GFMA, GLEIF and Thomson Reuters
Webinar on the Global Legal Entity Identifier System

27 APRIL 2017 | 2:00PM-3:00PM HKT
Agenda

1. Introduction
   Mark Austen, CEO, Global Financial Markets Association

2. LEI Overview and Benefits
   Daisuke Yamazaki, Director for Trade Reporting, Office of International Affairs, Financial Services Agency, Japan; Vice Chair, LEI Regulatory Oversight Committee

3. LEI Requirements in MiFID II
   Wenlin Juang, Head of Pricing & Reference Services Asia, Thomson Reuters

4. GLEIF Overview and Obtaining an LEI
   Stephan Wolf, CEO, Global LEI Foundation
Supporting Associations
Daisuke Yamazaki
Director for Trade Reporting, Office of International Affairs, Financial Services Agency
Vice Chair, LEI Regulatory Oversight Committee
Objective: the LEI Initiative

- The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code, to uniquely identify legally distinct entities.

- The objective is to strengthen systemic risk capabilities of regulators to analyze positions and transactions of firms they oversee on a globally integrated basis.

- G20 Leaders encouraged “global adoption of the LEI to support authorities and market participants in identifying and managing financial risks” (June 2012).

- FSB report «A Global Legal Entity Identifier for Financial Markets» (June 2012) sets high level principles and recommendations for the governance of the system.

- The LEI initiative builds on extensive public and private sector collaboration. LEI code features are set in ISO standard 17442.
Governance: LEI ROC

Regulatory Oversight Committee (ROC) established in Jan. 2013:

✓ 91 members and observers from over 50 jurisdictions

✓ Open to any public sector authority, international financial institutions, other international public sector bodies


The ROC oversees the system and sets policy requirements:

✓ Data quality: accurate, consistent and unique entity identification

✓ Meet evolving requirements of regulatory community and industry

✓ Availability of LEI and LEI reference data, without restrictions: the LEI is non-proprietary identifier

✓ Allowing use of local languages and character sets in registration and access to the system in a common language and character set
Existing Regulatory Uses

- OTC Derivatives Reporting
- Reporting to national regulators
- Enhanced disclosure of securitized products
- Enhancing regulation and supervision of credit rating agencies
- Identification of securities issuers and use in securities transactions reporting
- Other regulatory uses

Source: Progress report by the LEI ROC “The Global System and regulatory uses of the LEI,” 5 Nov. 2015
Ongoing International Discussions

Harmonisation of key OTC derivatives data elements
- Developing technical guidance for UTI, UPI, and other critical data elements
- Proposing use of LEI for identifying counterparties, UTI issuers, etc.

Correspondent banking
- Identification of originators and beneficiaries of wire transfers
- Report published by CPMI on July 2016
- BIC-to-LEI Mapping (GLEIF and SWIFT)

Promoting LEI adoption in Asia
Benefits to the Industry

- Better Information
  - Effectively measure and manage client exposure

- Operational Efficiency
  - Facilitates linkage of entities/counterparties within internal operations platforms by a single identifier

- Client Services
  - Meet client demand for increased transaction transparency
  - Support clients to meet regulatory reporting needs
Wenlin Juang
Head of Pricing & Reference Services Asia, Thomson Reuters
MiFID II – MFIR Requirements and Their Impacts on Asia

April 27, 2017
Wenlin Juang
Head of Pricing & Reference Services Asia
Your Partner to Address Regulatory Challenges

Do you have access to the data and solutions you need to comply with MiFID II?

MiFID II SOLUTIONS & SERVICES
Your MiFID II questions, answered.
How Does MiFID II Help Drive LEI Adoption?

- Buyers/Sellers Require LEI as Part of the Counterparty Disclosure in the Transaction Reporting
- Systematic Internalisers Use Issuer LEI Which Provide Linkage Between Securities and Issuers to Determine Scope of Their Reporting Obligations
Who is Impacted by MiFID II?

