

The Need for a Legal Entity Identifier

With effect from 3 January 2018, investment managers will only be able to continue to execute a trade on behalf of a client who is eligible for, and has obtained, a Legal Entity Identifier (LEI). This may mean you need to apply for an LEI for your pension scheme, depending on the criteria as outlined below. This requirement arises under the forthcoming Markets in Financial Instruments Directive II (MiFID II) which imposes new reporting requirements on investment managers.

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What is an LEI?

An LEI is a unique 20-character alpha-numeric code for legal entities, such as most pension schemes, public and private companies, or charities. One of the key drivers of MiFID II is increased transparency and enhanced reporting and an LEI is expected to help with this. It will enable every legal entity that is a party to a relevant financial transaction to be identified in any jurisdiction.

The LEI is used to provide for the efficient aggregation of information by an owner (Legal Entity), and for the efficient implementation of regulatory requirements. The LEI connects key reference information that enables clear and unique identification of legal entities participating in financial transactions. The publicly available LEI data pool can be regarded as a directory for all entities under the jurisdiction of MiFID II, which greatly enhances transparency in the global marketplace.

Which pension schemes are required to obtain an LEI?

From an investment perspective, we understand that LEIs will be required for all defined benefit pension schemes that have an investment arrangement through a segregated mandate. An LEI may also be required for some pooled arrangements depending on the fund structure, but in most cases pooled funds will be applying for an LEI directly, with no action required by the underlying pension schemes. However, this may change in the future if the regulatory requirements change, or if changes are made to your investment arrangements. Your investment adviser can assist in determining whether or not you need to apply for an LEI at the current time.

How to Obtain an LEI

The Global Legal Entity Identifier Foundation (GLEIF) is a not-for-profit organisation created to support the implementation and use of LEIs. GLEIF has authorised Local Operating Units (LOUs) to allocate LEIs globally. The UK LOU is the London Stock Exchange, but a full list of LOUs can be found on the GLEIF [website](#).

The London Stock Exchange has produced a quick user guide to applying for an LEI which can be accessed [here](#).

The Cost of an LEI

An LEI can be obtained directly from the London Stock Exchange for an initial fee of £115 + VAT. There is also an annual renewal fee of £70 + VAT. Both costs are inclusive of the LEI licence fee.

The Good News

The process for applying for and obtaining an LEI is neither difficult, nor time consuming. Trustees should be able to complete their registration in a matter of minutes, and the LEI is then provided immediately after payment is made online.

Comment

The forthcoming provisions of MiFID II can either be viewed as a sensible step towards greater transparency, or another example of unnecessary surveillance. What is true however is that compliance with the new Directive is not optional, and trustees that are legal entities must obtain an LEI if trades are to continue to be executed on their behalf (outside a pooled fund structure) from 2018.

Authors

John Dunkley, Senior Technical Consultant

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