

# AN LEI FOR ALL EVENTUALITIES\*

**REGLEMENTATION** Banks, investment companies and societies conducting derivative transactions have been already requiring a Legal Entity Identifier (LEI) for years. According to the new EU legislations, the worldwide-standardized identification number will become mandatory as of January 2018 for all transactions subject to disclosure obligation. Investors can rejoice in an increased transparency.

**T**hat the financial crisis ten years ago could propagate into the entire world was greatly due to numerous obscure company networks and international capital flows, which no one was able to clarify anymore.

The G20, the group of the twenty most important industrial and emerging countries, drew the conclusions of the lack of transparency on the financial market and decided to establish a system, which reliably identifies the legal entities and their worldwide, respective financial transactions: the Legal Entity Identifier (LEI). The 20-digit, alphanumeric code based on the ISO standard 17442 aims to disclose the most important data of legal entities. Similarly to the tax identification number for private individual, the LEI is assigned “for life”, however it has to be reactivated each year.

## Who is who?

On the website from the Global Legal Entity Identifier Foundation (GLEIF), which manages and supervises the LEI system, the reference data of societies saved with the LEI code are freely available worldwide and to everyone. In Level 1, the so-called business card information includes the official name and address of the company, the country of origin and the data of the first LEI-Assignment as well as the last update. For the unbounding of the international capital flows, Level 2 data are however most interesting. They are being collected since May 2017 and should be available for the

whole set of LEI by the middle of next year. Here it is about the question: who belongs to who? Information about eventual direct or ultimate parents is collected there. It results thereby in a unique data source, which also shows the relations between societies.

## A unique data source

Three dozens of Local Operating Units (LOU) worldwide are responsible for keeping the reference data up-to-date and EQS Group, which is currently undergoing the accreditation process, will still this year be part of them. In the course of the annual renewal, these LEI issuing organizations must validate the stored reference data by comparing them to a third source, in Germany the business or trade register.

With the LEI, the companies do not only satisfy the obligations from the European markets in financial instrument EU-directive (MiFID II) and its accompanying regulation MiFIR. They also present themselves as serious and reliable commercial partners to international investors, which attach always more importance to security and therefore want to know exactly with who they are doing business.

The acceptance of the LEI should thereby increase: according to the business report of the GLEIF, by the end of the second quarter 2017 481.000 LEI were active worldwide, until the end of the year they should already reach 550.000 according to the forecasts – upward trends!

Already this year, issuers, whose securities are admitted to trading on the regulated market, must indicate their identification code for direct reporting to the business

register. As of the 01.01.2018 you cannot pass through anymore if you want to fulfill the requirements of MiFID II and MiFIR. Because then, without an active LEI, besides the voting rights notification, no insider information or proprietary trading from managers, among others, can be published.

## Little effort, great impact

Companies should therefore apply timely for their Legal Entity Identifier in order to fulfill the transparency requirements. This requires, besides a few minutes, a current extract of the trade register as well as a procuration of the CEO or an authorized representative.



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