Agenda

Introduction/Overview
  Robin Doyle, Board Member, GLEIF
  Managing Director, JP Morgan, Office of Regulatory Affairs

Update from the LEI ROC
  Joseph Tracy, Chair, LEI Regulatory Oversight Committee (ROC)
  Executive Vice-President, Chief of Staff's Office, FRBNY

GLEIF – Current Initiatives
  Stephan Wolf, CEO, GLEIF

MiFID II Transaction Reporting – LEI Requirements
  Andrew Henderson, Partner, Eversheds

The Requirements to LEI in Regulatory Reporting: An Overview
  Chris Johnson, Senior Product Manager, Market Data, HSBC
Joseph Tracy
Chair, LEI Regulatory Oversight Committee (ROC)
Executive Vice-President, Chief of Staff’s Office, FRBNY
• Accreditation of pre-LOUs

• Implementation of relationship data

• Expanded scope of eligibility for LEIs

• Capturing funds relationships

• Capturing corporate actions

• Regulatory efforts
Stephan Wolf
CEO, GLEIF
GFMA – GLEIF Webinar on LEI - Update

01 February 2017

Stephan Wolf – GLEIF CEO

GLEIF Unrestricted
Who is GLEIF

- The GLEIF is a Swiss foundation inaugurated in June 2014 and founded by the Financial Stability Board (FSB). It is overseen by 70 global regulators in the Regulatory Oversight Committee (ROC).

- GLEIF Board has 17 independent directors (Jan 2017) and is chaired by Gerard Hartsink.

- GLEIF in Numbers:
  - Revenue 2015 – 6,8M USD
  - Number of employees – 30 from 18 countries
  - Partners for LEI issuing (LOUs) – 28, and growing
  - Registered LEIs (Jan 2017) – 490,000
Agenda

1. Year 2016 Recap
2. GLEIF Strategy 2021
3. Update Level 2 Projects
4. Accreditation Update
5. Operations
1. Year 2016 Recap
GLEIF Achievements 2016

Accreditation

Intl. Website

Level 2

Monthly DQR

SLA Reporting
GLEIF Achievements 2016

New Jurisdictions

Registration Authority List

Challenge Portal

Mapping Program

New Partner

New Partner

ISO BIC 9362

ISO ISIN 6166
2. GLEIF Strategy 2021
GLEIF Achievements 2016

New Jurisdictions

Registration Authority List

Challenge Portal

Mapping Program

New Partner

New Partner

ISO BIC 9362

ISO ISIN 6166
Key Objectives for the Development of a GLEIF Strategy

- GLEIF will be responsible for the implementation of any ROC policy decision in terms of technical, legal, organizational and quality standards.

- GLEIF seeks to make the LEI relevant for LEI owners beyond regulation.

- The strategy will address markets, products, target groups and the business model.
GLEIF’s strategy 2021 is geared towards substantially growing the number of LEIs.

It is addressing the private sector globally in multiple industries.
GLEIF’s strategy is based on three pillars with focus on core financial markets:

- **Strategy**

- **Full coverage of capital and money markets globally**

- **Pilot projects in adjacent markets to explore growth options**

- **Research project: GLEIS 2.0 for KYC, e.g. using distributed ledger technology**

---

Global LEI System
Summary: Grow LEI Issuance in Capital Markets

- Deepen the LEI usage for derivatives reporting in Asia Pacific, Africa and South America.

- Implement new policies around ownership information and relationships.

- Support implementation of MiFID/MiFIR, Solvency II and Prospectus Regulation in Europe.

- Promote LEI usage for similar programs in North America and Asia.
3. Update Level 2 Project
Objective of Level 2 as defined by the ROC policy:

Establish technical standards and infrastructure in order to collect, validate and publish Level 2 data on “who owns whom”.

- Prototype exercise concluded on 7 December 2016 by GLEIF and five ‘first mover’ LOUs.
- GLEIF and LOUs have demonstrated that the file formats, state transition rules and validation rules as well as technical interfaces are fit for purpose.
- Project goal has been fully achieved.
Executive Summary
Level 2 next steps

- Onboarding of all LOUs to the technical standards and infrastructure by **1st May 2017**.

