

# ISITC Europe

## LEI - Financial Institutions' Clients On-Boarding

### **Authors and Contributors:**

Martin Sexton (MS) London Market Systems  
Tom Seiden (TS) Toldy

### **1. Introduction**

The aim of this document is to examine the market practice associated with the notification by a Financial Institution to its clients regarding their obligation to request an LEI for themselves or other entities which they are responsible for, such as funds, Collective Investment Vehicles (CIV), etc..

This report examines the registration process, the information needed to initiate registration, as well as a notification template.

There is an appreciation that the risk of duplication of effort is likely to occur as a number of institutions are likely have overlapping client bases, therefore the pooling of resources is an option worth considering.

### **2. Information required for registration**

To initiate a registration process there are a few basic pieces of information needed such as the legal name, entity status, and the entity's legal form, along with its registered address. The name of the authorised person who has provided the content is also required as well as the named authorised person at the registered entity itself for ensuring that the data is correct.

### **3. Responsibility**

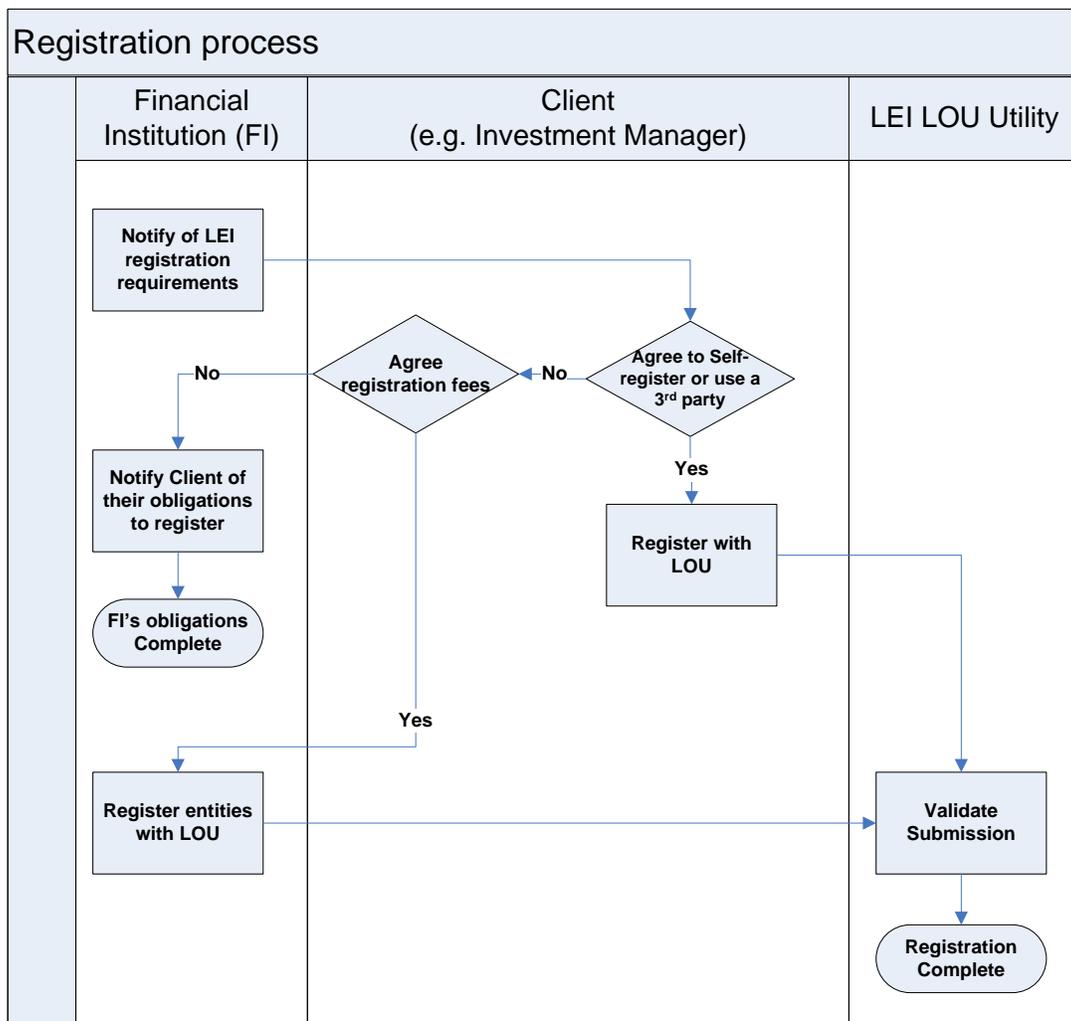
As part of the notification process the Financial Institution must make its clients, who are parties to transactions that require LEIs or pre-LEIs, aware of their obligation to register and the implication of failure to do so. The Financial Institution may wish to offer a registration service to its clients, but the responsibility for registration remains with the client.

## 4. Costs

An LEI utility does incur running costs and the organisation managing this facility has the opportunity to recover the costs for this service. It is expected that a nominal fee for registration as well as annual maintenance fees will apply. These are expected to be in the region of 100-200 US Dollars for registering, then a further 100 US Dollars annual maintenance thereafter<sup>1</sup>. No additional costs will incur if a challenge to the data is initiated.

If a Financial Institution offers to take on the role of registering for their clients, it will need to consider whether it will intend to absorb the costs for the initial registration and the ongoing maintenance. It's important that the Financial Institution makes this clear in the notification correspondence.

