

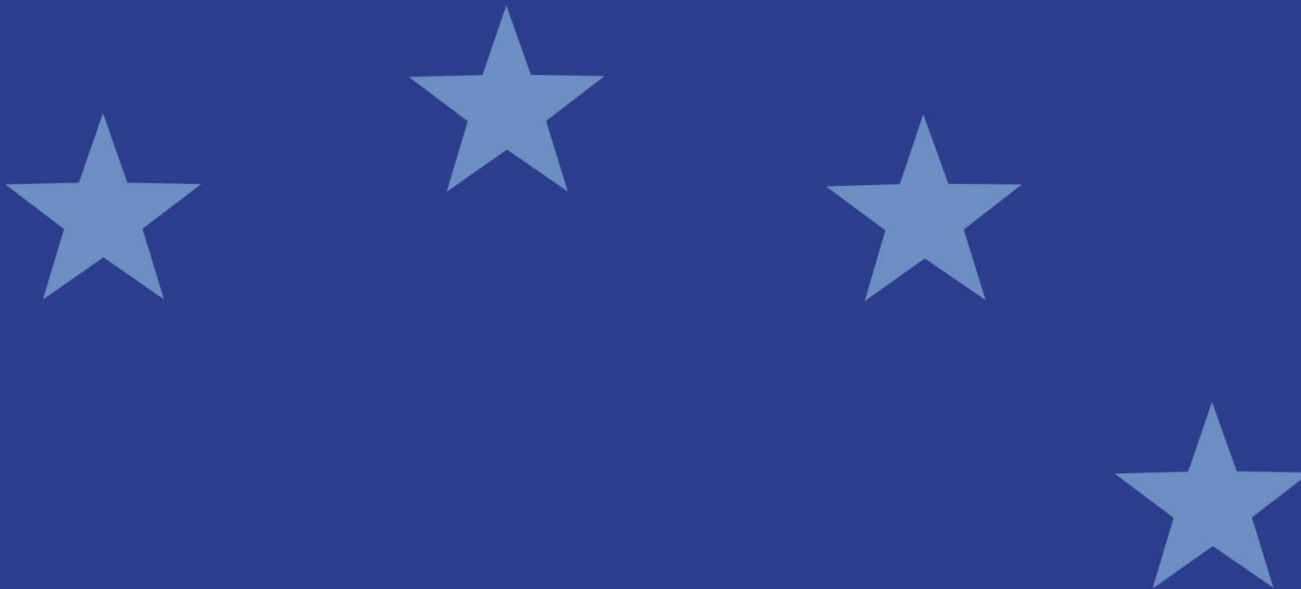


European Securities and
Markets Authority

18 April 2018

LEI and MiFID II

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Uptake in LEI issuance

Total number of LEIs issued since the start of the LEI system by month

Y Axis: volume of LEI created



source: GLEIF



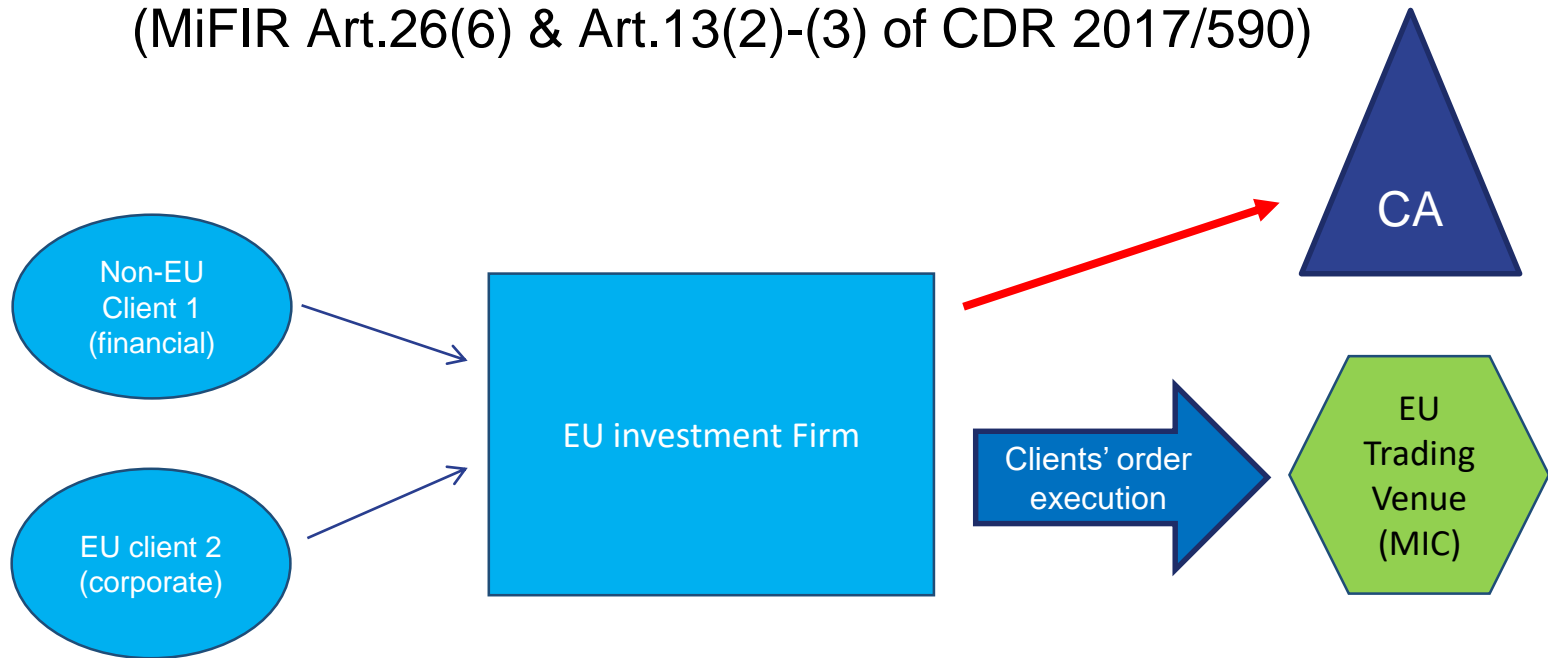
MiFIR LEI requirements – direct and indirect

- **Entities directly subject** to the reporting requirements.
→ **Obligation to obtain and renew the LEI**

MiFID investment firms, Trading Venues, ARMs
