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Office of Regulations and Interpretations
Employee Benefits Security Administration
U.S. Department of Labor,
200 Constitution Avenue NW
Washington, DC 20210

Attn: RIN 1210–AB63; Annual Reporting and Disclosure, Room N–5655

***Submitted via email***

**Re: Proposed Revision of Annual Information Return/Reports, 81 FR 47534, RIN 1201-AB63 (July 21, 2016)**

Bloomberg, L.P.[1] (Bloomberg), thanks the Department of Labor, Department of the Treasury and the Pension Benefit Guaranty Corporation (the Agencies) for the opportunity to comment on the revisions to Form 5500 Annual Return/Report of Employee Benefit Plan (Form 5500). Employee pension and welfare benefit plans (Plans), defined by the Employee Retirement Income Security Act of 1974 (ERISA) and Internal Revenue Code (CODE), are critical to the financial future of a large percentage of the U.S. population and are significant players in today's financial markets.

Since the financial crisis of 2008, regulators across the globe have increased reporting obligations for market participants in order to monitor and address financial risks. Because these requirements have unfolded on different timetables, across different jurisdictions, and amongst different regulators within jurisdictions, market participants find themselves subject to myriad reporting obligations that sometimes duplicate and even conflict with each other.

Bloomberg offers the following comments based on its experience in meeting its own reporting obligations and those of its customers, as well as its experience in providing risk management, trade execution, and financial analytics to Bloomberg Professional Service and Enterprise customers.

Two broad trends affect Form 5500 reporting obligations in significant ways. First, with greater access to transaction data and analytics, assets such as hard-to-value (HTV) assets can increasingly be priced consistently and reliably using electronic, evaluative pricing tools. Bloomberg believes electronic tools

[1] Bloomberg, L.P., the global business and financial information and news leader, gives influential decision makers a critical edge by connecting them to a dynamic network of information, people and ideas. The company’s strength – delivering data, news and analytics through innovative technology, quickly and accurately – is at the core of the Bloomberg Professional service, which provides real time financial information to more than 325,000 subscribers globally. The comments set forth herein are based on Bloomberg's deep expertise in transaction reporting, data management, and analytics.

can bring greater transparency to pricing HTV assets, allowing Plans and regulators to better assess financial exposures and have more transparency into pricing.

Second, financial regulators, under the auspices of the Financial Stability Board (FSB) and Committee on Payments and Market Infrastructures - International Organization of Securities Commissions (CPMI-IOSCO),[2] are working to develop uniform standards for identifying financial entities and transactions. Bloomberg recommends that the Agencies consider allowing the use of identifiers such as the Legal Entity Identifier (LEI),[3] Uniform Product Identifier (UPI), and Uniform Transaction Identifier (UTI) for reporting transactions and assets. Currently, the LEI is being widely adopted globally, and the UPI and UTI are under development.[4] In conjunction with these, Bloomberg recommends the Agencies consider selecting an existing taxonomy for classifying financial products where possible, rather than creating a wholly new taxonomy. Utilizing an existing taxonomy could reduce costs and burdens on reporting entities and vendors.

## I. Classification and Valuation of Hard-to-Value Assets

Bloomberg appreciates the Agencies' consideration of how to define and value HTV assets. Bloomberg believes Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (ASC) (Topic 820) provides a sensible and widely adopted framework for classifying HTV assets and determining their fair value.

Currently, the Agencies' definition of HTV assets is set out in Element a(iv) of proposed Form 5500:

> ". . . . Assets that are not listed on any national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Automated Quotations System (NASDAQ), are required to be identified as hard-to-value assets on the Schedule of Assets Held for Investment at End of Year. Bank collective investment funds or insurance company pooled separate accounts that are primarily invested in assets that are listed on national exchanges or over-the-counter markets and are valued at least annually need not be identified as hard-to-value assets. CCTs or PSAs invested primarily in hard-to-value assets must also be identified as a hard-to-value asset. A non-exhaustive list of examples of assets that would be required to be identified as hard-to-value on the proposed schedules of assets is: non-publicly traded securities, real estate, private equity funds; hedge funds; and real estate investment trusts (REITs)."

