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December 6, 2019

Regulatory Oversight Committee of the Legal Entity Identifier

Dear Committee Members:

Re: LEI Eligibility for General Government Entities Consultative Document

We appreciate the opportunity to provide feedback to the LEI Regulatory Oversight Committee (ROC) Consultative Document, on LEI Eligibility for Governmental Entities. A consistent method to identify government entities would provide value to the marketplace, and currently, there is not an effective, affordable method to do so.

XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of government and business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL (a free and open data standard widely used around the world for reporting by public and private companies, as well as government agencies). XBRL US members include accounting firms, public companies, software, data and service providers, as well as other nonprofits and standards organizations. The XBRL standard for financial information is used today worldwide by governments and businesses.

We agree with the position of the ROC in pursuing the establishment of consistent, nonproprietary government identifiers, however we believe that additional work needs to be done to determine the appropriate government relationships. The U.S. has over 90,000 sub-sovereign governments falling into a large number of categories and with varied types of interrelationships. The approach currently proposed by the ROC does not adequately address the complexities of U.S. government entities. Below are recommendations as well as responses to some of the questions outlined in the consultative document.

**Question 1. Do you see some need for identifying general government entities within the GLEIS? If yes, for what purposes?**

Collecting government financial data in U.S. markets, in an efficient, automatable fashion is becoming a more likely scenario, given recent initiatives driving greater standardization. A federal-

level bill called the Grants Reporting Efficiency and Transparency (GREAT) Act<sup>1</sup> focuses on the standardization of data for grants reporting, including the Single Audit Package, which is required to be reported by any entity receiving \$750,000 or more in federal grants. The Single Audit requirement applies to over 10,000 state and local governments. The GREAT Act has passed both houses in the U.S. Congress, and is currently in committee and expected to move forward soon.

Separately, the state of Florida has mandated the use of financial data standards for local governments, and is currently building the standards to support these requirements. The ability to aggregate data about entities in the public or private sector, for instance aggregating information by state or county, whether it be governments or private sector firms within those locations, or the aggregation of information by type of service, for example higher education (private or public sector), is of significant benefit to investors, policy setters, and the public.

The momentum behind the collection of government data in computer-readable format increases the need for consistent government identifiers to enable comparison from one entity to another, and to identify risks of investing, partnering, or simply doing business with, a reporting entity, by locating and understanding other entities with which it may be associated.

**Question 2. Are you aware of any specific difficulties general government entities may have in obtaining an LEI and completing all the data elements?**

Many U.S. local governments are small and lack professional management. Even with extensive outreach, people who oversee these governments may be unaware of the availability or value of the LEI. Even if they are aware, they may not see the benefits of obtaining an LEI, given effort and cost barriers. Even an annual fee of \$50-\$100 to register an LEI, may be seen as a deterrent.

In addition, individual governments and their entities may have challenges in determining the appropriate classification and hierarchy. The end result may be inconsistencies across states due to their differing political structures, and potentially even inconsistencies within states, as different governments may interpret definitions differently.

To encourage smaller governments to obtain an LEI, GLEIF should reconsider its opposition to automatically registering entities with regards to U.S. governmental entities. This could be done by the U.S. Census Bureau (which enumerates governments every five years), by U.S. Treasury (which interacts with many local governments through tax filings), and/or by the Municipal Securities Rulemaking Board.

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<sup>1</sup> GREAT Act (HR 150/S):<https://www.congress.gov/bill/116th-congress/house-bill/150>

**Question 3. Is the identification of the ‘ultimate parent’ a relevant concept for general government entities within the GLEIS system?**

Establishing simple parent-child relationships is not straightforward with U.S. government entities. The concept of an "ultimate parent" cannot be consistently applied to state and local government in the United States. There are situations, for example, where several counties may join together to form an organization to operate a bond pool which proceeds to issue debt. The ultimate parent for this partnership is not a single entity and may require pointing to a group of “ultimate parents” that represents more than one entity.

In addition, while a city could be considered a child to a state, certain assets or liabilities of the local (city) government may not belong to the state. However, that city would still be under the governance of the state, and thus subject to the statutes of the state.