- **Entities that are not directly subject** to the reporting requirements but must be identified in the report with an LEI (incl. non-EU entities) → **obligation to obtain the LEI**
 - 1) Clients (slide 6 below)
 - 2) Issuers of financial instruments (slide 7 below)
 - 3) Brokers, firm transmitting the order
 - 4) Entity responsible for the investment decision

Entities to be identified in MiFIR reports

1) Clients of EU investment firms (*no-LEI no-trade*) (MiFIR Art.26(6) & Art.13(2)-(3) of CDR 2017/590)

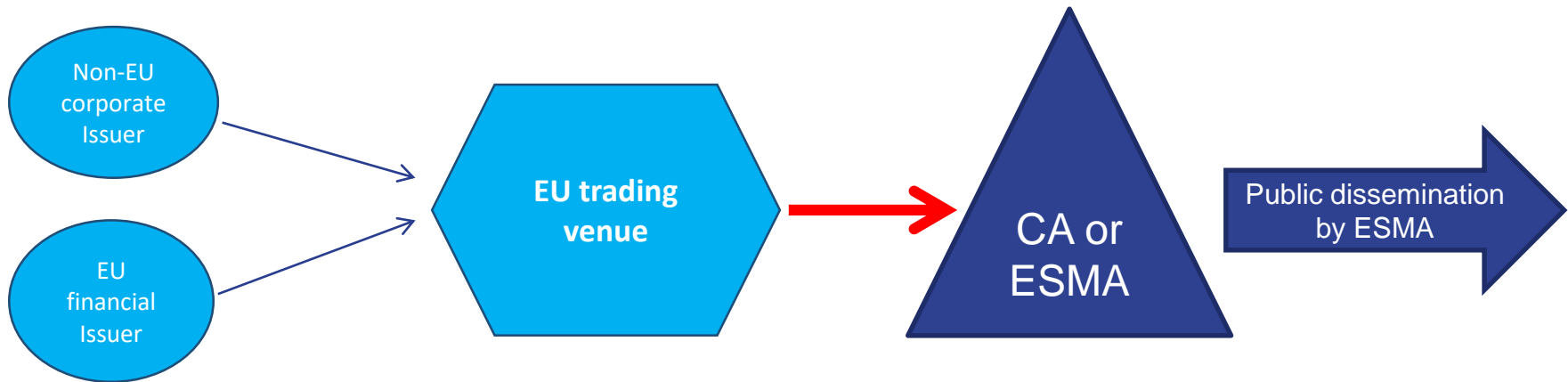


Legend: light blue colour indicates obligation to obtain LEI; the red arrow indicates the transaction report; CA = Competent Authority.