Conceptually, this definition bears many similarities in purpose and intention to the classification of Level 3 assets under FASB 820, which are, essentially, assets lacking observable price inputs. As such, Bloomberg recommends that the Agencies explicitly allow Plans to comply with the classification and valuation requirements of Form 5500 regarding HTV assets through

[2] http://www.bis.org/cpmi/index.htm?m=3%7C16.

[3] https://www.gleif.org/en/about-lei/iso-17442-the-lei-code-structure.

[4] http://www.bis.org/cpmi/index.htm?m=3%7C16.

compliance with FASB 820. In order to do this, Bloomberg recommends bringing the HTV asset definition in line with the existing definition of Level 3 assets under ASC 820.

Bloomberg believes there are important benefits that would flow from this. FASB 820 recognizes that the key difficulty with HTV assets is the lack of observable price inputs. For HTV financial assets, asset holders must rely on extrapolating prices from other correlated assets for which there is observable pricing, looking at indicative prices, or finding other price inputs to use. FASB 820 sets out requirements for identifying and disclosing the inputs an asset holder relies upon in calculating the fair value of HTV assets.

Furthermore, utilizing the existing Level 3 asset definition for HTV assets would create consistency in interpretation among entities as the interpretations and market practices for Level 3 classification have been established through years of application.

## II. Classification and Identification of Financial Assets

Since the 2008 financial crisis, regulators have worked to enhance their ability to monitor and address financial and market risks. At the heart of this effort is the need to classify and aggregate financial transactions and positions across markets, jurisdictions, and asset classes. As the Agencies have noted, being able to group financial positions into appropriate regulatory buckets and value them is critical.

Efforts to implement enhanced financial reporting are occurring on different timetables across different agencies and jurisdictions, leading inevitably to duplicative and sometimes conflicting reporting requirements for market participants.

Bloomberg offers the following recommendations for the Agencies' consideration that can potentially simplify the Agencies' implementation of Form 5500 and save reporting entities and their investors significant resources and expenses.

The core of being able to utilize financial data for regulatory purposes is the ability to identify and classify assets, instruments, and transactions as needed to analyze them. The more flexibility and adaptability a system of identification and classification provides, the more flexibility regulators have in their analyses and the greater the ability they have to adapt future and present analyses to emerging regulatory needs.

Working with existing efforts to create a common, global framework for identification and classification of financial assets offers the Agencies' the ability to leverage open, global standards such as the LEI that minimize the costs associated with proprietary, closed identifiers such as DUNS[5], CUSIP[6] or ISIN[7] numbers.

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[5] http://www.dnb.com/duns-number.html.

[6] https://www.cusip.com/cusip/index.htm.

[7] http://www.anna-web.org/standards/isin-iso-6166/.

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For the identification of legal entities, Bloomberg recommends that the Agencies specify the LEI be used for the purposes of identifying reporting and reportable entities. The LEI is a global, open, uniform standard for identifying legal entities not just for the financial sector, but for any use where legal entity identification is required. While there can be a fee for getting and maintaining an LEI number, there are no fees or license restrictions for referencing an LEI, republishing an LEI, or using an LEI for derivative works.[8]

For the identification and classification of financial assets, Bloomberg recommends that the Agencies consider utilizing industry standard classification codes and identifiers. As noted above, there is significant work currently begin done to develop the global UPI and UTI for financial products and transactions that, once implemented, could simplify reporting requirements by allowing market participants to build their systems and reports around one classification and identification scheme for financial products and assets, instead of the multiple standards that market participants currently face. Bloomberg, therefore, recommends that the Agencies allow the use of the UPI and UTI, once implemented, for Form 5500 reporting purposes where appropriate.

In the interim, Bloomberg recommends that the Agencies allow reporting entities to make reports utilizing industry standard classification and identifiers where available, provided they can be mapped to the appropriate regulatory buckets or asset categories for Form 5500 reporting.

As an example, this would allow market participants to use a global, open, multi-asset product identifier such as the Financial Instrument Global Identifier (FIGI) to classify financial positions by product. FIGI is an identification standard, now in the public domain, that applies across multiple asset classes and that can be obtained and used at no-cost.[9]

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[8] Bloomberg is a candidate to become a Local Operating Unit (LOU) for the Global LEI System (GLEIS). LOUs are responsible for issuing LEIs.

