

# Legal Entity Identifiers

## Background

The G-20 (an international forum for the governments and central bank governors from 20 major economies) has introduced an initiative which is designed to help identify and reduce market abuse and market manipulation. It requires some types of investor to register for a unique number that can be used to identify who is carrying out investment activities and/or instructing others to do so on their behalf.

Certain investors who are deemed to be legal entities must obtain a Legal Entity Identifier (LEI) in order to continue to receive investment services after 3rd January 2018, when new European legislation, the Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR) takes effect in the UK.

MiFID II is a major reworking of the regulatory framework governing the Financial Services Organisation in the EU. The Financial Conduct Authority (FCA) has confirmed that this regulation will apply even though the UK has voted to leave the EU. This legislation was enacted prior to the Referendum. Thesis is preparing for the changes required by the legislation and requires your assistance in one particular matter to fully comply with the new regulations.

## What is a legal entity?

Although not specifically defined in the legislation, legal entities include trusts (but not bare trusts), companies (public and private), pension funds (but not Self-invested Personal Pensions), charities and unincorporated bodies.

## What is an LEI?

An LEI is a twenty character alpha numeric reference code that is unique to each legal entity. In the UK an LEI can be obtained on the London Stock Exchange website (<http://www.lseg.com/LEI>). An LEI is used as the identifier for the legal entity whenever it undertakes investment activity or an investment firm undertakes investment activity on its behalf in a reportable financial instrument such as equities and bonds.

## Who is responsible for obtaining an LEI?

The legal entity itself, not their investment firm(s), is ultimately responsible for obtaining an LEI but some investment firms may agree to apply for the LEI on behalf of their legal entity clients. If they do, the legal entity will be required to confirm in writing (by letter or email) that they authorise the investment firm to do so.

## What is the deadline for obtaining an LEI?

Legal entities must have obtained an LEI by 3rd January 2018.

## What happens if the legal entity fails to obtain an LEI by 3 January 2018?

Investment firms will not be able to provide the legal entity with investment services. The absence of an LEI means that investment firms will be unable to execute trades on a market on behalf of the legal entity. We have determined that any relevant portfolio (trust, charity, company) that has securities that trade on a market needs an LEI. In short, portfolios that have shares, gilts, individual bonds and ETFs will need an LEI. Our understanding is that portfolios that only include unit trusts or a fund such as Optima will not.

## What is the cost of obtaining an LEI?

London Stock Exchange will be charging fees on a cost recovery basis. There is an initial allocation cost of £115 plus VAT and an annual maintenance cost of £70 plus VAT per LEI. In line with the principle of the global LEI system related to sustainable funding, both costs are inclusive of the LEI licence fee which is passed onto the Global LEI Foundation (GLEIF).