- Asia HQ with EU Branch
- EU HQ with Asia Branch
- Asia Based Firm with Non-EU Presence Dealing in EU Markets
MiFID II Reporting Requirements

TRADE REPORTING

- Near REAL TIME reporting of Trades to ESMA via an APA
- Total of 16 data fields required
- MiFID 2 regulation has a mandate in post-trade transparency for trading venues and investment firms to disseminate trade information to the PUBLIC (volume, price, instrument, time).
- Trade reporting will require reference data for the instrument as part of the trade report, including LEI of Issuers.

TRANSACTION REPORTING

- MiFID 2 introduces new REGULATORY REPORTING requirements (transaction reporting).
- T+1 reporting of the trade details by an Investment Firm (or the Trading Venue) via an ARM to the National Competent Authority (home regulator)
- Total of 81 data fields required
- These reports are not public and only sent to regulator. They would include trader id / algorithm code and counterparty details, including LEI of the buyer/seller.
- Transactions require reference data for the instruments as part of the transaction report
MiFID II/LEI Impacts on Asia – Key Benefits

- Allow Regulators to Identify Potential Systematic Risks on Global Scale
- Enable Firms with Holistic View on Counterparty Risks
- Stronger Collaboration of All Market Participants to Strengthen Investor Protection
Importance of Obtaining an LEI

- MiFID II/MiFIR requires LEIs to be supplied for each of the parties involved in an investment, including: executing entity, submitting entity, buyer, seller, and transmitting firms for both the buyer and the seller.

- MiFIR RTS 22 (in ESMA/2015/1464), Article 13(2): “Investment firm shall not provide a service that would trigger the obligation of an investment firm to submit a transaction report for a transaction entered into on behalf of a client who is eligible for the legal entity identifier code, prior to the legal entity identifier code being obtained from that client.”

- European regulators have been clear that without an LEI, firms will not be able to comply and will not be able to trade in European markets. The European Securities and Markets Authority (ESMA) has stressed the point of ‘No LEI; no trade.’

- Despite this, there is concern that firms and clients outside of the EU do not feel obligated to acquire an LEI. This, however, will result in their losing access to European markets.
Stephan Wolf
Chief Executive Officer, Global LEI Foundation
GLEIF Overview - Obtaining an LEI

27 April 2017

Stephan Wolf, CEO of GLEIF
ASIFMA, GLEIF and Thomson Reuter’s LEI Webinar
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 2016 – 6,8M USD
  - Number of employees – 30 from 18 countries
  - Partners for LEI issuing (LOUs) – 29, and growing
  - Registered LEIs (April 2017) – > 500.000
The LEI is a unique 20 digit alphanumeric code without embedded intelligence based on ISO 17442 standard assigned to legal entities.

**Example:** ABB Scecheron S.A., Switzerland

**LEI-CDF 2.0** is the reference data standard for the LEI.
Example from www.gleif.org

JOHNSON CONTROLS L.L.C.

WILMINGTON, United States

Validation against 600 selected global registration authorities

Growing international network of LEI issuers
**Vision:**

Each business worldwide should have only one true identity. This identity should include a digital identity.

The LEI system shall provide identity management, by issuing LEIs for legal entities, and by providing quality assured links of LEIs into alternative identity management systems.

**Mission:**

GLEIF manages a network of partners to provide trusted services and open, reliable data for unique legal entity identification worldwide.
GLEIF Services

GLEIF offers a wide range of services in Global LEI System including:

- Perform/Verify Accreditation
- Provide Business Report
- Provide Global LEI Index
- Define and Monitor Data Quality
- Website in G20 languages
- Provide Challenge Facility
- Develop technical standards
- Partner Projects with Standard Organizations
The partnering LEI Issuers offer a wide range of services in the Global LEI System including:

- **Issue New LEI**
- **Enter Corporate Actions**
- **Manage Challenges**
- **Transfer of LEIs and LE-RD**
- **Renewal of LEIs**
How to obtain an LEI

- 29 LEI issuers are readily available to issue an LEI.
- GLEIF provides a list of LEI issuers on its Website for easier access.

