

November 24, 2017

Secretariat of
The LEI Regulatory Oversight Committee

Comments on the “Consultation Document on Funds Relationships in the Global LEI System” issued by the LEI Regulatory Oversight Committee

Dear Sirs/Madams:

We, the Japanese Bankers Association (“JBA”), would like to express our gratitude for this opportunity to comment on the “Consultation Document on Funds Relationships in the Global LEI System” issued by the LEI Regulatory Oversight Committee (“ROC”) on September 26, 2017. We believe that the LEI will function more effectively if information is recorded in accordance with a uniform framework and thus support the ROC’s proposal that ensures consistency of, and standardizes, on a global level, funds relationships information to be recorded in the global LEI system (“GLEIS”) as part of Level 2 data. Nonetheless, we also consider that some areas should be clarified with respect to the definition of funds as there are various forms of funds and have commented on this matter below. We respectfully expect that the following comments will contribute to your further discussion.

1. Question 1:

Do you have comments on the definition of a “Fund Management Entity” relationship?
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(Comments)

The proposed definition should further clarify which entity providing what function is deemed as a “Fund Management Entity” in fund relationships. If this is difficult to clarify, we request to allow national authorities to have discretion to specify this.

(Rationale)

The definition of the “Fund Management Entity” proposed in the consultation document* is not considered sufficient to identify which of the following entity will meet the definition:
(i) an entity which serves a function to determine a specific investment portfolio of a fund and

* The consultation document defines a “Fund Management Entity” as “*a legal entity whose regular business is managing one or more investment funds.*”

execute transactions with dealers, (ii) an entity which has a function to determine an investment policy of a fund and conduct various arrangement-related activities for fund administration purposes, (iii) an entity which contributes to a fund for investments, or (iv) an entity with other function.

Under the European fund scheme, we understand that investment companies correspond to (i), whereas management companies correspond to (ii). However, how the investment fund scheme is structured may differ depending on national laws and regulations. Furthermore, there may be cases where entities serving functions in the investment fund scheme may be located across various jurisdictions. Unless the definition specifies which entity with what function is the “Fund Management Entity,” it may lead to confusion, such as differences in the interpretation, and as a consequence, useful data may not be collected.

If an entity with the function described in (i) above is deemed as the “Fund Management Entity,” we request to clarify whether only a primary investment manager is required to be reported, or all investment managers are required to be done so, as in some fund schemes, multiple investment managers are involved in one fund.

2. Question 14:

Do you have comments on the proposed level of verification of funds relationships? Are there appropriate sources for verifications in your jurisdiction? Should the LOU verify the statement by an entity that the entity is a fund? If so, how?

(Comments)

It is preferable that the LOU requires submission of documents necessary that an entity is a fund and verifies the content of such documents. In the first place, it is required to consider whether there are any benefits for collecting such Level 2 data in light of verification costs.

(Rationale)

Unless verifications are conducted to assess whether the entity is a fund, the accuracy of Level 2 data could not be ensured, and thus this practice would become meaningless since Level 2 data varies depending on whether an entity is a fund or a legal entity. On the other hand, it is necessary to consider, from a viewpoint of costs and benefits, whether actions will need to be taken, albeit costs to be incurred, in order to prevent such Level 2 data collection from becoming meaningless.

3. Question 16:

Do you support excluding at this time the relationships where a fund is simply invested in another one (as this would be covered by other types of relationships, such as Master-Feeder above, and would require further work on investment relationships, beyond funds)?

(Comments)

We support this proposal.

(Rationale)

In a case where a fund invests in another fund for investment purposes, the investee fund generally changes on a daily basis. Therefore, it will be difficult to capture another fund's relationships information. Furthermore, it is considered as unnecessary to collect such information in the light of the purposes of identifying systemic risks.