[9] FIGI is based on a symbology developed by Bloomberg to establish an identifier and symbology that: (1) provides unique identification at multiple levels of granularity across asset classes; (2) is usable across product lines and markets; and (3) solves the shortcomings of existing identifiers.

Recognizing the utility of a uniform, global, open, multi-asset identifier for our clients and financial markets, Bloomberg has assigned all rights and interests in FIGI to the Object Management Group (OMG) who now administers FIGI as an open data standard. Bloomberg was selected by an OMG board composed of individuals representing technology and financial firms across the industry, with Bloomberg as the Registration Authority and a Certified Provider for FIGI assignment.

FIGI is the only existing standard identification symbology currently in production that is a fee-free, license-free activity as per the requirements set out by the OMG.

FIGI currently covers more than 330 million financial instruments. Bloomberg is currently working through the process to have FIGI adopted as an International Standards Organization (ISO) standard financial instrument identifier.

There are also existing, open-standard, product taxonomies for classifying financial products that the Agencies should consider leveraging in order to classify assets into the categories set out by the agencies such as, Equity, Equity Derivatives, Loans, Credit Derivatives, etc. Examples of such existing taxonomies are the Classification of Financial Instrument (CFI) code,[10] International Standards Organization (ISO) Recognized Data Source Schemes,[11] International Swaps and Derivatives Association (ISDA) taxonomy,[12] and FIX protocol.[13] These taxonomies are currently in use and can be considered by the Agencies for classifying reportable financial assets owned by reporting Plans.

When financial data reporting systems are initially designed and set up, Bloomberg recognizes it can be difficult to identify all the potential use cases for such data. Utilizing broad, multi-asset identifiers and classification taxonomies provides flexibility for the regulatory uses of the collected data to evolve and best ensures forward compatibility with future uses.

For example, if each financial product that is listed as an asset on Form 5500 had a product identifier such as a FIGI, it would provide the Agencies with the capability of aggregating assets at the product level across all reporting entities simply by aggregating on a particular product code. If the Agencies were interested in knowing, in aggregate, what the holdings were for a particular asset such as a particular Exchange Traded Fund (ETF) across all reporting entities, the Agencies could aggregate all assets identified by the unique product identifier for that particular ETF.

LEI numbers would allow the Agencies to look at the holdings of a particular entity by aggregating assets attributed to that entity's LEI or group of entities by aggregating assets attributed to a selected group of LEIs (for instance, if a Plan had multiple legal entities and the Agencies wanted to examine the holdings of all those entities).

Utilizing a standard product classification taxonomy would allow the Agencies to group assets into not just the categories identified in the proposed rule, but any categories the Agencies found were necessary for regulatory or analytical purposes. For example, the agencies could specify a standard industry taxonomy to be used. The Agencies could then map the relevant classification codes to the categories the Agencies desired to construct. Given that it is sometimes difficult to determine what category a particular financial product or asset belongs in, having the flexibility to disaggregate and re-characterize assets would provide the Agencies with the ability to analyze the effects of different categorizations and adjust categorizations as necessary -- without having to amend their rules. This provides a distinct advantage over trying to set out a rigid set of categories and determinations about what assets fall into

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[10] http://www.iso.org/iso/catalogue_detail.htm?csnumber=44799.

[11] https://www.iso20022.org/data_source_scheme.page.

[12] http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/.

[13] http://www.fixtradingcommunity.org/FIXimate/FIXimate3.0/en/FIX.5.0SP2/tag167.html.

what category.

Many Form 5500 reporting entities are already required to report financial assets and transactions for other commercial and regulatory purposes, so utilizing common standards that can serve multiple commercial and regulatory purposes can greatly reduce the burden on reporting entities for financial and transactional reporting.  And where those standards are open standards, free of license or use restrictions, the costs to market participants and regulators for utilizing identifiers drops, saving taxpayers money and bolstering the accounts of ERISA plan beneficiaries through lowering the fees paid by the Plans.

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Bloomberg thanks the Agencies for the opportunity to comment on the proposed rule.  If Bloomberg can answer any questions or be of further assistance, please feel free to contact us or Eric Juzenas, Global Regulatory and Policy Group, 202-807-2038 | ejuzenas@bloomberg.net.

Sincerely,

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