



Legal Entity Identifier (LEI) requirements for MiFID II/MiFIR

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HSBC 
Global Banking and Markets

LEIs - regulatory stipulations for MiFID II/MiFIR

Article 13(2) of **ESMA** RTS 22 MiFIR

Investment firms shall not provide a service that would trigger the obligation of an investment firm to submit transaction reports” under MiFIR “for a transaction entered into on behalf of a client who is eligible for the legal entity identifier code, prior to the LEI being obtained from that client”

Source: ESMA draft RTS 22 under Regulation EU 600/2014, published on 28 September 2015, available on ESMA website.

FCA (UK) MiFID II – Legal Entity Identifier (LEI) update

How MiFID II impacts LEIs

From 3 January 2018 firms subject to MiFID II transaction reporting obligations will not be able to execute a trade on behalf of a client who is eligible for a Legal Entity Identifier (LEI) and does not have one.

Source: <https://www.fca.org.uk/markets/mifid-ii/legal-entity-identifier-lei-update>
First published December 2nd 2016

Note: This is an extract from the FCA LEI update. The full document is available on the FCA website

BaFin (Germany) Reporting obligation under MiFIR: Legal Entity Identifier (LEI) will be compulsory from 2018 onwards

From 3 January 2018 onwards a legal entity identifier (LEI) will be necessary for reportable transactions pursuant to Article 26 of the Markets in Financial Instruments Regulation

Investment firms subject to the reporting obligation for such transactions, as well as branches located inside the European Economic Area (EEA) whose head office is based in a third country, must then ensure before executing the transaction that their clients have an active LEI in order to be able to correctly identify them in the reports. Otherwise, the institution cannot execute the reportable transactions. The customers are therefore required to apply for an LEI.

Source:

https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Meldung/2017/meldung_170224_LEI_ab_2018_en.html
Published February 24th 2017

Note: This is an extract from the BaFIN update. The full document is available on the BaFIN website

No LEI, no Trade

Cross-over: Relative importance of market data for regulatory reporting

Relevant to LEI

Regulatory purpose	Regulation/ Regulatory body	Indicative Start date	Instrument	Client/ Account	Issuer	Credit rating	Asset Type	Valuation	Look through	Total Issued
Systemic risk	Dodd Frank	2012	Med	High	-	-	High	Med	-	-
	EMIR	2014	Med	High	-	-	High	Med	-	-
	HKMA MAS ASIC JFSA ¹	2016/7	Med	High	-	-	High	Med	-	-
	CSDR	2017	Med	Med	High	-	-	-	-	-
Conduct/ Market abuse	MiFID II/MiFIR	2018	High	High	High	-	High	Med	-	High
	MAR	2016	Med	High	High	-	High	-	-	-
	SFTR	2018	High	High	High	-	-	Low	-	-
Harmonisation	Solvency II	2016	High	Med	Med	High	High	High	High	-
	RBC 2	2018	High	Low	-	High	High	Med	-	-
Risk Management	BCBS 239/CRD IV	2017	Med	High	Med	Med	-	Med	Med	-
Investor Protection	AIFMD	2014	High	High	Med	Med	High	High	Low	-
	UCITS V	2016	High	High	Med	Low	High	High	Low	-
Tax	FATCA/CRS	2014/7	Med	High	-	-	High	-	Med	-