Note: this diagram has been simplified to illustrate what are the entities that generally need to be identified with LEI. Several scenarios involving EU investments firms and their clients can occur, for further details on the specific scenarios, please refer to the 118 examples of the MiFIR reporting Guidelines, available on [ESMA website](#).

Entities to be identified in MiFIR reports

- 2) Issuers listed/traded on European trading venues, i.e. traditional exchanges as well as new MiFID venues (MiFIR Art. 27 and Art. 3(2) of CDR 2017/585)**



Legend: light blue colour indicates obligation to obtain LEI; the red arrow indicates the reference data report; CA = Competent Authority.

Note: the concept of EU trading venue includes traditional exchanges, Multilateral Trading Facilities as well as the newly introduced Organised trading Facilities (e.g. interdealer brokers).



No-LEI No-Trade

Article 13(2) of CDR 2017/590

“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”



ESMA statement of 20 December 2017

ESMA allows for a temporary period of six months that:

- Investment firms may provide a service triggering the obligation to submit a transaction report to the client, from which it did not previously obtain an LEI code, under the condition that before providing such service the investment firm obtains the necessary documentation from this client to apply for an LEI code on his behalf;

and

- Trading venues may report their own LEI codes instead of LEI codes of non-EU issuers currently not having their own LEI codes, while reaching out to the non-EU issuers to obtain their LEI code.



Conditions & monitoring – Clients

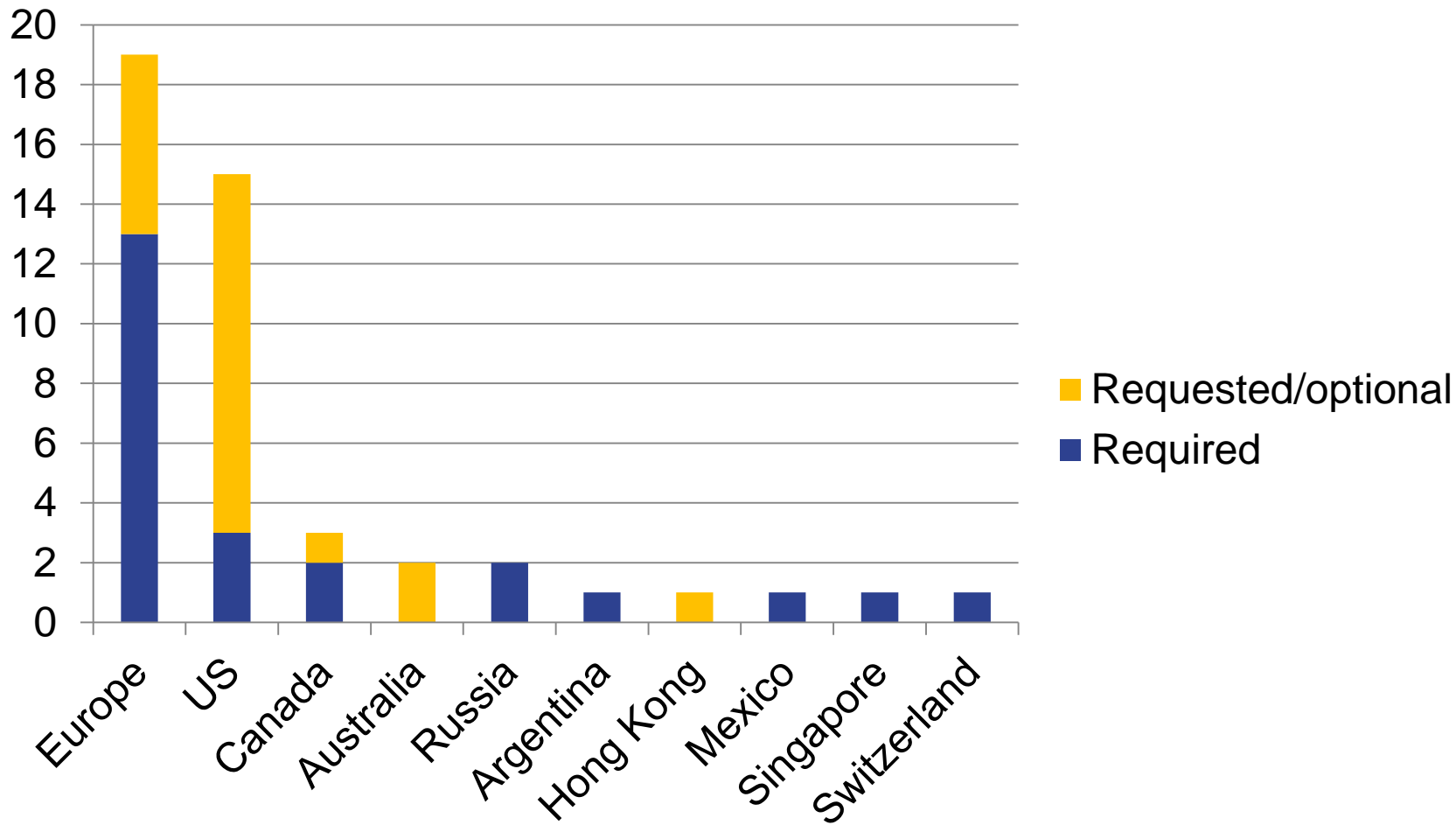
- *Before providing the investment service the investment firm must obtain the necessary documentation from this client to apply for an LEI code on his behalf. The investment firm will need to immediately apply for the issuance of the LEI on behalf of the client. Once the relevant LEI has been obtained, the investment firm should submit its transaction report.*
- *Such practice will be accepted only on a temporary basis and NCAs will closely monitor the timelines, accuracy and completeness of the submitted transaction reports. This will also require NCAs to temporarily amend a validation rule in their transaction reporting systems to allow for the acceptance of transaction reports where the LEI issuance date is after the transaction execution date.*