## 5. Notification process



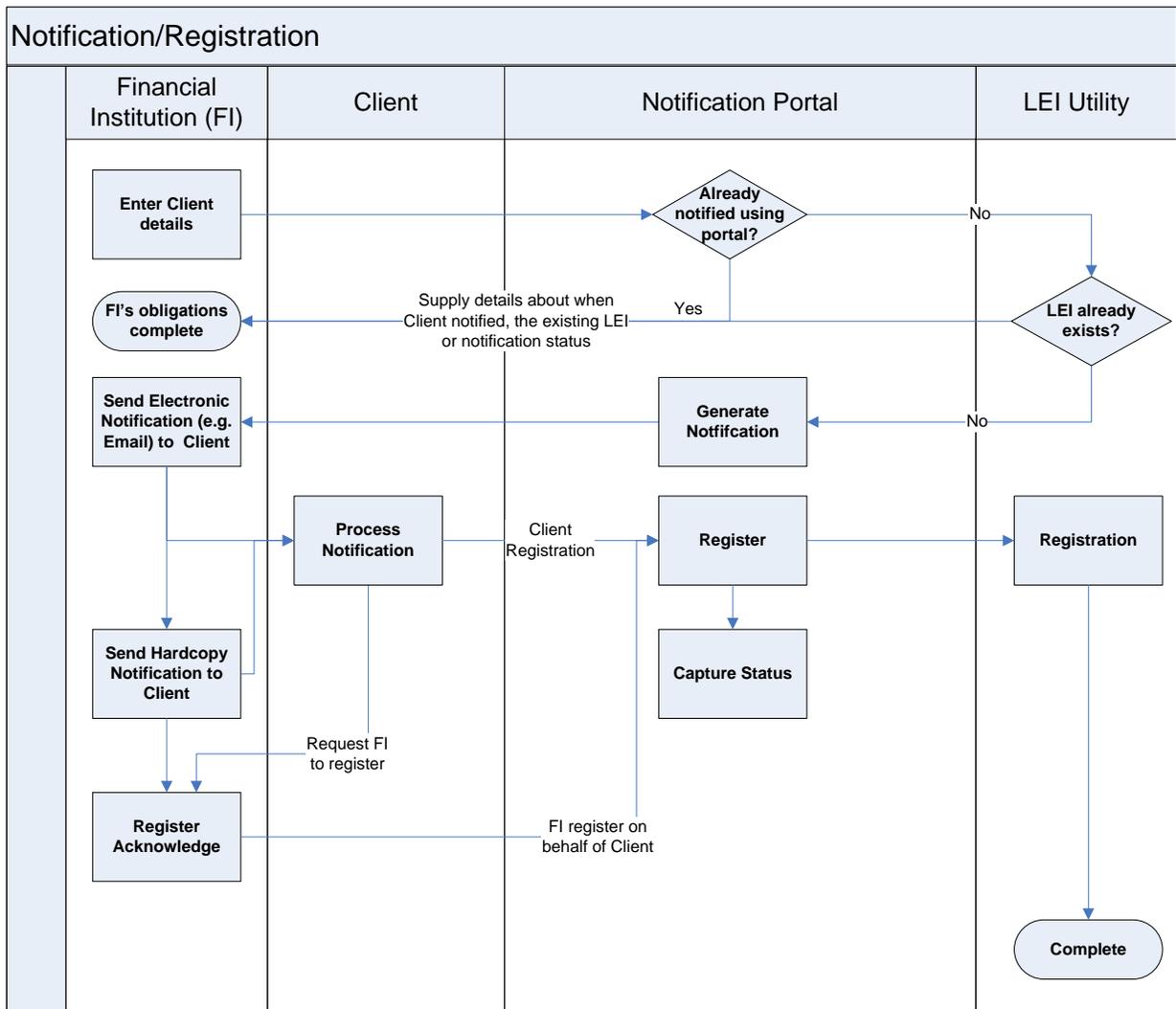
<sup>1</sup> This is based on the charges associated with the DTCC's CICI a pre-LOU (Local Operating Unit) Utility.

## 6. Duplication in client notification

It may be appropriate for Financial Institutions to pool resources and create a Notification/registration service portal, that sends out the notification mail shot, manages the responses and the associated reporting. Nonetheless, consideration needs to be given to the confidentiality of information, for example the identity of the Financial Institution that initiated the notification must not be disclosed outside the portal other than the affected clients of the institution.

## 7. Notification/registration service portal

The process associated with a portal to handle the LEI notification/registration service is outlined in the diagram that follows. To reduce complexity and enhance readability, exception, error and challenge handling are not shown.



## 8. Legal Entity Identifier notification template

It is recommend that a correspondence along the lines of the following is included in the notification.

### **Legal Entity Identifier (LEI) required**

#### **Purpose**

To ensure a consistent approach to identifying counterparty risk, regulators across the globe are adopting the Legal Entity Identifier (LEI) as a common standard business entity identification. To ensure that your business is compliant to these requirements we are notifying you of your obligation to register.

#### **Benefits of the LEI**

Some of the benefits of deploying the LEI in addition to meeting your regulatory obligations, includes:

- a single globally accepted identifier reducing the dependency on proprietary identifiers,
- improved settlement and reconciliation as a result of reduced counterparty mismatches,
- reduces the need for cross referencing of data from different vendors.

#### **What information is required?**

To initiate a registration process there are a few basic pieces of information required:

- the legal name (the full registered name),
- entity status (e.g. Active, Dormant),
- legal form (Limited, partnership, etc ...),
- the registered address,
- the named authorised person who has provided the content, if registration was done by a third party and the
- authorised person at the registered entity itself (for ensuring that data is correct).

Additional information may be required, once the final form of LEI data structures are known.

#### **Next Steps**

A couple of options are available for registering an legal entity:

1. To self register, all details about the LEI utilities can be found by going to:  
<http://www.isitc-europe.com/working-groups/lei-working-group>
2. Alternatively, we can offer a registration and maintenance service, details of which are explained in the flyer attached.