

## Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Municipal Securities Rulemaking Board (MSRB) on strategic goals and initiatives

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The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Municipal Securities Rulemaking Board (MSRB) on strategic goals and initiatives. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) within the data collection and dissemination processes of the MSRB.

First, GLEIF would like to respond to Question 3. *“As the MSRB modernizes its rule book, how should we improve the rulemaking process and ensure guidance remains relevant to today’s markets?”*

The LEI currently exists in 26 various U.S. laws and regulations. The MSRB now includes the LEI in identification schemes for obligor and credit enhancers. GLEIF appreciates MSRB’s decision to identify new broker deals with a LEI under form A-12, and each credit enhancer or obligor with an LEI under form G-32.

The inclusion of the LEI in identification schemes is an important step in promoting the importance of LEIs. However, GLEIF thinks that more needs to be done to encourage the widespread adoption of LEIs by municipal market participants.

GLEIF also would like to propose that there is the opportunity for the MSRB to consider broader use of the LEI in its regulatory data collection frameworks to identify parties and market players in a standard and consistent way. There is the opportunity to leverage the LEI to identify all parties covered in additional rules, namely brokers, dealers and municipal securities dealers in their roles as syndicate managers, underwriters, members of a syndicate, advisors and other roles. As the MSRB’s mission is to protect investors, state and local governments and other municipal entities, obligated persons and the public interest by promoting a fair and efficient municipal securities market, the Global Legal Entity Identifier System (GLEIS), as a public good, could allow investors, state and local governments and other municipal entities, obligated persons and the general public to benefit from using the GLEIS as a trusted open source for identity and identification management of these parties involved in the municipal securities issuance and sales processes. This would permit the MSRB to use the LEI consistently and comprehensively across rulemaking requirements.

Consistent use of the LEI in the U.S. would greatly enhance information sharing across different government entities. Today, the U.S. government utilizes [more than 50 different identifiers](#) for legal entity identification; which causes manual reconciliation of data and drain of resources. Instead of using/accepting a plethora of identifiers, the MSRB could leverage the LEI, as an established open source, to harmonize and sharing of critical data. The OPEN Data Act seeks to synchronize data across various agencies, inclusive of regulators. Consultations and amendments to existing requirements are an opportunity to re-consider existing identifier schemes with a longer-term vision for broader use across U.S. agencies. The continued use of proprietary identifiers prohibits the sharing of data across agencies.

The LEI is an open standard and therefore has no restrictions on use or redistribution. All LEI and

associated LEI data can be found on GLEIF's public website and is made available to the public under a Creative Commons (CC0) license. Today, the MSRB uses an identification scheme, other than the LEI, to identify municipal issuers. This scheme, which lacks persistence with increased volumes of bond issuances, causing concerns from a data management perspective. The LEI is persistent and does not change.

The LEI is the only global standard for legal entity identification. It is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO) and is an adopted U.S. standard. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions.

LEI data records also contain information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Further, usage of the LEI could eliminate the need to collect Name and Address for each legal entity, as this reference data also is part of the LEI data records. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

The drivers of the LEI initiative, i.e. the Group of 20, the Financial Stability Board and many regulators around the world, have emphasized the need to make the LEI a broad public good. As such, the LEI and its associated reference data are accessible to all as open, public data. The Global LEI System is overseen by the Regulatory Oversight Committee (ROC) which includes the Federal Deposit Insurance Corporation (FDIC), Federal Reserve, Department of Treasury, Office of the Comptroller of the Currency, Securities and Exchange Commission, and Consumer Financial Protection Bureau. Mr. Alan Deaton of the FDIC is currently vice-chair of the Regulatory Oversight Committee.

In December 2020, ROC published its [Guidance for General Government Entities](#). In the Guidance, the ROC clarified that a better identification of government entities with the LEI could enhance accountability for tracking government spending and enhance transparency by collecting government financial data in an automatable fashion which is required for digital structured documents. The ROC is of the view that a government entity, should be eligible for a LEI as long as it can acquire legal rights and obligations under the national law to which it is subject. This is true, even if the entity is not incorporated or has no other legal personality as long as the entity should be able to enter into legal contracts under a jurisdiction's laws. This may involve issuing, buying and selling financial assets or being a counterparty to a financial transaction. The ROC has introduced two new entity categories for this purpose: "RESIDENT GOVERNMENT ENTITY" and "INTERNATIONAL ORGANIZATION", with the implementation scheduled for March 2022.

Therefore, GLEIF would like to emphasize that not only financial service providers but also state and local government entities can be identified with the LEI. MSRB could consider expanding the LEI requirement for all municipal securities issuers, including public sector participants.

GLEIF would also like to submit its comments for the Question 4. *"How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?"*.

The OPEN Government Data Act sets an official presumption that "Government data assets made available by an agency shall be published as machine-readable data...in an open format, and...under open licenses." It also includes a mandate for the appointment of Chief Data Officers (CDOs) and the

creation of a CDO Council. There is momentum towards embracing open identification schemes across the U.S. government thus impacting current proprietary identification schemes which severely limit data sharing.

For the second consecutive year, GLEIF has published its annual report in human and machine-readable Inline eXtensible Business Reporting Language (XBRL), the open international standard for digital business reporting, managed by a global not for profit consortium, XBRL International. The LEI embedded within both the annual report and the digital certificates of GLEIF's signing executive officers. As the OPEN Government Data Act progresses, there is an opportunity for the MSRB to now examine incorporating XBRL, inclusive of the LEI, into financial reporting. Today, more than fifty thousand municipal issuers file annual reports in PDF formats which are not machine readable. Therefore, understanding the financial health of municipal issuers is tedious and time consuming for market investors, whereas XBRL provides for structured data access and extraction.

On a related note, GLEIF would like to provide an update on its latest work in Verifiable Credentials (VCs). Digital identity management with the additional feature of decentralized identity verification is now possible. Based on a concept known as Self Sovereign Identity (SSI), this new approach to authentication and verification of digital identity began as a means by which a person, the identity owner, has ownership of his/her personal data together with control over how, when, and to whom that data is revealed. In several proof of concepts (POCs), GLEIF challenged SSI providers to extend the basic concept of 'individual wallets' and to create "organization wallets". In these wallets, the basis for identity is the organization's LEI, and the VCs issued to persons in their official roles within or in relation to the legal entity are tied to the organization and its LEI. Critical to this is the fact that the contents of the wallet credentials, in the form of a digital schema, can be designed by each organization to cover the particular identification and verification needs that the organization may have.

The initial POCs conducted by GLEIF simulated a regulatory filing. In this scenario, the SSI provider and GLEIF enabled a trust chain with GLEIF as the root of trust for the LEI. The regulator was able to verify the authenticity of the VCs of persons in official roles at the legal entity, the legal entity itself, the LEI Issuer, as well as GLEIF. Work recently has begun by the International Standardization Organization on an [international standard](#) for identifying official organizational roles, that is planned to be used within these credentials to clearly state the roles of persons acting on behalf of legal entities, is under development at the ISO.

Based on the success of the POCs conducted and the demand for leveraging the LEI in digital organizational credentials that followed, [GLEIF has launched](#) an effort to create an ecosystem and credential governance framework, together with a technical supporting infrastructure, for a verifiable LEI (vLEI), a digitally verifiable credential containing the LEI.

The MSRB has already appointed a CDO and GLEIF would be pleased to further engage with the MSRB on these topics and provide further information, if requested.

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