



ISM SEMINAR

Summer Term 2015-16

Speaker: Yuval Millo (Leicester), Niki Panourgias (Leicester), Markos Zachariadis (WBS),

Title: From an identifier to a global infrastructure for systemic risk management in financial markets: the challenges of establishing the Legal Entity Identifier data standard

Date: Wednesday 18 May 2016

Venue: 1.015, WBS

Time: 14:00

Abstract: The financial crisis of 2008 and the collapse of Lehman Brothers and near collapse of financial insurance provider AIG that accompanied it revealed a critical gap in the toolboxes of financial markets regulators. The areas of concern that were revealed were: a) the inability of the regulators to identify in a timely way the accumulation of financial risk by systemically important market participants; b) the inability by regulators and policy makers to trace the pathways of contagion that the failure of such systemically important market participants might result in, and c) the great difficulties encountered in taking the action necessary in order to resolve the web of financial claims surrounding such a systemically important entity following its collapse.

Regulators and trading counterparties found it especially difficult to establish respectively the exposure of the market or of their own to the bankrupt investment bank. This situation was attributed, in part, to the fact that no global, sector-crossing standard existed for identifying trading entities and their transactional linkages. Reacting to this challenge, a consortium of private companies and government regulators, in collaboration with the G-20 and the Financial Stability Board (FSB) developed the Legal Entity Identifier (LEI) standard. LEI is a unique identity reference allocated to a trading entity. Many elements of the standard are established, but certain crucial topics, including the required informational linkage (e.g. what information will be disclosed with each LEI and to whom) and the responsibilities of maintaining the LEIs, are still not decided and are at the centre of intense controversy among the relevant actors.

In this research-in-progress we aim to examine LEI from a number of perspectives and contribute to the literature of identification infrastructures, identifiers, and reference data standards in organizations and the linking of data for purposes of business intelligence. In particular, we are motivated and interested to shed new light on two key issues. The first addresses the sociotechnical practices of identification found in the financial arena and, more generally, in markets. Here, the struggle around what information will be attached to each instance of the identifier and who will be responsible for maintaining it exposes the multifaceted nature of commercial identity: a valuable asset that requires partial and selective disclosure; a risk liability and a technological, organizational variable. The second concerns the LEI standard as a prime example of the techno-political nature of financial regulation. In order to understand the functioning of today's financial markets, it is necessary to see how the technological and political spheres intertwine.

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