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Basel Committee on Banking Supervision

Submitted to BCBS link

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Subject Implications of fintech developments for banks and bank supervisors Consultative Document

Dear BCBS,

The Global Legal Entity Identifier Foundation (GLEIF) would like to thank the BCSB for the opportunity to comment of the Sound Practices: Implications of fintech developments for banks and supervisors consultative document.

Established by the Financial Stability Board in June 2014, GLEIF is tasked to support the implementation of the Legal Entity Identifier (LEI). The foundation is backed and overseen by the LEI Regulatory Oversight Committee representing public authorities from around the globe that have come together to jointly drive forward transparency within the global financial markets. Regulators globally, therefore, play a key role in facilitating the expansion of the LEI system and its related benefits by requiring LEIs to be used broadly in regulatory reporting and other supervisory practices and with usefulness and applicability beyond the banking and financial sector.

GLEIF is a supra-national not-for-profit organization making available the only global online source that provides open, standardized and high quality legal entity reference data. GLEIF is, by its statutes, agnostic to any particular commercial or political interests. GLEIF is uniquely positioned in the entity identification market. GLEIF is headquartered in Basel, Switzerland.

There are five of the key observations and related recommendations that demonstrate the need for the Legal Entity Identifier (LEI) in the implementation of fintech in the banking industry.

These are:

2. the key risks for banks related to fintech developments, including strategic/profitability risks, operational, cyber and compliance risks;
3. the implications for banks of the use of innovative enabling technologies;
4. the implications for banks of the growing use of third parties, via outsourcing and/or partnerships;
5. cross-sectoral cooperation between supervisors and other relevant authorities;
6. international cooperation between banking supervisors.

For banks to be able to implement fintech and to address the associated operational, cyber and compliance risks, banks are going to need to be able to unequivocally identify all service provider types, traditional and non-traditional, operating in the fintech world. The Global LEI System (GLEIS) is a freely and publicly available source of information on each entity that is validated upon

LEI registration with established processes for maintaining and updating information for legal entities to satisfy the requirements mentioned above of validation of the information, management and maintenance of the identities of service provider types with which banks, and consumers, will engage in fintech.

This would apply to both service providers that are legal entities as well as providers that are not. LEIs are able to be assigned to individuals acting in a business capacity, thus covering fintech service providers that are not legal entities and ensuring that uniform identification of all service providers, via outsourcing and/or partnerships, fully can be ascertained.

The LEI would be the only reference needed to be able to point to the most current validated information for these entities in the GLEIS. As the LEI is based on an international standard, ISO 17442, the use of the LEI in identity and identification management will address the need for cross-sectoral cooperation between supervisors and other relevant authorities as well as international cooperation between banking supervisors.

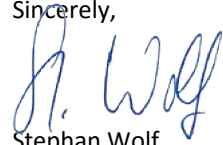
Further, the design of the LEI, in which the code itself is persistent and the updates and maintenance is performed only on the related reference data, would ensure compliance with the use of digital certificates according to the eIDAS framework, as the eIDAS technical specification already includes a tag for the LEI to be embedded within certificates and seals, to support identity validation and management.

The use of the LEI within digital certificates will allow for the first time a persistent global identification code to be present in digital certificates. Validated reference data for each LEI will continue to be updated and maintained according to the requirements of the GLEIS. Digital certificates will continue to expire and new certificates will need to be issued and there could be multiple occurrences. This puts a management burden on the regulators and private sector firms to chain and trace the certificates over time. With the presence of the LEI in each digital certificate, this would be resolved and for the first time successively issued digital certificates will be able to be linked to each other and to the entities that they identify.

These are important considerations and features for an implementation that requires clear and consistent identification and validation for the protection of those using fintech service providers. As use of the LEI expands, the benefits of using the LEI by both the public and private sectors will increase covering sound practices by banks, fintech service providers for consumers as well as for supervisors and other relevant authorities.

GLEIF submits these comments for the consideration of the BCBS for the effective and successful implementation of fintech in the banking sector.

Sincerely,



Stephan Wolf
CEO GLEIF