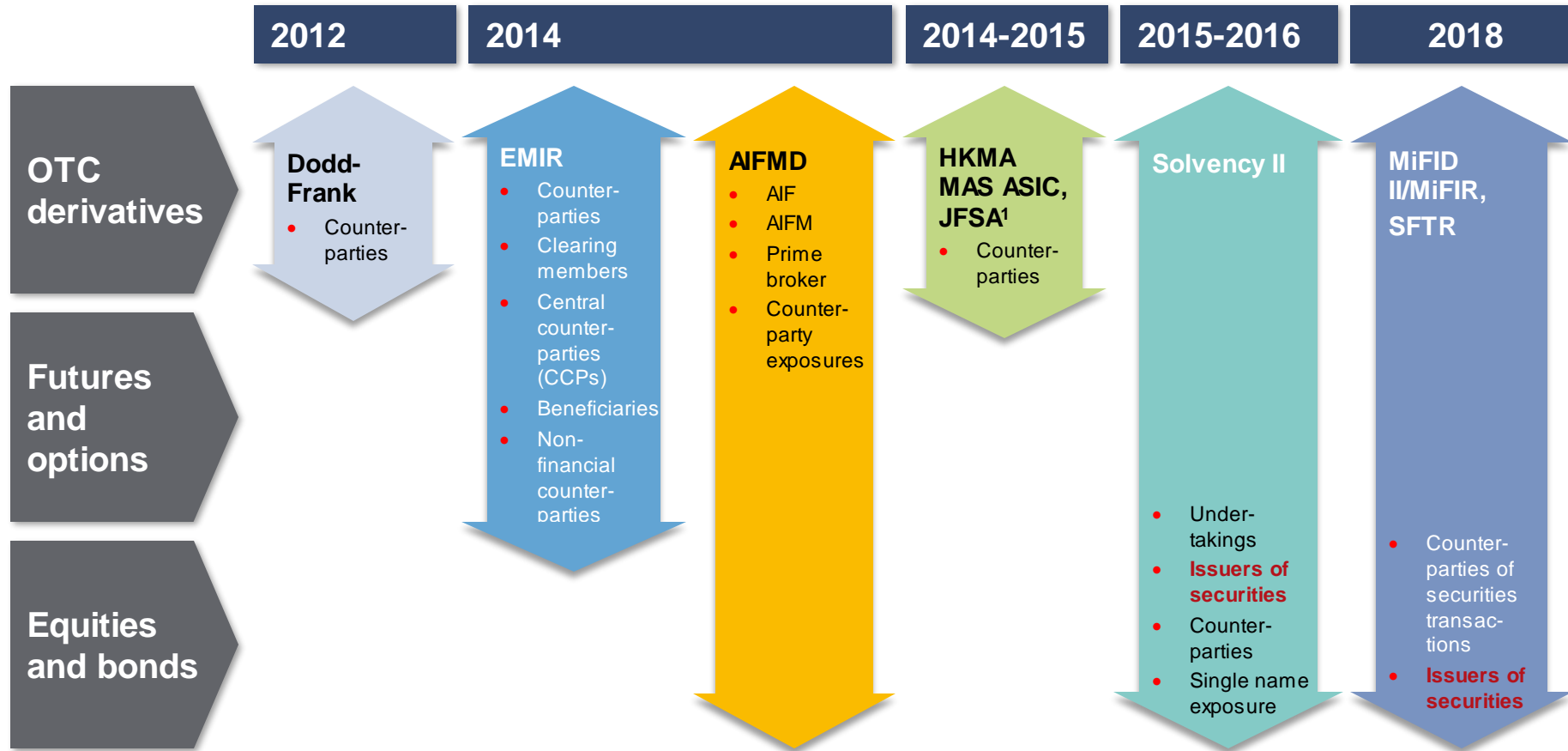
Impact on market data coverage/quality/difficulty:



Thematic similarities mean it is possible to gain efficiencies by joining-up data across regulation

Notes:
Initial interpretation based on consultation papers and regulatory updates (primarily ESMA and EIOPA) .
All future dates are indicative
1. Also being planned for additional countries

The evolution of the LEI



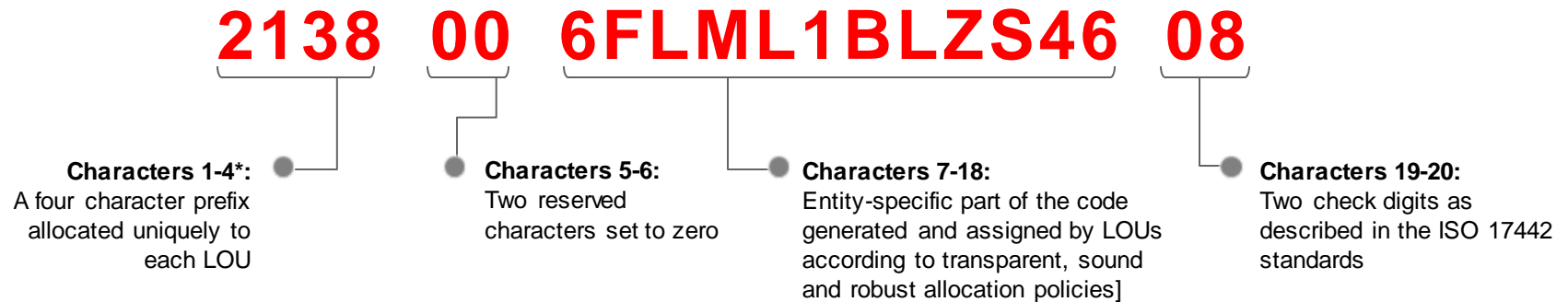
A significant expansion of the LEI with outreach required to Issuers in particular

“No more than 15% of all issuers have requested an LEI to date” (Source: Bloomberg, Thomson Reuters in 2016)

Notes:

