



MiFID II/MIFIR Readiness

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What is MiFID II/MiFIR and the LEI requirements?



- MiFID II and MiFIR were adopted by the European Parliament and the Council of the European Union and published on 12 June 2014. Building on the rules already in place, these new rules are designed to take into account developments in the trading environment since the implementation of MiFID in 2007. They aim to improve the functioning of financial markets making them more efficient, resilient and transparent.
- Impacted parties include trading venues and investment firms in respect of financial instruments which are traded or admitted to trading on EU trading venues regardless of whether the transaction is carried out on a trading venue.¹
- Impacted instruments are those where the underlying is traded on a trading venue or it is an index or basket composed of financial instruments traded on a trading venue.²
- According to the instrument reference data and transaction reporting technical standards^{1,2}, transactions subject to MiFIR must have an LEI for identifying counterparties, the issuer, the operator of a trading venue or systematic internaliser, and other parties facilitating the transaction.
- The deadline for MiFID II compliance is **3 January 2018**.

See European Securities Market Authority website for more detail: <https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir>

¹ See MiFIR Article 27

² See MiFIR Article 26

What does this mean for parties involved in financial transactions?

- While many EU regulations already obligate certain markets or market participants to have an LEI for transaction reporting, MiFID II is unique as it will require LEIs for transaction reporting across all asset classes.
- **The LEI of the client of MiFID investment firms** is required to comply with the MiFIR requirements. An investment firm cannot provide any investment service that would trigger the obligation to report transactions executed on behalf of a client if that client does not have an LEI.
- **The LEI of the issuer of every financial instrument** is required in order to comply with the MiFIR requirements.
- Some examples include:
 - A non-EU entity that trades a derivative with an EU bond underlying.
 - An investment manager, delegated entity, or trading advisory acting on behalf of its underlying client places a share order with an EU entity.
 - The International Swaps and Derivatives Association provides further examples³

¹ See Article 13(2) RTS 22

² The rule on LEI for issuers is already envisaged under the MAR regime and covers Regulated Markets and Multilateral Trading Facilities since June 2016. [ESMA communication regarding the launch of reference data submission](#)

See also ESMA LEI Briefing for further details: https://www.esma.europa.eu/sites/default/files/library/esma70-145-238_lei_briefing_note.pdf

³ [http://www.gfma.org/uploadedFiles/Initiatives/Legal_Entity_Identifier_\(LEI\)/ISDA_GFMA_LEI_FAQ_Outreach_2017.pdf](http://www.gfma.org/uploadedFiles/Initiatives/Legal_Entity_Identifier_(LEI)/ISDA_GFMA_LEI_FAQ_Outreach_2017.pdf)

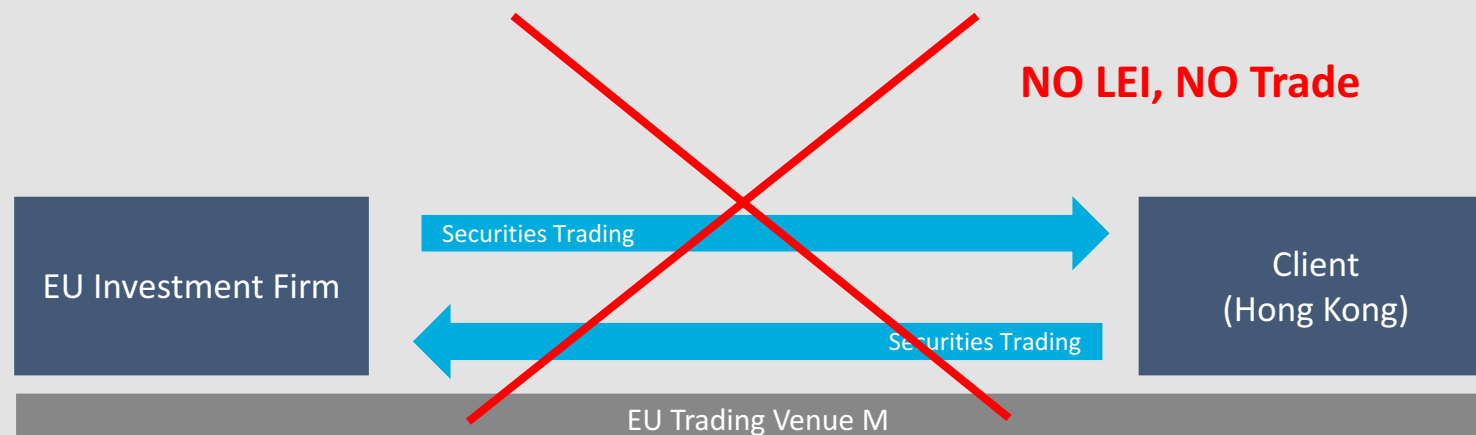
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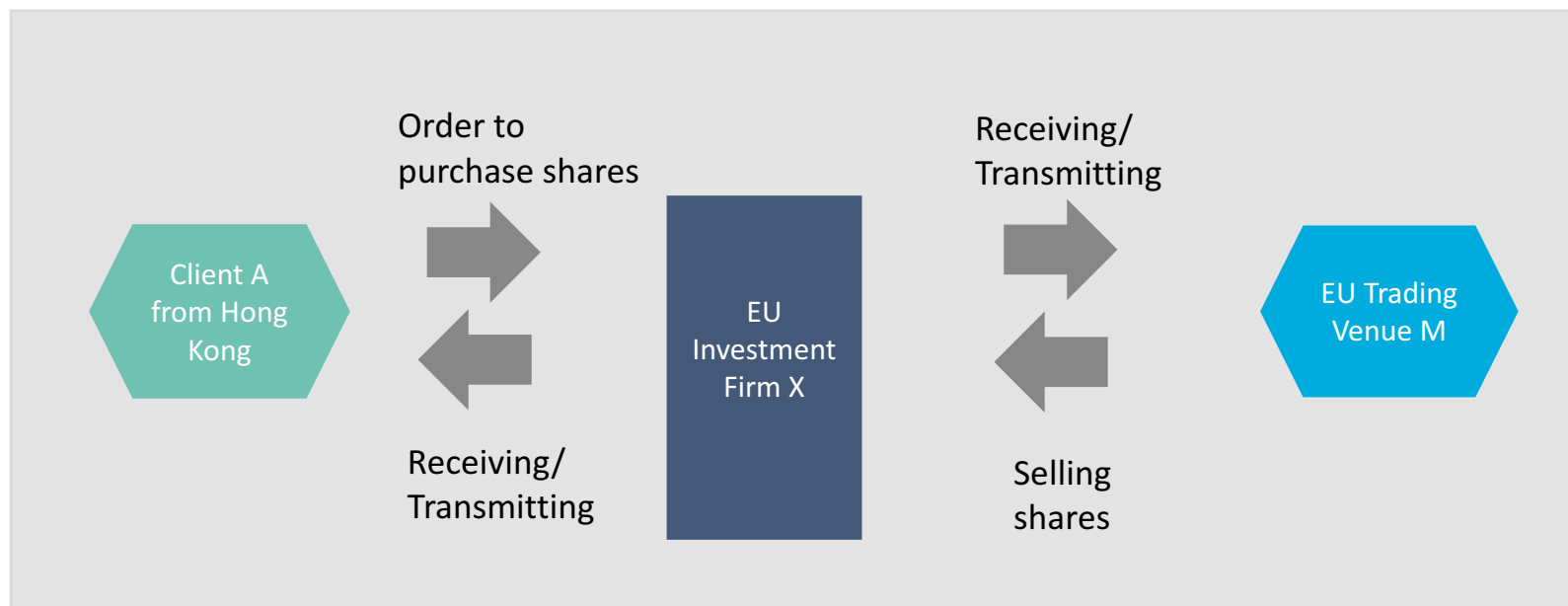
Before: No LEI Obligation



