

The Legal Entity Identifier (LEI)

Complying with the EU's SFTR

The Securities Financing Transaction Regulation¹ (SFTR) entered into force on 11 April 2019, with a phased-in compliance period. Compliance with the regulation requires that reporting firms provide their own LEIs as well as the LEIs of their counterparties.

What is the SFTR?

The SFTR was introduced to increase transparency in the securities financing transaction (SFT) market. SFTs are transactions where securities are used to borrow cash, or vice versa, and include repurchase agreements, securities lending activities, and sell/buy-back transactions.

The SFTR **requires that reporting firms provide details of SFT transactions, including their own LEI and the LEI of their counterparty**. The reporting requirements will be phased-in between now and January 2021, with **the first set of firms (investment firms and credit institutions) required to comply by 11 April 2020**.

What types of firms are impacted?

The SFTR covers a range of firms, including **banks, investment firms, CCPs, CSDs, insurance, reinsurance undertakings, pension funds, UCITs, AIFs and non-financial counterparties**. The regulation covers SFTs conducted, traded or reused by:

- any counterparty established in the EU, including all its branches irrespective of where they are located
- any EU branches of non-EU counterparties
- UCITS firms
- Alternative investment funds

What is an LEI?

The LEI is a 20-digit, alpha-numeric code based on the ISO 17442 standard. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions. Once a legal entity obtains an LEI code, the code stays with the legal entity for its existence. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Special rules apply for LEIs regarding Natural Persons. For more information, see www.gleif.org.

How do I obtain an LEI?

To obtain an LEI, an entity should contact any one of 33 issuing organizations (known as Local Operating Units, or LOUs), which provide registration, renewal and other related services. An LEI is typically issued within 24-48 hours of application, and each legal entity is required to recertify its LEI annually to ensure the data is accurate. The average cost of registration is about US\$68, and annual renewals cost about US\$48 on average.

List of LOUs: <https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations>

Where else are LEIs required?

The Financial Stability Board, which brings together central banks, ministries of finance and key financial regulators from the major global economies, has called on domestic regulators to adopt the LEI within their regulatory frameworks. The LEI is already mandated or requested in various regulations in the Americas, Europe, Asia, Australia and Africa. The GLEIF maintains a list of LEI regulatory requirements on its website².

Other Questions?

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¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R2365>

² <https://www.gleif.org/en/lei-solutions/regulatory-use-of-the-lei>