- Also planned for Malaysia and Indonesia
- Initial interpretation based on consultation papers and regulatory updates
- Further data requirements may be contained in forthcoming MiFID II level 2 rules
- Additional data requirements for issuers and/or securities intermediaries are likely for Revised EU Shareholder Rights Directive and the EU Securities Financing Transactions Regulation

The LEI: An illustration of information it contains, and the costs



Source: https://www.leiroc.org/publications/gls/lou_20130318.pdf

Deliberately “dumb” code

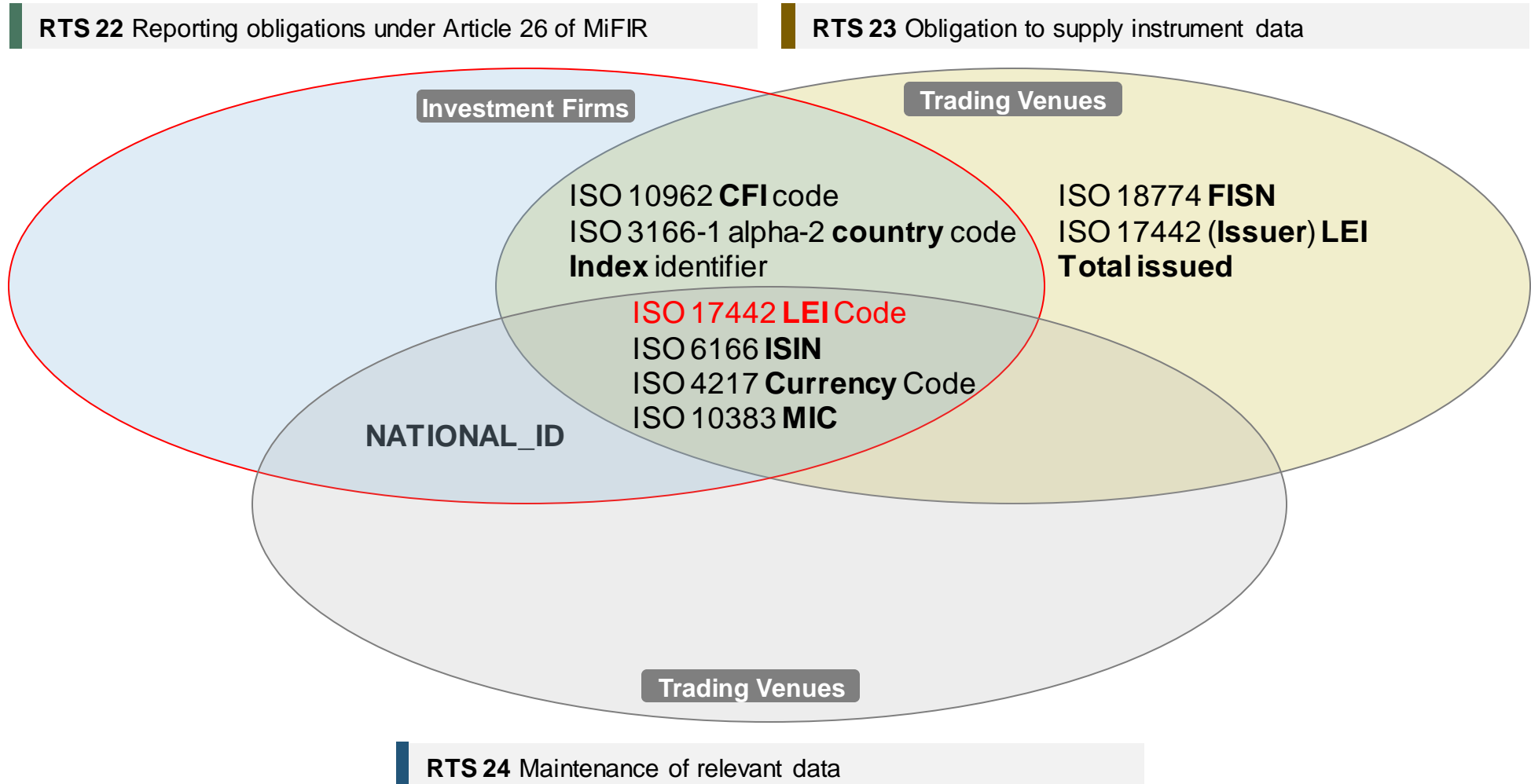
- The LEI is deliberately structured to contain as little intelligence as possible
- This is entirely deliberate and is in the interests of economical long term data management
- It means that the code itself will never need to change only the ancillary data, like a bar code or a mobile phone number

Costs

- The LEIs are not-for profit and the LOUs operate on a cost recovery basis
- The current costs for LEIs are as follows:

