



EUROPEAN CENTRAL BANK

EUROSYSTEM

Legal Entity Identifier (LEI)

State of adoption and use
in the European post-
trade industry

24/25 June 2021 – AMI-
SeCo – item 3.1



Introduction

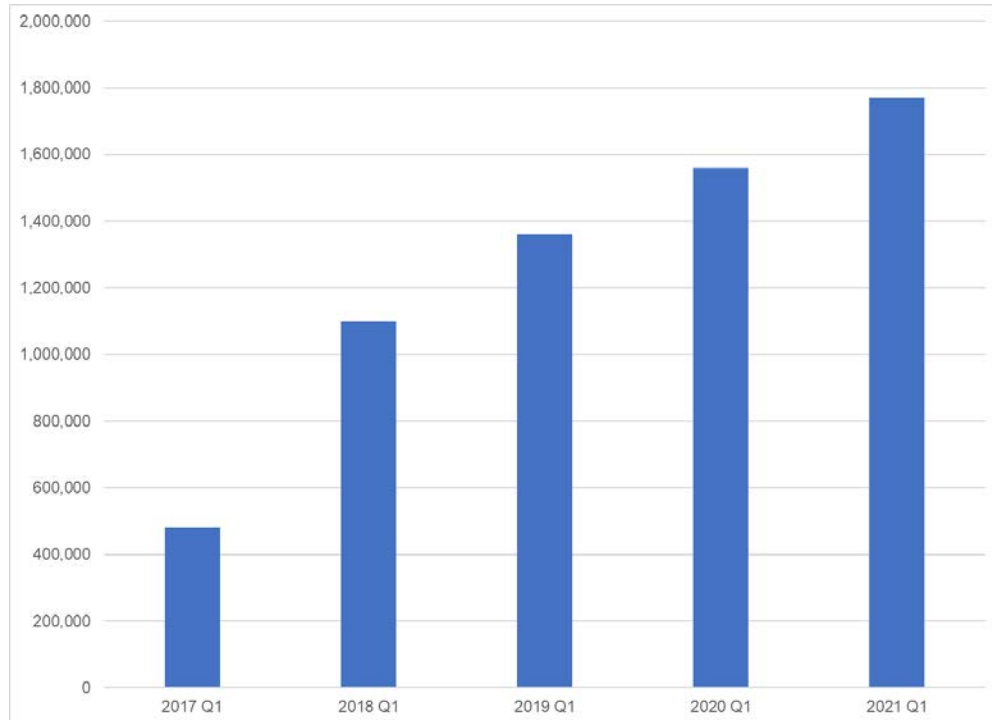
- The Legal Entity Identifier (LEI) is a 20-character, alpha-numeric code based on the ISO 17442 standard. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions
- Full adoption of the LEI is perceived by the Financial Stability Board as one of the key factors to improve the resilience of the global financial system
- The aim of this discussion is to collect informal feedback from AMI-SeCo members regarding the current penetration and use of LEIs in the securities post-trade industry, in particular on the prospects of the LEI replacing the BIC as the most common entity identifier
- Focus is on the potential blocking factors relevant to securities post-trade services

LEI uptake – globally and in Europe

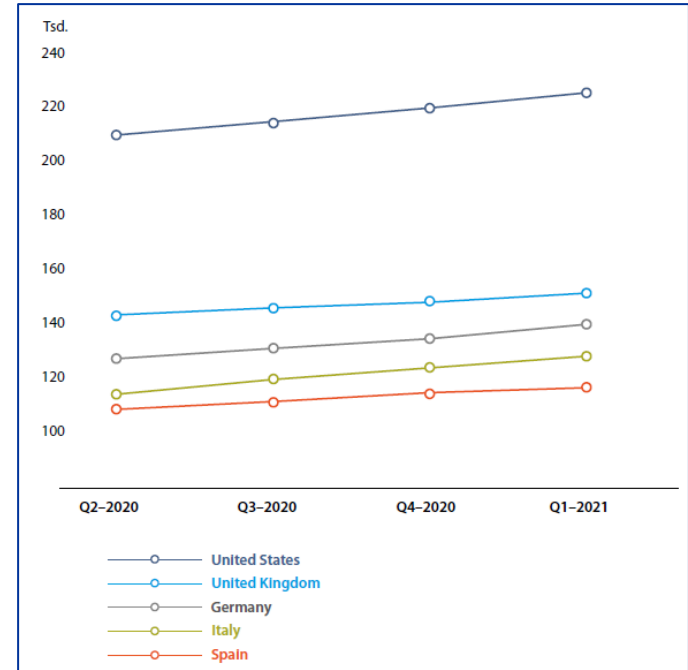
- The LEI was introduced in 2012 exhibited rapid uptake and has reached a significant level of adoption around the globe by 2021
- The US, Canada and Europe have been the leading regions in terms of adoption
- In recent years Europe showed a higher rate of LEI issuance due to EU financial regulations (*EMIR, MIFID II / MiFIR, SFTR, CSDR, SRD2, etc., altogether 38 regulatory acts at EU level*) consistently requiring the use of LEI to identify legal entities providing or using financial services or active in wholesale financial markets
- Even in market segments with relatively good adoption the actual use of LEI apart from regulatory reporting has been limited
- Yet, the adoption and use of LEI around the globe lags authorities expectations, particularly among non-financial entities (*e.g. In 2020, only 5% of the nearly 10 million entities recorded in RIAD, the Eurosystem's master database of financial and non-financial legal entities, had an available LEI*)

LEI adoption – in numbers

Global number of active LEIs (source GLEIF)



Top 5 jurisdictions per # of LEIs (source GLEIF)



LEI uptake – AMI-SeCo discussion in 2017

- In 2017 / 2018 the XMAP survey on the use of the optional matching field ‘Party of the CSD participant’ revealed that **none of the 20 T2S markets actually used the LEI to identify the clients of CSD participants** – a sample taken from T2S data confirmed the use of LEI being at 0 % in this context
- Among the reasons the low adoption rate of the LEI among clients and the prevalence and legacy practices attached to the BIC were cited
- Nevertheless, additional regulatory acts have come into force since 2017 that further promoted the adoption of LEI in financial services in Europe and the situation may have changed

LEI uptake - recent initiatives

- In 2020, the European Systemic Risk Board (ESRB) published an [ESRB Recommendation](#) to the European Commission to promote the LEI adoption by proposing EU legislation imposing:
 - **Identification** via an LEI of legal entities established in the EU and involved in financial transactions.
 - **Reporting** obligation of financial information via an LEI.
 - **Public disclosure** of information on legal entities by authorities via an LEI.
- Recent push for use of LEI in the payments domain:
 - SWIFT PMPG – recommends use of LEI in payments messages – opportunity with ISO20022
 - BoE ISO20022 policy – mandating use of LEI in CHAPs messages
 - Reserve Bank of India – mandatory use of LEI in RBI RTGS messages
 - TARGET services: medium term LEI strategy for T2 and CoCo in the context of T2-T2S consolidation

Discussion

- In light of the recent trends, AMI-SeCo members are invited to share their views on the state of adoption and use of LEI by the securities industry in Europe