
LEI Fund Guidance

v 4.0

May 12th 2013

Acknowledgements

This document has been guided by a group of financial services trade associations and is designed to answer common questions raised by their members regarding allocation of LEI's to fund structures. Content has been collated by DTCC.

These associations include

- GFMA (incorporating SIFMA, AFME, ASIFMA) - Global
- AMG – US
- EFAMA - Europe
- ICI - US
- BVI - Germany
- IMA - UK
- ALFI - Luxembourg
- HKIFA – Hong Kong
- FSC - Australia

General guidance for submitting LEI fund requests

The aim of issuing Legal Entity Identifiers is to uniquely identify all parties to financial transactions for the purpose of systemic risk analysis. Each legal entity must therefore have only one identifier which is universally recognised.

Fund Names

The name that is submitted should be the full legal name of the fund. It is important to note that there may be many valid variations of a single fund name, depending on the jurisdiction, legal opinion of the issuing firms and multiple parallel places where this information is filed.

To limit duplication (multiple versions of the same legal entity set up in slightly different formats) and ensure the highest possible data quality, all LEI requests are reviewed by an operations team who independently validate all data that is submitted against authoritative sources – primarily regulator websites and national company registries. The prospectus may also be used to validate fund information.

A single entity

Each fund is a distinct legal entity and should be assigned an LEI independently with no reference to other entities in the name or address of the LEI record (except where this forms part of the legal name of the fund).

Any detail identifying the relationship between a fund and the financial services firms through which it manages investments - fund manager, broker, administrator, investment advisor, sub-advisors, etc. should not be included in the name (except where this forms part of the legal name of the fund).

Share Classes and Sleeves

Separate share classes permit a collective investment scheme to issue shares with different characteristics in the same fund. They do not represent separate entities and should not be allocated individual LEI's - they should only be requested for the issuing funds.

Similarly, "sleeves" merely identify the segments of a fund's portfolio for which the asset management is undertaken by different entities - again, they do not represent separate entities and only the fund itself should have an LEI.

Use of Fund Codes

Fund codes issued by a fund manager or vendors should not be submitted as the fund name or included, the full legal name should be identified and the full name of the entity submitted.

Registered Address

Similarly the **registered** address and country submitted should be that of the fund that is being registered, not the address of a financial intermediary or the principal or other places of business of the entity.

To the extent that a separate company (financial intermediary) is by law the legal representative of a fund e.g. the fund management company in case of a contractual or unit trust type fund (European UCITS) the registered address of the “legal representative” would be used.

Fund Structures

Some types of funds are constituted as umbrella structures, under which individual sub-funds are maintained for specific pools of assets. Although the legal constitution for such structures is at the umbrella level in most cases, each sub-fund will have its own balance sheet within which any financial liability or benefit is ring-fenced. As such, the sub-fund will be the counterparty to any financial transaction and require its own LEI.

This is recognised within the ISO 17442 standard, which includes these sub-funds within the definition of legal entity for LEI purposes regardless of their legal form. The key distinguishing feature of a ring-fenced sub-fund is recognition in insolvency/bankruptcy as opposed to other accounting, trading and investment management arrangements which would not necessitate individual LEI codes.

Applicants for fund LEI's

Not all funds are self-managed entities, in which case the LEI request should be received from the separate entity that is responsible for providing the "mind and management" of the fund, for example the fund management company in the case of a mutual fund.

In such cases, the submitter should be able to demonstrate its responsibility for the fund or, if it is acting on behalf of a third party with that responsibility, demonstrate both the role of the third party and its own authority to act on their behalf.

Acting in this capacity the submitter would select the role of **primary party** and also carry the responsibility to **certify** the fund LEI.

If funds are self-managed entities but they agree to allow an intermediary to submit LEI requests on their behalf, the process is known as **assisted registration**. The responsibility for ongoing certification of the LEI remains with the self-managed fund entity in this case.

Validation

All LEI requests submitted will be independently using publically available information. This process ensures that uniqueness is maintained and data quality remains as accurate as possible.

Validation sources will vary depending on fund type and jurisdiction but will include national company registries, filings held by national & state regulators and central banks, stock exchange listings & the fund prospectus.

Guidance for Specific Fund Types

Pension funds

This includes pension (defined benefit), retirement (defined contribution such as US 401k plans), ERISA, and superannuation funds.

Each pension fund will have a plan sponsor; this sponsor may manage multiple pension plans.

In the US all pension funds will be distinct legal entities from their sponsor.

Outside the US, many pension funds will have independent legal status but for smaller organisations may share legal status with that of the sponsor. In these situations effectively the sponsoring company will be the party to the transaction and will be assigned the LEI.