After: LEI Obligation for *Investment Firm*



Transaction Reporting Requirements



Investment Firm X LEI Reporting Obligation:

- Executing entity identification code: LEI of Investment Firm X
- Buyer identification code: LEI of Client A¹
- Seller identification code: LEI of CCP² for Trading Venue M

¹ Given that Client A is a legal entity

² CCP (central counterparties)

Impact of LEI requirements?

Clients of investment firms that trade a European instrument on a European venue are required to get an LEI even if¹:

- they are not an EU entity,
- they are not operating or domiciled in the EEA,
- they are not directly subject to EU regulations,
- they are the non-reporting counterparty;
- they had no previous obligation to get one

In addition, In order to ensure certain and efficient identification of investment firms responsible for execution of transactions, those firms should ensure that they are identified in the transaction report submitted pursuant to their transaction reporting obligation using **validated, issued and duly renewed legal entity identifiers (LEIs)**.

¹ MiFID II applies to financial services businesses transacting anywhere in the European Economic Area ('the EEA') - EU 27 + UK, Iceland, Liechtenstein and Norway.

GLEIF 2017: Helping Industry to Get Ready for MiFID II



3 January 2018: Market participants must comply with the revised Markets in Financial Instruments Directive (MiFID II).

Call to action

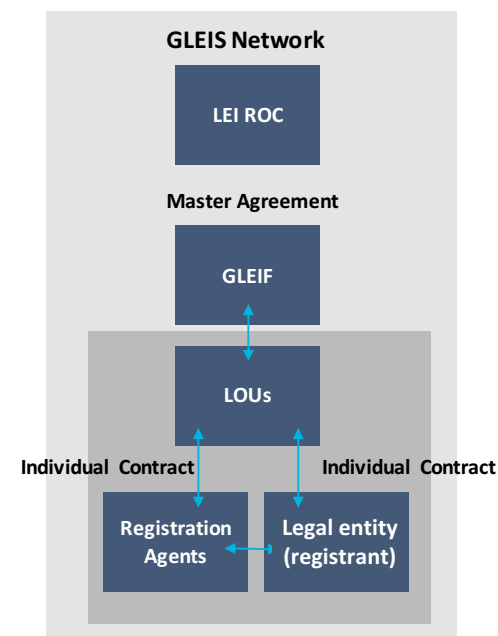
- The earlier firms register, the better
- We hope there will not be any delays, but this is completely in the hands of the industry
- The later they register, the bigger the chance that there will be a delay
- We cannot guarantee that everyone who comes late to the registration process will get an LEI in time for the regulation to kick in

Registration Agents

- To further streamline LEI issuance, GLEIF has introduced the concept of the 'Registration Agent'. A Registration Agent assists legal entities to access the network of LEI issuing organizations

Does your client need an LEI? Become a Registration Agent

- Under MiFID II, investment firms should obtain LEIs from their clients before providing services which would trigger reporting obligations in respect of transactions carried out on behalf of those clients
- To further streamline the issuance of LEIs, GLEIF has introduced the concept of the 'Registration Agent', which allows organizations to help their clients to access the network of LEI issuing organizations.
- The Registration Agent enters a contract with the LEI Issuer(s) of its choice. Registration Agents are under the LEI Issuer's governance in the Global LEI System. Registration Agents do not go through the [Accreditation Process](#) that requires various tests to become an LOU. The LOU has the ultimate responsibility for the LEI operation.



BECOME A REGISTRATION AGENT

Learn more about the LEI and the Global LEI Foundation



Get an LEI and Make it Work for You

<https://vimeo.com/223435959>

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