemically Important Financial Institutions (SIFIs), with the opportunity of getting their data warehouses in order by rationalising the number of identification codes, which they have to use in the EU when responding to reporting requirements to different institutions and agencies. This is potentially a very significant benefit to financial institutions, enabling them to reduce costs and make better use of their data.

- With this in mind, the LEI system would provide EIOPA and the NCAs with a unique identification code standardised to fit all purposes (supervisory, reporting, transactions), as it would also be used for reporting transactions to trade repositories.

- At the same time, the LEI system would provide NCAs and EIOPA with more granular (but also briefer) information about the identity of the financial institutions. This information could be used to ease the production of automated specialised reports (peer review reports, country reports, etc.) at EIOPA. Moreover, many institutions worldwide (mainly in the US) have already acquired, or are in the process of acquiring, a LEI code.

- Since the LEI is a global initiative and institutions subject to reporting under the ESMA rules will be required to adopt it, it is recommended that EIOPA follows this initiative and adopts the LEI system for any reporting purposes.

- It is worth noting that the implementation of the LEI system is compatible with the EIOPA IT Strategy and specifications on reporting and would imply no additional effort or cost to incorporate it into the XBRL reporting.

In addition to the above, EIOPA considers that the adoption of LEIs would lead:

- NCAs to handle and submit data more efficiently;

- EIOPA to identify all institutions under EIOPA's remit more easily;

- EIOPA to improve and maintain the relevant financial institutions registers;

- EIOPA and NCAs to improve the capacity to process and analyze information more efficiently;

- EIOPA and NCAs to improve the quality of data analysis.

The benefits in monetary terms from utilising LEIs cannot be precisely estimated. However, the magnitude of the **overall benefit**, in relation to total operational costs, can be considered to be **high** for the national competent authorities and EIOPA and **medium** for the financial institutions. On the other hand, the GLEIS institutions would experience **medium-level** benefits due to the higher standardization and efficiency of their processes (COU, LOUs) and increased revenues (LOUs).

The additional impact of the preferred option is deemed positive, as summarised in the *Table I: Overview of cost-benefit analysis*.

With respect to costs, the impact in monetary terms cannot be assessed at this stage, as EIOPA does not have aggregate or more granular information on the direct or indirect costs arising from the implementation of any of the proposed options. It is therefore only feasible to assess the costs and benefits arising from the implementation of the preferred option, i.e. implementation of the LEI system.

Nevertheless, on the basis of the information available, we can provide information on the financial impact of acquiring a LEI code. To evaluate the direct cost of the proposed measures, the current impact assessment took into account the following factors:

- the current average cost of registration is EUR 119 and the current average annual maintenance fee is EUR 65;

- to a large extent, this cost should be assigned to ESMA's requirement for registration;
- For the financial conglomerates led by the credit institutions, these costs should be assigned to EBA requirement following the EBA Recommendation.

The detailed costs[11] of acquiring and maintaining a LEI are listed in *Table II: Cost of registration and annual fee for LEI codes.*

Therefore to this end, **the additional direct cost** due to the implementation of the LEI system, in relation to total operational costs, is considered to be **negligible to zero** for the financial institutions in scope, NSAs and EIOPA.

EIOPA has also considered additional indirect costs that may arise from the implementation of LEIs due to the following factors:

- the inclusion of LEIs in undertakings' internal systems and appropriate adjustments to accommodate this inclusion;
- a second-level adjustment to eliminate potential data inconsistencies amongst pre-LEIs in order to achieve maximum harmonisation of the data requested at a later date;
- some additional costs (**of low magnitude**) in the early stages could be incurred by LOUs in their effort to process the increased number of registrations in a timely manner (according to EMIR by Q1 2014);

Even after considering the costs arising from the indirect factors above, EIOPA considers that the **overall additional cost (direct and indirect)** from the implementation of LEIs would still lead to **negligible cost** in relation to the overall operational cost.

7. Comparing the options and proposed way forward

On the basis of the analysis presented in section 6 EIOPA considers that the proposed option 2 (To adopt the Legal Entity Identification system) achieves the objective: to establish consistent, efficient and effective supervisory practices by harmonising the identification of legal entities in order to ensure high-quality, reliable and comparable data.

[11] Where expressed in another currency, the costs were converted into euros using forex rates as at 30 April 2014; Since the LEI system has not yet been implemented, the costs refer to those charged by the predecessors of the LEI.

Policy option 1 has been discarded as it is not considered effective in achieving the objective of the guideline.The implementation of the LEI system would have a positive net impact on both EIOPA and supervisory authorities as well as on the insurance sector.

Considering the above, EIOPA should adopt the Legal Entity Identification System in the way defined in these Guidelines.

Table I: Overview of cost-benefit analysis

	Additional cost	Additional benefit	Net impact
Financial Institutions	Negligible	Medium	Positive
EIOPA and NSAs	Zero	High	Positive
Pre-LOUs	Low	Medium	Positive
All stakeholders	***Negligible***	***Medium***	***Positive***

Table II: Cost of registration and annual fee for LEI codes (status of 30 April 2014)

Pre-LOU	Country of establish-ment	Registration fee (cost of acquiring an LEI) – in €	Annual fee (annual cost of maintaining an LEI) – in €	Pre-LEI website
WM Datenservice	DE	150	100	https://www.geiportal.org
Institut National de la Statistique et des Etudes Economiques	FR	100	50	https://lei-france.insee.fr
CICI utility	US	144	72	https://www.ciciutility.org
Takasbank	TR	109	55	http://www.takasbank.com.tr/en/Pages/LEI.aspx
London Stock Exchange	UK	121	67	http://www.lseg.com/LEI
Irish Stock Exchange	IE	150	100	https://www.isedirect.ie

Pre-LOU	Country of establish-ment	Registration fee (cost of acquiring an LEI) – in €	Annual fee (annual cost of maintaining an LEI) – in €	Pre-LEI website
Russia National Settlement Depository (NSD)	RU	122	31	https://www.nsd.ru/en/services/lei
Poland Krajowy Depozyt Papierów Wartościowych S.A. (KDPW)	PL	115	58	http://www.kdpw.pl/en/business/LEI/Pages/default.aspx
Dutch Chamber of Commerce (KvK)	NL	150	100	http://www.leiroc.org/publications/gls/lou_20140107.pdf
National Board of Patents and Registration of Finland (PRH)	FI	110	70	http://www.prh.fi/en/uutislistaus/2013/P_1048.html
Centrální depozitář cenných papírů, a.s	CZ	70	35	http://www.centraldepository.cz/index.php/en/lei-pre-lei-legal-entity-identifier
Unione Italiana per le Camere di Commercio, Industria, Artigianato e Agricoltura	IT	100	50	https://lei-italy.infocamere.it/leii/Home.action
Registro Mercantil del Reino de España	ES	100	50	https://www.lei.mjusticia.gob.es/es/Paginas/home.aspx
All (average cost)		**119**	**65**	