Conditions & monitoring – Issuers

- *Trading venues will be allowed on a temporary basis to report their own LEI codes instead of LEI codes of the non-EU issuers while reaching out to the non-EU issuers.*
- *ESMA and NCAs will closely monitor the accuracy and completeness of the submitted reference data and pay particular attention to the frequency and the number of trading venues' own LEIs used instead of non-EU issuers' LEIs.*

1. Regulatory actions by jurisdiction



Source: LEI ROC Progress report on the global LEI system and regulatory uses of the LEI, 5 November 2015



LEI requirements envisaged by ESMA rules

Area	Entities concerned	Application
Funds (AIFMD)	53,686 funds; managers of investment funds	August 2014
CRAs Regulation	40 CRAs + 50.500 rated entities incl. parents and originators of structured products	March 2016
Transparency Directive	issuers whose securities are admitted to trading on regulated markets	January 2017
EMIR Reporting to TRs	Counterparties to derivative contracts; beneficiaries; brokers; CCPs and clearing members.	November 2017
CSDR	CSDs; CSDs participants; issuers of instruments recorded in CSDs. Settlement internalisers.	End 2017 subject to CSDs authorisation (expected for majority of CSDs by end 2018) Mid-2019 for settlement internalisers



LEI requirements envisaged by ESMA rules

Area	Entities concerned	Application
Market Abuse	Issuers of financial instruments traded on EU Regulated Markets and MTFs. Suspicious transactions; managers transactions on issuers of instruments.	July 2016 <i>(the clarifications published in May 2016 on ESMA website should be considered)</i>
MiFID II	Investment firms and their clients. Issuers of financial instruments listed/traded on MiFID II venues. Decision makers.	Jan 2018 <i>(a year later than originally planned)</i>
SFTR	Parties involved in securities financing transactions and the beneficiaries.	Expected in Q3 2019 for financials. 3 months later for CCPs and CSDs. 6 months later for non-financials.
Prospectus Regulation	Issuers of securities offered to the public under the conditions of Art. 1(2)-(5) of the Regulation or admitted to trading on a EU regulated market.	ESMA delivery to EC expected in Q3 2018. Application expected on 21 July 2019