



ASSOCIATION
FRANÇAISE
DES MARCHÉS
FINANCIERS



Dear Nikolay,

With the grace period for non-EEA issuer LEI reporting coming to an end on April 13th, 2021, AMAFI, AFME, ICMA and ISLA have requested data from our respective members, with the aim of providing ESMA with an update on the current status regarding non-EEA LEI usage.

Although some progress has been made in the period leading up to April 2021, there remains significant gaps in LEI coverage across major non-European markets.

On behalf of our members, we have undertaken several initiatives to help fill the gaps in issuer LEI availability, some of which we have shared with you already.

Since February 2020, ISLA have been conducting quarterly studies into the status of LEI registrations for both EEA and non-EEA issuers. Four studies have been conducted so far, most recently in February 2021. Each study followed the same process and the most recent study also included ISINs submitted by members of ICMA, AFME, and AMAFI.

In this most recent study, we:

1. Requested members identify ISINs in their static data that are missing an LEI.
2. Compiled the results (over 200,000 records) and eliminated duplicates, resulting in 47,570 unique ISINs.
3. Shared these ISINs with GLEIF & ANNA who compared that data against their global database of LEIs, checking for existing records not reflected within individual firm's static data.

The results of our latest LEI study provide significant insight into the current state of LEI issuance in non-EEA markets, although it is important to note that the study provides just a sample of missing LEIs. The aim was not to provide a comprehensive picture of the entire population of securities without ISIN code.

Working alongside GLEIF, ANNA, and IHS Markit we found that of the 47570 unique ISINs that have been identified:

- 37,207 (78.22%) were confirmed to be ISINs that are missing LEIs.
- 10,177 (21.39%) did have LEIs, this was fed back to member firms so they could update their static data.
- 186 (0.39%) ISINs were unknown.

Of the 37207 ISINs confirmed to be missing an LEI:

- 36505 ISINs were issued in non-EEA countries.

- The US (17,563), Japan (3,466), China (3,382), Canada (2,210), South Korea (2,133), accounted for the largest share.
- Where reported by the submitter, the split between principal and collateral was as follows: Principal (6,438), Both (10,322), Collateral (20,313), Information not provided (134)

From the results of our study, it is clear that there continues to be significant gaps in the issuance of LEIs in non-EEA jurisdiction, and the analysis shows no significant improvement from any of the previous surveys undertaken. Given the scale of the issue, we expect this will result in significant breaks across all product types when the grace period for non-EEA LEIs ends on April 13th, 2021, which risks undermining the success of SFTR reporting so far. Within margin lending and securities lending activity, for which collateral is reported at a portfolio-level, a single missing LEI in the collateral pool will result in the rejection of the entire submission.

We noted some helpful initiatives from exchanges in the relevant jurisdictions, for example the Tokyo Stock Exchange recently published advice regarding SFTR and LEIs to its issuers. However, we are yet to see significant improvement in LEI coverage in these non-EEA jurisdictions.

We have received positive feedback from NCAs, ANNA, NNAs, and GLEIF regarding the LEI surveys undertaken to date, and so intend to repeat the survey in Q3 2021 to help track progress regarding Issuer LEI registrations.

Although we recognise and support ESMA's desire to encourage the use of LEIs on a global scale, we believe that the best course of action, to avoid unnecessary disruption, would be to extend the grace period and to allow significantly more time for non-EEA issuers to register their LEIs. In parallel, we would encourage ESMA to raise the problem in the relevant international regulatory forum, in order to invite regulators in the relevant jurisdictions to promote a broader adoption of the LEI code.

If an extension of the grace period is not under consideration, it is important that the NCAs are advised of the scale of this challenge and of the potential increase in SFTR submission rejections, in trade and collateral reports, when data is validated by Trade Repositories.

Possible alternative solutions discussed by our members are:

- Using a dummy LEI where no LEI exists (e.g., GLEIF's LEI)
- Leaving the issuer LEI field blank causing a validation error.

Each option will require an industry standard approach which may be difficult to attain prior to the end of the forbearance period.

Any further guidance that you may provide on this matter would be welcomed by the industry.

Thank you for your consideration of this issue.