- Upgrade of GLEIF services to support Level 2:
  - LEI Download
  - LEI Search
  - LEI Statistics
  - Challenge Management
  - Data Quality Reports
All technical standards required for Level 2 are completed and have been published on 1 Dec 2016:

- LEI Common Data File (LEI-CDF) Format 2.
- State Transition Rules for the LEI Common Data File Format (including Validation Rules)
- Relationship Record Common Data File (RR-CDF) Format
- State Transition Rules for the Relationship Record Common Data File Format (including Validation Rules)
- Reporting Exceptions Format
- Parent Reference Data Format for non-LEI parents
Level 2 Project Progress
Published on Website

Specific section on Level 2 Standards
Direct link on new gleif.org start page
Level 2 Project Progress
End-to-end test successful

Actions performed by participating LEI issuers during prototype exercise

- Worked with selected actual legal entities that have obtained an LEI (their clients) to collect parent information ✔
- Received accounting documents from the legal entities to validate parent information ✔
- Created data records using technical documentation developed by GLEIF ✔
- Uploaded these data records via an interface provided by GLEIF, using an encrypted transfer protocol, and electronically signed the files to ensure authenticity ✔

Actions performed by GLEIF during prototype exercise

- Received the files including parent information from the ‘first mover’ LEI issuers ✔
- Checked files to ensure compliance with relevant technical documentation and business rules ✔
- Created sample files including parent information ✔
**Level 2 Project Progress**

End-to-end test successful

<table>
<thead>
<tr>
<th>Pilot LOU</th>
<th>Data collected</th>
<th>Data validated</th>
<th>Files created*</th>
<th>Files uploaded</th>
<th>Files compliant with Level 2 standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bundesanzeiger Verlag</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>GMEI Utility</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>in progress*</td>
<td>✔</td>
</tr>
<tr>
<td>London Stock Exchange</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>in progress*</td>
<td>✔</td>
</tr>
<tr>
<td>SIMAH</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>UNIONCAMERE</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

* Files have also been received via email, which enabled GLEIF to check for compliance with Level 2 standards
Branches
On 11 July 2016, the LEI ROC published the final version of its policy document on “Including data on international/foreign branches in the Global LEI System”.

By end of November 2016, GLEIF developed, together with Level 2 „Who owns whom“, technical formats and business rules based on above LEI ROC policy.

On 10 February 2017, the consultation period with Local Operating Units (LOUs) and LEI ROC on these documents ends.

By end of March 2017, GLEIF will then consolidate feedback received and publish final versions of the standards.
LEI for branches – Policy Requirements

- Requirements for branches based on the LEI ROC policy document:
  - The branch is a lead international branch or international branch network outside of the head office’s jurisdiction.
  - The branch is registered in a publicly accessible local business registry or local regulatory registry or tax registry.
  - The reference data of the branch in the LEI system always specifies that the entity is a branch, in a way that is easily accessible to users.
  - The head office (or headquarters) of the branch already has an LEI so that the LEI of the head office entity can always be associated with the LEI of the international branch in the GLEIS.
**LEI for branches**

Implementation via Level 1 and Level 2

- **Level 1 – Entity Information**
  In LEI Common Data File 2.0, there is a new field called "EntityCategory" which takes the value "BRANCH" to clearly identify branches within LEIs.

- **Level 2 – Relationship Information**
  In Relationship Record Common Data File Format 1.0, there is a RelationshipType called "IS_INTERNATIONAL_BRANCH_OF" to identify relationships between head offices and branches.

![Diagram showing head office and branch with relationship type and entity category](image)
4. Accreditation Update
Accreditation status
(as of 31 Jan 2017)

12 Applicant LOUs
- 4 new organizations
- 8 pre-LOUs

23 Candidate LOUs*
- 5 new organizations
- 18 pre-LOUs

3 Accreditations

Website

Candidate LOUs

Applying for Accreditation
accreditationrequest@gleif.org

* Currently there are 4 candidate LOUs in the on-Boarding process.
5. Operations
Data Quality

Monthly LOU Data Quality Reports
- First LOU Data Quality Reports will be published on February 03, 2017 for the month of January 2017.