Similarly, the parent-child relationship could be appropriate for relationships such as state-county; county-municipality; county-township, or for component unit-primary government relationship. A discretely presented component unit is a legally separate organization for which the elected officials of the primary government have oversight, or are financially accountable, for example, a school board or a park foundation. Additional details about component unit relationship criteria can be found in the GASB Codification<sup>2</sup>.

Separately, a local government may have inter-governmental relationships with a peer government or state. Yet another issue is that the LEI doesn’t take geography into account which is relevant for governments.

**Question 5. What organisation is a government entity that does not have legal personality but has a kind of autonomy or responsibility? What reasons are there for and against such organisations obtaining an LEI?**

There are government units in the U.S. that should have an LEI associated with them, but that lack a "legal personality" according to the ROC definitions. For example, a state department of transportation that issues bonds directly, or a "fund" that has a separate audit.

Another example would be entities created to share services. Government has increasingly recognized the value of sharing to deliver a variety of services (i.e., 911 Call Centers, IT Consortiums, Engineering Services, etc.). These arrangements are sometimes conducted via formal agreements such as Memoranda of Understanding (MOU’s), or simply through verbal commitments. California and some other states have Joint Powers Authorities, which are entities created and overseen by two or more local governments to jointly exercise a power common to these governments.

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<sup>2</sup> Governmental Accounting Research System: <https://gars.gasb.org/>

**Question 6. Do you think it is appropriate to separately identify general government entities and create a new item in a different section within the GLEIS in order for general government entities to declare their affiliation?**

There should be a separate entity identified for general government, but entity designations should be expanded beyond “General Government Entities”. In the United States, there are approximately 50,000 special purpose governments such as school districts and transportation districts. These entities issue bonds, so for LEI to be useful for the municipal market, they need to be included and would not be considered “general government.”

**Section 4: Scope and Appropriateness of SNA definitions**

Questions 8 through 11 of Section 4 refer to the scope and appropriateness of the System of National Account (SNA). The ROC Consultative document accurately lays out the challenges with establishing government identifiers, noting: *"While it may be useful to identify the issuer of government debt, it was considered especially difficult. Different types of entities may participate in the process of issuing government debt with different roles (risk bearer, technical manager). In that context, government debt implies to identify the final risk bearer, which involves a complex and thorough analysis and is beyond the scope of the LEI reference database."*

Some SNA sectors may be generally appropriate for U.S. governments. For example, the U.S. social insurance trust sector loosely fits with the SNA social security scheme. However, SNA definitions are often not a good fit for U.S. governments. For example, the difference between a state and a local government is not always the same, state to state. If the board of a local authority is appointed by a state official, the authority may be considered a state, or it may be considered a local government, depending on factors which may be generally applied, or may be very state-specific.

The U.S. system of general government entities as compared to enterprise funds differs from the SNA definitions. A state or city government in the U.S., for example, could provide traditional government services, but also manage, and collect revenues from, an electric plant. While the electric plant may be operated as a separate fund, it is managed by the same entity.

Another outlier case is with public/private partnerships, which enable large-scale government projects, such as roads, bridges, or hospitals to be completed through private funding. Each of these partnerships would need to be separately evaluated to appropriately determine the organization.

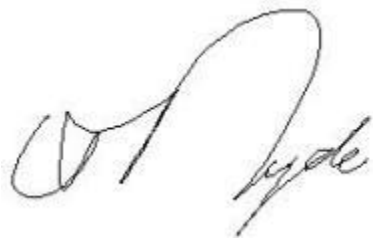
## Conclusion

It would be greatly beneficial to have a nonproprietary identifier like the LEI assigned to U.S. municipal bond issuers and other local governments, particularly given the trend in the U.S. towards more standardized, machine-readable data. The availability of identifiers, combined with automatable data, would make a powerful combination.

The existing structure of the LEI however, is not an ideal fit to handle the complexity of U.S. government entities and would need to be adapted to better fit the framework of U.S. federal, state and local government reporting. In addition, greater awareness is needed among U.S. governments to help them understand the benefits of identifiers, and it may be more expedient to allow automatic registration of small government organizations.

I am available if you have questions concerning our recommendations or would like to discuss further. You can reach me at (917) 582-6159 or by email [Campbell.Pryde@xbrl.us](mailto:Campbell.Pryde@xbrl.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is fluid and cursive, with a large initial "C" and "P".

Campbell Pryde  
President and CEO