

## Regulatory News Alert

### LEI: The grace period is over

25 June 2018

“No LEI, no trade”. **Time is ticking for all legal entities** and, as the deadline for LEI implementation sets in, and 2 July looms closer, **ESMA has confirmed that no further grace period will be granted to corporate client and financial institutions** to comply with the requirements to have individual reference numbers for trading.

The LEI implementation period had already been extended two weeks before the MiFID II went live in January, as market participants struggled to be ready. The LEI coverage has surged from then, which made the ESMA consider that yet another extension to the delay would be unnecessary.

As a reminder, the LEI is a 20-digit alphanumeric reference code enabling unique and clear identification of legal entities taking part in a financial transaction. Its use aims to ensure simplified regulatory reporting, accurate calculation of counterparty exposure alongside enhancing risk management practices, creating transparency and conducting market surveillance.

Ahead of the expiry date, **LEI compliance is an absolute priority**, therefore all EU legal entities and non-EU entities that are financially or legally responsible for the performance of a financial transaction in the EU markets will have to be compliant with this framework, in order to carry on with their trading activities.

As the application of the grandfathering introduced by ESMA required authorities to temporarily amend a validation rule in their transaction reporting systems, and that this amendment will be abolished for transactions executed after the six month period; it implies that transactions reported late (back-loaded) due for example to technical issues will have to abide by the rule applicable post 2 July 2018 or they will be rejected, leading to MIFIR, MAD/Mar breach by financial institutions. **Concretely, there is a need to ensure that back-loading of transactions is performed before the cut-off date of 2 July** so to comply to the new LEI rule for all transactions.

### How can Deloitte help you?

Deloitte can help you navigate regulatory trends to identify which are relevant for your activities with the RegWatch Kaleidoscope service.

In light of this massive compliance exercise, Deloitte can assist you by providing the resources to process and help you in your LEI Management processes and MiFIR Reporting requirements.

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