Challenge Management
- 257 Challenges have been opened in 2016 (monthly average = 46)
- The average processing time is 12 days and therefore above the defined 10 business days as some LOUs have not processed their challenges
- Almost all (23 out of 29) LOUs received Challenges
- More than 40% of all Challenges resulted in changed entity information
- 9% of the Challenges identified and eliminated existing duplicates – occurring because of troubles with transfer management
The GLEIF Service Performance Reports show GLEIF’s SLA performance in accordance with the Master Agreement:
GLEIF Communications
New Website, New Messaging

- Communications on collecting data on direct and ultimate parents
- Launch of revised GLEIF website
Limitations

This presentation contains confidential and proprietary information and/or trade secrets of the Global Legal Entity Identifier Foundation (GLEIF) and/or its affiliates, and is not to be published, reproduced, copied, or disclosed without the express written consent of Global Legal Entity Identifier Foundation.

Global Legal Entity Identifier Foundation, the Global Legal Entity Identifier Foundation logo are service marks of Global Legal Entity Identifier Foundation.
Andrew Henderson
Partner, Eversheds
LEIs under MiFID II

1 February 2017

Andrew Henderson
Partner
Overview of transaction reporting under MiFID II

The requirement for LEIs under the MiFID II transaction reporting regime: unless firm has an LEI it will not be able to trade directly or indirectly in European markets
What is MiFID II transaction reporting?

Article 26 MiFIR transaction reporting is:

− the **reporting of post-trade data**

− relating to **transactions in financial instruments**

− by investment firms and or trading venues (for non-MiFID firms) (or their delegates)

− to the **competent authorities** (via an ARM / trading venue / other system decided by ESMA)

− within **one working day of execution**
What is execution?

An investment firm executes a transaction where it:

- performs (1) reception and transmission of orders in relation to one or more financial instruments; (2) execution of orders on behalf of clients; or (3) dealing on own account

- makes the investment decision in accordance with a discretionary mandate given by a client, or

- transfers financial instruments to or from accounts

provided that in each case such services or activities have resulted in a transaction

Investment firms which are considered to have transmitted orders which result in transactions should not be considered as having executed those transactions - although they do not transaction report, their details are required by the executing broker and this must include the LEI.
What is a transaction?

Covers:

- purchases and sales of reportable instruments
- other cases of acquisition or disposal of reportable instruments, particularly entering into or closing out derivative contracts
- increases / decreases in the notional amount of a derivative
The breadth of the LEI regime

<table>
<thead>
<tr>
<th>FIELD</th>
<th>CONTENT TO BE REPORTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executing entity identification code</td>
<td>Code used to identify the entity executing the transaction</td>
</tr>
<tr>
<td>Submitting entity identification code</td>
<td>Code used to identify the entity submitting the transaction report to the competent authority</td>
</tr>
<tr>
<td>Buyer identification code</td>
<td>Code used to identify the acquirer of the financial instrument</td>
</tr>
<tr>
<td>Seller identification code</td>
<td>Code used to identify the disposer of the financial instrument</td>
</tr>
<tr>
<td>Buyer decision maker code</td>
<td>Code used to identify the person who makes the decision to acquire the financial instrument</td>
</tr>
<tr>
<td>Seller decision maker code</td>
<td>Code used to identify the person who makes the decision to dispose of the financial instrument</td>
</tr>
<tr>
<td>Transmitting firm identification code for the buyer</td>
<td>Code used to identify the firm transmitting the order</td>
</tr>
<tr>
<td>Transmitting firm identification code for the seller</td>
<td>Code used to identify the firm transmitting the order</td>
</tr>
</tbody>
</table>
Why are LEIs required?

