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THE ABCS OF LEIS — AND WHAT YOU MAY NOT KNOW

The authors first describe the origin and structure of the global LEI system. They then turn to topics pertinent to compliance: (1) disseminating LEIs within the organization; (2) maintaining current LEI data; (3) renewing and validating LEI information; and (4) remembering LEIs following corporate actions and transactions.

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Legal entity identifiers (“LEIs”) may not be the most tantalizing subject to cover, but the importance of their role cannot be disputed. It is the tracking device attached to many financial transactions.

An LEI is a 20-character alphanumeric code used across markets and jurisdictions to uniquely identify a legally distinct entity. Each LEI connects to key reference data about an entity’s ownership structure, and thus can be used to answer two critical questions: “who is who” and “who owns whom.”

The global LEI system was established in response to the 2008 financial crisis.¹ It is intended to enhance transparency and enable regulators and private sector firms to better understand the true nature of risk exposure to specific counterparties and across the global marketplace. However, many in the global marketplace may be unfamiliar with LEIs and the LEI-related

requirements that apply to their businesses, particularly if they are not engaged in the derivatives business. In this article, we provide a brief background on the LEI and discuss five of the most common topics we see with LEI compliance.

BACKGROUND

The global LEI system operates in three tiers. The Regulatory Oversight Committee (“LEI ROC”) is a group of public authorities that was established in 2013 by the Financial Stability Board (“FSB”) to coordinate and oversee a global LEI system.² LEI ROC oversees the Global Legal Entity Identifier Foundation (“GLEIF”), which is a Swiss non-profit organization that was established in 2014 by FSB to support the implementation and use of the LEI. GLEIF services ensure the operational integrity of the global LEI system. Finally, GLEIF accredits Local Operating Units (“LOUs”), which are organizations that supply registration, renewal, and other services for LEIs, and act as the primary interface for legal entities wishing to obtain an LEI.

¹ US Office of Financial Research, *Legal Entity Identifier - Frequently Asked Questions* (Aug. 14, 2012) (“When Lehman Brothers collapsed in September 2008, regulators and private-sector firms were unable to assess quickly and fully the extent of market participants’ exposure to Lehman and how the vast network of market participants was connected.”)

² FSB, *Legal Entity Identifier* (Nov. 11, 2020).

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