Sleeves / accounts that do not constitute unique legal entities should not have separate LEI codes.

Each pension fund is likely to transact through multiple investment managers, custodians and brokers but the LEI reported for the pension fund will be the same.

As a general rule for pension funds the tax paying entity (to which a national Tax ID is assigned) is the legal entity which requires an LEI.

Pension Fund addresses

The address of each pension fund should be the **registered** address of the fund itself, which may be shared with the plan sponsor. The address of the trustee should not be used.

For US Pension Funds, the sponsor name will be identified using (public) form 5500, section 2A. The address provided on this form will often relate to an operational (headquarters address) for the fund operations so the registered address for the named sponsor will need to be identified using additional sources such as a state or national company registry.

Collective Investment Schemes

For the purpose of defining common practice for registering LEI codes, the term 'collective investment schemes' is used to identify the broad group of investment vehicles that includes what may commonly be referred to as mutual funds (closed and open-ended), UCITS, OEICs / ICVCs, unit trusts, SICAVs, FCPs, ETFs, offshore funds, investment trusts and hedge funds.

Each may be set up under trust, as a contractual arrangement or registered under company law.

Where the reportable transaction counterparty is the fund, the sponsor / trustee are not also required to obtain a separate LEI, except where relevant regulation explicitly requires this¹.

1. Umbrella & sub-funds

In certain cases collective investment schemes will be set up in an umbrella fund/sub-fund structure.

Sub-funds represent ring-fenced pools of assets with segregated liability and are therefore treated as distinct legal entities. This approach is common with SICAV's and OEIC's.

1.1. Umbrella fund LEI set up

Prior to setting up the sub-funds, the umbrella fund may be identified and a distinct LEI requested.

While it is unlikely that there will be a need to report transactions at the umbrella level using a LEI, this will help to drive better data consistency for the fund name and registered address information that can then be applied to each of the sub-funds.

1.2. Sub-fund LEI set up

In all cases for sub-funds the LEI name should include a combination of both the full Umbrella name and that of the individual sub-fund. This ensures that it is possible to differentiate between sub-funds of different schemes that have identical sub-fund names.

The default format will be "[Umbrella Fund] – [Sub-fund]" but there are potentially many valid ways to name the same fund, all of which are legally acceptable so the name should be set up to match the legal name in the primary source documents.

¹ Building the full picture of legal entity relationships and inter-dependencies is essential to develop a complete picture of systemic risk, so no valid legal entity will be discouraged from applying for an LEI code.

1.3. Master/Feeder LEI set up

Collective investment schemes may also utilise a master/feeder structure. In this scenario, investors purchase shares of any number of onshore and offshore feeders that solely invest in the master fund. Generally, all trading is conducted through the master fund and the master fund should be the only fund that should have a LEI. To the extent trading is conducted out of a feeder fund, the feeder would also require a LEI.

2. Pooling techniques for co-management of investment funds

Some Investment Management companies co-manage sub-fund investments using a pooling technique to facilitate efficiencies and centralised deal placement. Engaging in transactions at a pool level is common practice under Luxembourg SICAV's although not all SICAV's operate this way.

Broadly speaking a co-managed investment pool does not represent a distinct legal entity and it is at the legal entity or sub-fund level that the LEI code should be assigned, with the following exception.

An LEI may be assigned to any asset pool set up under a pool structure within an umbrella fund (or funds), where the relevant pool structure is expressly recognised within the legal documentation of the relevant umbrella fund (which may include the fund prospectus or other offer document, articles of incorporation or declaration of trust) and if its assets and liabilities are segregated from the other assets of the participating funds.

Sovereign wealth funds

Similar in structure to pension funds but set up under municipal law not trust or company law. Each will require a distinct LEI per legal entity and it should relate to the fund not the sovereign owner.

Corporate cash accounts

To include private equity, venture capital, insurance & other corporate entities who invest cash via Investment Managers.

The LEI requested should relate to the legal entity within the group that has ownership entitlement to the funds and LEI process will be identical to the setup of any other corporate entity.

Insurance company 'Separate Accounts' & 'General Accounts'

Insurance company 'separate accounts' are subject to state insurance law and in some cases ERISA which forbids commingling of assets with the main insurance investment account and will have distinct assets and liabilities in the event of liquidation.

Insurance company separate accounts for co-mingled investments should therefore receive a distinct LEI from the main legal entity if they are the counterparty to the reportable transaction.

Insurance company 'general accounts' are not bankruptcy protected and therefore should use the LEI of the insurance company itself rather than being ring-fenced into a separate LEI.