LEIs are required to be provided in transaction reports to:

– ensure certain and efficient identification of investment firms responsible for execution of transactions

– safeguard the effectiveness of market abuse surveillance of legal persons, including by investment firms obtaining LEIs from their clients before providing services which would trigger reporting obligations

– facilitate market surveillance
How are LEIs acquired?

- LEIs are issued by Local Operating Units ("LOUs"), a list of which is available at: https://www.gleif.org/en/about-lei/how-to-get-an-lei-find-lei-issuing-organizations
- Can use any LOU accredited and qualified to validate LEI registrations within its authorized jurisdiction(s)
- When registering, you need to supply accurate reference data, which the LEI issuing organization must then verify the reference data with local authoritative sources

Diagram of LEI acquisition process:

Source: the Global Legal Identifier Foundation
Maintaining data quality

Once an LEI is acquired, it must be maintained to ensure data quality.

- This is in part achieved through:
  - A requirement that the legal entity notify the LOU when changes occur to legal entity reference data.
  - An annual renewal process whereby the legal entity and the LOU review and re-validate the legal entity reference data.

*Source: the Global Legal Identifier Foundation*
Further information on transaction reporting

Briefing on transaction reporting under MiFID II generally:


Alternatively, please do contact us at: AndrewHenderson@eversheds.com
Chris Johnson
Senior Product Manager, Market Data, HSBC
GFMA LEI webinar

The requirement for Legal Entity Identifiers in regulatory reporting: an overview

- Date: 1st February 2017
- Prepared by: Chris Johnson
- HSBC Securities Services
ESMA requirement for LEIs under 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 MiFID II – Legal Entity Identifier (LEI) update
First published December 2\textsuperscript{nd} 2016

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

- **Note:** This is an extract from the FCA LEI update. The full document is available on the FCA website
Focus on MiFID II/MiFIR: Transaction reporting market data requirements

Investment firms will need to report LEI for up to 15 types of entity, trading venues must also obtain all issuer LEIs.

- **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)

- **MiFID II/MiFIR**
  - Executing entity
  - Reference Entity
  - Counterparty
  - Client
  - Issuer
  - Custodian
  - Counterparty pledging collateral
  - Issuer’s ultimate parent
  - Single name exposures
  - Undertaking

- **G20 Derivatives Reform (EMIR)**
  - CCP
  - Non-financial counterparties
  - Broker
  - Beneficiary
  - Clearing member
  - Place of settlement
  - CSD
  - Report submitting entity

- **Solvency II**
  - Undertaking

- **SFTR**
  - Tri-party agent identifier
  - Agent Lender

• **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)
Disclaimer

This document is issued by HSBC Bank plc (“HSBC”). HSBC is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and is a member of the HSBC Group of companies (“HSBC Group”).

HSBC has based this document on information obtained from sources it believes to be reliable but which have not been independently verified. Any charts and graphs included are from publicly available sources or proprietary data. Except in the case of fraudulent misrepresentation, no liability is accepted whatsoever for any direct, indirect or consequential loss arising from the use of this document. HSBC is under no obligation to keep current the information in this document. You are solely responsible for making your own independent appraisal of and investigations into the products, investments and transactions referred to in this document and you should not rely on any information in this document as constituting investment advice. Neither HSBC nor any of its affiliates are responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. The issuance of and details contained in this document, which is not for public circulation, does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity or other investment product or investment agreement, or any other contract, agreement or structure whatsoever. This document is intended for the use of clients who are professional clients or eligible counterparties under the rules of the FCA only and is not intended for retail clients. This document is intended to be distributed in its entirety. Reproduction of this document, in whole or in part, or disclosure of any of its contents, without prior consent of HSBC or any associate, is prohibited. Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document. Nothing herein excludes or restricts any duty or liability of HSBC to a customer under the Financial Services and Markets Act 2000 or the rules of the FCA.

This presentation is a “financial promotion” within the scope of the rules of the FCA.

HSBC Bank plc
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Registered in England No. 14259
Registered Office: 8 Canada Square, London, E14 5HQ, United Kingdom
Member HSBC Group