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<tr><td colspan="2">Comments Template on
CP-14-037_LEI
Proposal for Guidelines
on the use of the Legal Entity Identifier (LEI)</td><td>Deadline
29 August 2014
18:00 CET</td></tr>
<tr><td>Name of Company:</td><td colspan="2">Occupational Pensions Stakeholder Group (OPSG)</td></tr>
<tr><td>Disclosure of comments:</td><td>EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.
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Please send the completed template, in Word Format, to CP-14-037@eiopa.europa.eu Our IT tool does not allow processing of any other formats.</td><td></td></tr>
<tr><td>Reference</td><td colspan="2">Comment</td></tr>
<tr><td>General Comment</td><td>Introduction

This paper describes the opinion of the OPSG on the introduction of the Legal Entity Identifier (LEI) in the European Union. The G-20 global leaders have identified the development of the LEI as a key component of the new financial data reporting framework, and have encouraged the global adoption of the LEI. The OPSG broadly supports the introduction of the LEI, for the reasons and with the reservations described in this paper.</td><td>Public</td></tr>
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	The financial crisis and the LEI: the need of more and better information The OPSG considers that the financial crisis has revealed the need for higher quality, more coherent, comparable and reliable data about the different actors of the financial markets and their activities. Currently, in each jurisdiction there are in place different identification codes issued by various business registers maintained at national levels. The lack of coherence and harmonisation of this data at international level provide incomplete and insufficient information about the functioning of the financial markets. This affects the activities of both financial markets participants as well as of the international supervisory authorities. Indeed, entities operating in the financial markets do not have sufficient and timely information about their counterparties and their exposures, which compromises their capacity to effectively identify and manage risks. Also international supervisory authorities are not able to adequately perform their supervisory tasks and identify micro and macro prudential risks. **Potential benefits of the LEI** The OPSG is of the view that the introduction of the LEI would bring important benefits to IORPs and other providers of occupational pensions participating in the financial markets. Notably, it would simplify the fulfilment of their reporting obligations, especially when they develop their activities in multiple jurisdictions. Their risk management processes would also benefit from such introduction; it would reduce the need for (reliable) tailor-made systems to reconcile the identification of entities and would facilitate the aggregation of risk exposures. It would also largely facilitate Straight-through processing (STP), optimizing like this the speed and accurateness at which transactions are processed. IORPs and other providers of occupational pensions would also benefit from the ability of the European Supervisory Authorities (ESA's) to better fulfil their supervisory tasks. Indeed, with the introduction of the LEI's the latter would have access to higher quality and more consistent and	

	harmonised information and therefore they will be in a better position to, for instance, identify market manipulation situations or the existence of systemic risks. **Operational and Organisational costs: the principle of proportionality and IORPs outsourcing all their investment practices to request a LEI** Despite the potential benefits described above, the OPSG is conscious that the introduction of the LEI will not be without costs. The fact that a global LEI has not been implemented up to date reflects the existence of significant operational and organisational complexities linked to such measure. Certainly, IORPs would have to adapt and/or replace their existing internal and other identifiers and will also have to undertake significant business process adjustments and IT changes. The use of the LEI would also need to be accommodated to local jurisdictional contexts, including different legal frameworks and governance structures of IORPs and other providers of occupational pensions. For this reason the OPSG considers that EIOPA should carefully assess the application of the principle of proportionality recognised in Article 5 of the IORP Directive[1] for small and medium size IORPs in this matter. Indeed, the operational and organisational costs resulting from the introduction of the LEI could easily add up to a considerable amount to certain entities. In the view of the OPSG the objective and rationale behind the IORP Directive should be preserved at all times. Moreover, although some IORPs do invest their assets in the financial markets directly through dedicated in-house investment departments, a majority of IORPs use external financial institutions to manage their assets. Given that the objective of the LEI is to identify the parties of a financial transaction, the OPSG does not see the need for requesting a LEI to those IORPs which outsource all their investment practices. At least in that case the reason for requiring a LEI has to	

[1] Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision [Link]

be something else than identifying financial transactions.

Guidelines might not be the appropriate tool for introducing the LEI

The OPSG notes that there is no legal requirement for the introduction of the LEI in the European Union. Up to date only Regulation (EU) 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) requires financial and non-financial firms that engage in derivatives transactions are required to register for a LEI for reporting purposes. Although Regulation (EU) No 1094/2010 establishing a European Supervisory Authority[2] empowers EIOPA to use Guidelines in those areas not covered by regulatory or implementing technical standards, the OPSG considers that the European Parliament and the Council are better placed than EIOPA to decide with legislation in matters which have a significant impact on the businesses and activities of many European entities such as IORP's in this case.

Conclusion

The OPSG supports the creation of consistent framework for legal entity identification in the European Union through the introduction of the LEI. The OPSG sees the merits of establishing a uniform global system for legal entity identification and supports the efforts done in this regard by the G-20 and the Financial Stability Board. More particularly the OPSG supports the work done up to date by LEI Regulatory Oversight Committee (ROC) and supports that the pre-LEI codes are designated as the permanent LEI codes by the Local Operating Units (LOU).

However, the OPSG considers that EIOPA should carefully assess the application of the principle of proportionality in this matter in order to reduce the burden for small and medium size IORPs. The OPSG would also like to ask EIOPA to evaluate the need for requiring obtaining a LEI to those IORPs and other providers of occupational pensions which do not directly participate in the

[2] Regulation (EU) No 1094/2010 establishing a European Supervisory Authority [Link]

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	financial markets but make use of investment firms to manage their assets on their behalf. Moreover, in the view of the OPSG the use Guidelines to introduce the LEI in the EU is also not the most adequate instrument for doing so.	
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