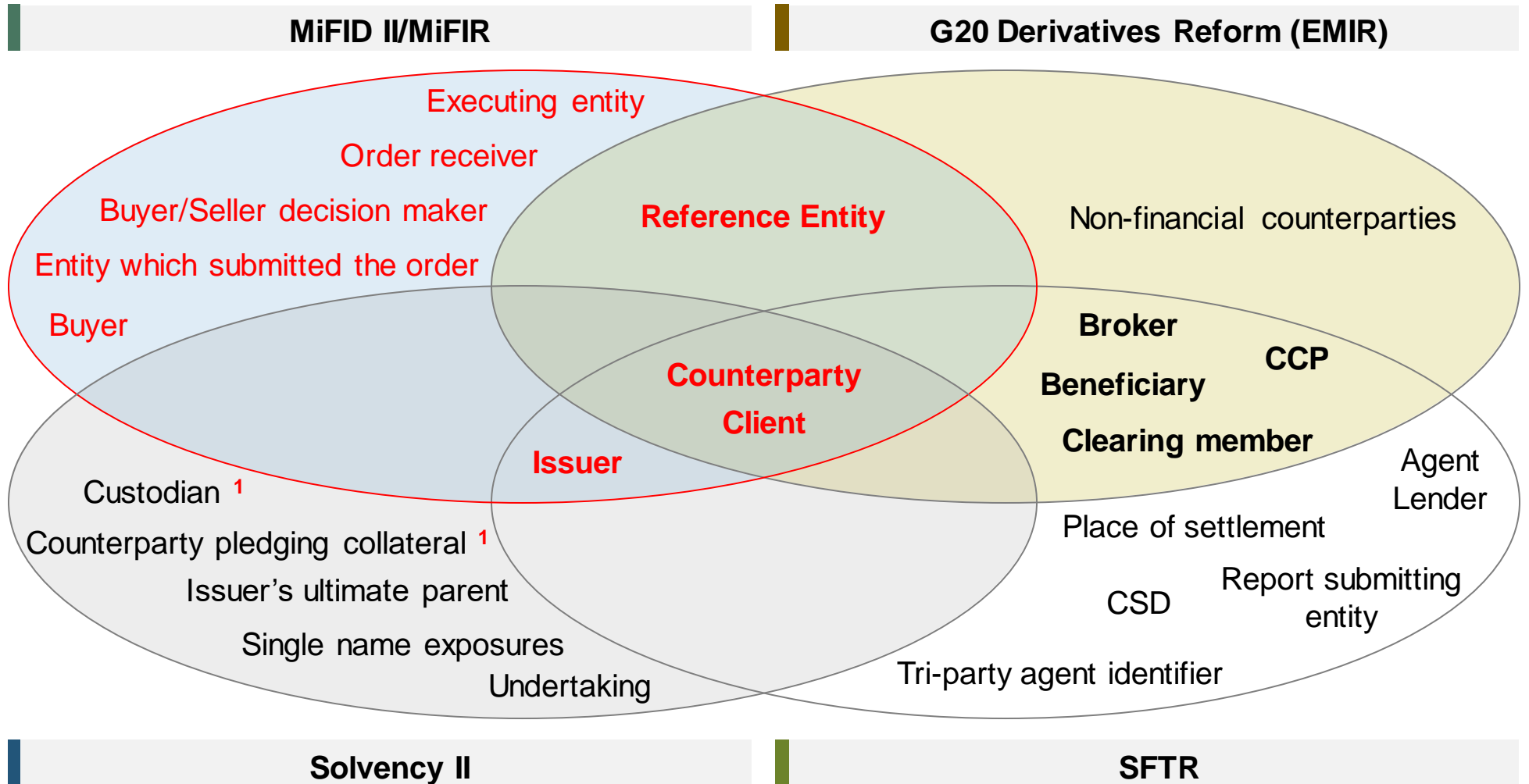
Local Operating Units (sample)	Creation (one-off)	Renewal (annual)
GMEI (Global Markets Entity Identifier)	USD220	USD120
GEI (General Entity Identifier)	EUR145	EUR95
IEI (International Entity Identifier)	GBP115 + VAT (bulk reductions)	GBP70 + VAT
LEI (Bloomberg)	USD75	USD50

MiFID II/MiFIR: Transaction reporting market data required from firms and venues



Note: Initial interpretation based on consultation papers and regulatory updates (primarily ESMA)

LEI cross-over between regulations (illustration)



LEIs are/will be required for up to 40 types of entity; each type of entity must buy and maintain their LEI(s)

- **Note:** Initial interpretation based on consultation papers and regulatory updates (primarily ESMA and EIOPA).
- **Note:** ¹ EIOPA requires the entity name that appears in the LEI database (as opposed to the actual LEI code)

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