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CGS: A Market Practitioner's View on Legal Entity Identifiers

Of the more recent additions to the alphabet soup of industry topics, perhaps none is hotter than that of a global standard for legal entity identification – the LEI. One of the questions we are frequently asked here at CGS is: “How are you involved?” We are proud to say that, with over 40 years of experience in the development of unique identifiers, standards, and related descriptive data, CGS has been an active participant in the LEI dialogue on multiple fronts.

Although not a new topic for the industry, the push for a common LEI has gained renewed focus and momentum, propelled in large part by regulatory mandates such as the Dodd-Frank Act's Office of Financial Research (OFR). The idea behind the OFR is that regulators were not equipped to help prevent or mitigate the financial crisis of 2007-2008 because they did not have sufficient data and analytical tools at their disposal. By bringing a common language to entities, much in the same way CUSIP has done for financial instruments, single-entity exposure and systemic risk will be much easier for the regulators to monitor.

CGS welcomed the OFR's decision to make a common LEI the underpinning of its data aggregation efforts. In a way, CGS had already started to blaze that trail through its CUSIP Avox Business Entity Identifier (CABRE) initiative with Avox, a DTCC company. Available for free to subscribers of CGS data, the CABRE Directory contains over 360,000 unique records for issuers, obligors, and counterparties. With CABRE, CGS was one of the first national numbering agencies to develop a strategy and system around the unique identification of legal entities in the financial markets. (For more information on the CABRE initiative and coverage, see: <https://www.cusip.com/cusip/cabre.htm>)

While CABRE was created to meet an immediate industry need, CGS has not lost sight of the larger picture. Recently, a broad coalition of industry groups, pulled together by SIFMA, put out a Solicitation of Interest for any parties interested in operating a global LEI system. CGS, responding on behalf of the Association of National Numbering Agencies (ANNA), was among a handful of finalists chosen for in-depth presentations of their solutions.

At the heart of the CGS/ANNA proposal was that of a blended federated/centralized model, whereby SWIFT/DTCC, chosen by ISO as the Registration Authority for the new global standard, would operate the central LEI utility. The NNA's, including CGS, would serve as partnering agents of the utility, assigning LEI's to the issuers and obligors in their respective home markets. With this model, the global markets would benefit from the efficiency of a single utility, yet bring to bear the local expertise and relationships with market participants unique to the NNA's. As of this writing, this model has the formal recommendation of the SIFMA coalition.

Regardless of how the broader, global effort unfolds, CGS remains committed to the development and support of its existing CABRE product. It is real, tangible, and can help subscribers address the



challenge of unique entity identification both today and in the future. As the new, global standard crystallizes, CGS fully anticipates either making CABRE its contribution to the standard or mapping the existing codes to the new ones. In either case, users of CABRE can rest assured that the solution is in no way obsolescent.

Our commitment to a global standard is just as strong, however, and CGS continues to be an active and vocal participant in the global standards process, lending its knowledge and expertise whenever called upon by industry leaders and regulators alike.

So, what does CGS think about the push for legal entity identifiers? We're glad you asked...