

FESE Feedback to the Financial Stability Board on Implementation of the Legal Entity Identifier

FESE appreciates the opportunity to provide feedback to the Financial Stability Board (FSB) on implementation of the Legal Entity Identifier (LEI). Following the financial crisis, improvements to the reporting and supervision of financial transactions were necessary and the G20 endorsement of the LEI system was part of measures taken with this objective in mind.

FESE fully supports the idea of the global LEI system and its members are committed to encourage firms to obtain LEIs, to promote transparency of the global financial system and facilitate regulatory supervision.

FESE welcomes the FSB's review on the implementation of the LEI as we believe regulators and policymakers should always keep the international dimension in mind when producing and evaluating new regulation. Regulatory convergence on global commitments facilitate companies' compliance and support competitiveness and growth. However, when requirements in one jurisdiction do not easily link up with those in others, implementation is more challenging. It should therefore be noted that, despite the G20 endorsement, many jurisdictions have not yet implemented requirements in relation to LEI.

Requirements for FESE members in relation to LEI were introduced with the application of MiFID II/MiFIR on 3 January 2018, as European trading venues are required to identify each issuer of financial instruments traded on their system with an LEI and provide this information to ESMA and/or their national competent authority.

In this context, FESE would like to bring to the FSB's attention that for non-EU issuers, FESE members have encountered some difficulties in reporting LEIs, as there is no obligation for issuers to obtain LEIs. As a consequence, not all non-EU issuers have LEIs but trading venues are nonetheless required to report these for all tradable instruments. Trading venues have been reaching out to non-EU issuers to encourage these to adopt LEIs. However, these efforts have not always been successful as, in the absence of a legal obligation in their jurisdiction, they may not see the added value.

In addition, there does not appear to be a consistent approach to the application of LEIs to certain entities. For example, the application of LEIs to investment funds varies as some funds have LEIs at umbrella level, while others have LEIs at the sub-fund level. We would urge the authorities to clarify this and ensure a consistent approach is taken.

Therefore, FESE supports FSB's efforts to promote exchange of best practices on LEI implementation, through collaboration and dialogue. Moreover, FESE would support FSB action to further encourage their members to take measures to promote or require LEI adoption on a global scale.

About FESE

The Federation of European Securities Exchanges (FESE) represents 36 exchanges in equities, bonds, derivatives and commodities through 19 Full Members from 30 countries, as well as 1 Affiliate Member and 1 Observer Member.

FESE is a keen defender of the Internal Market and many of its members have become multi-jurisdictional exchanges, providing market access across multiple investor communities. FESE represents public Regulated Markets. Regulated Markets provide both institutional and retail investors with transparent and neutral price-formation. Securities admitted to trading on our markets have to comply with stringent initial and ongoing disclosure requirements and accounting and auditing standards imposed by EU laws.

At the end of 2017, FESE members had 8,456 companies listed on their markets, of which 12% are foreign companies contributing towards the European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access the capital markets; 1,107 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. FESE is registered in the European Union Transparency Register with number 71488206456-23.