Costs to obtain an LEI*

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<th>Description</th>
<th>Cost</th>
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<tr>
<td>New LEI</td>
<td>$75</td>
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<tr>
<td>LEI yearly renewal</td>
<td>$50</td>
</tr>
<tr>
<td>LEI yearly renewal</td>
<td>$119</td>
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<tr>
<td>New LEI</td>
<td>$219</td>
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These are the published official prices by some LOUs and converted to USD by GLEIF. Competition law requires that GLEIF will not interfere in pricing policies of the LOUs.
Data on Who Owns Whom: The LEI ROC Policy

Overall policy

Entities that have or acquire an LEI will report

- Their ‘ultimate accounting consolidating parent’: Defined as the highest level legal entity preparing consolidated financial statements
- Their ‘direct accounting consolidating parent’: Defined as the lowest level legal entity that prepares consolidated financial statements that consolidate the entity

In both cases, identification of the parent would be based on the accounting definition of consolidation applying to this parent

- IFRS (International Financial Reporting Standards) and
- US GAAP (United States Generally Accepted Accounting Principles)

Accounting definitions were chosen as a starting point

- Applicable to both financial and non-financial companies
- Their international comparability has increased
- Widely used, publicly available and their implementation is periodically reviewed by external auditors
Mission: To collect, validate and publish data on “who owns whom”

- Prototype exercise successfully concluded on 7 December 2016 by GLEIF and five ‘first mover’ LEI Issuing partners.
- Collection and dissemination of ownership data will start May 1\textsuperscript{st} 2017
What is the GLEIF’s role in the Level II implementation?
End to end project management

- GLEIF is responsible for carrying out the project management and has developed the organizational and technical standards required by the LEI issuing organizations to collect the parent information.

- GLEIF and LOUs have demonstrated that the file formats, state transition rules and validation rules as well as technical interfaces are fit for purpose.

“With every data scrape, or use of an LEI, the picture of global corporate activity is becoming slightly less opaque thanks to the work of a hidden army of geeks”

Financial Times
Will the Level II data be public? Where can it be found?

On GLEIF Website

- Dedicated section on Level 2 Standards

- Direct links on new gleif.org start page

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Introducing the Legal Entity Identifier (LEI)

How to Get an LEI: Find LEI Issuing Organizations
- Registration Agents
- Regulatory Use of the LEI
- GLEIF Statement on EDN Report on New EU Prospectus Rules
- ISO 17442: The LEI Code Structure
- Common Data File Formats
  - LEI-CDF Format
  - Relationship Record CDF Format
  - Parent Reference Data Format
- GLEIF Registration Authorities List
- Questions and Answers

Common Data File Formats

The Legal Entity Identifier (LEI) connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. The International Organization for Standardization (ISO) 17442 standard defines a set of attributes or legal entity reference data that are the most essential elements of identification.

The Global Legal Entity Identifier Foundation (GLEIF) has published the Global LEI Index. It provides information, updated daily, on all LEIs issued to date.

The Common Data File (CDF) formats provide the specificity needed for implementation of the ISO standard and the data which builds upon it. External standards have been included in the CDF formats, where appropriate, to promote data quality. The reporting of LEI and legal entity reference data is conducted daily by the LEI issuing organizations using the CDF formats.
How does the GLEIF ensure the quality of the Level II data?

- The implementation is 1 May 2017.
- GLEIF plans a post-implementation program for continuous improvement of the Level 2 data collection.
- GLEIF will engage with the LEI ROC, LOUs, and any public user of the data for a structured feedback program.

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<thead>
<tr>
<th>8 May</th>
<th>8 May – June</th>
<th>30 June</th>
<th>28 July</th>
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<tr>
<td>First publication of the <strong>public</strong> Level 2 relationship record file and exception reporting</td>
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<td>Engage with the LOUs to support initial implementation and follow-up on any initial issues</td>
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<td>GLEIF publishes its first call for feedback on the quarter-end publication</td>
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<td>Deadline for LEI ROC and public users to provide GLEIF feedback for the first quarterly review cycle</td>
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Thank you for your attention!
For more information, visit the GLEIF Website at www.gleif.org
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Questions and Answers