

# LEGAL ENTITY IDENTIFIER (LEI)

## ‘Means of Payment exemption’

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EU regulations require all entities that trade derivatives or bonds with banks in the EU to provide a Legal Entity Identifier (LEI) to the banks they want to trade with. There are however exceptions where a LEI isn't required.

### What is a LEI and when one is required

LEIs are used globally to help identify each trading entity in any jurisdiction. It is a unique, 20-digit, alpha-numeric code based on ISO standards that enables clear identification of legal entities participating in financial transactions.

The EU rules around trading financial instruments, including shares, bonds, units in collective investment schemes and derivatives such as FX forwards, are changing. This means that, as a financial institution, we have an obligation to report these trades under the revised Markets in Financial Instruments Directive - commonly referred to as MiFID II, and the European Market Infrastructure Regulation (EMIR).

All companies registered at Companies House are eligible to apply for a LEI, as well as any entity listed in a business registry.

### Circumstances when a LEI isn't required

There are some instances when a LEI won't be necessary. If clients only trade in spot FX trades they will be exempt. Under certain circumstances, some FX forwards and FX time options aren't classed as financial instruments and therefore a LEI isn't required. This is called the *'means of payment exemption'* and will apply if **all** four of the following criteria are met. The *'means of payment'* must:

1. **Be settled physically (except in limited circumstances)** - this would be true for all deliverable FX forwards.
2. **Be entered into by at least a person who is not a financial counterparty within the meaning of Article 2(8) of EMIR;** i.e. is a NFC.
3. **Be entered into in order to facilitate payment for identifiable goods, services or direct investment.**
4. **Not be traded on a trading venue.**



If FX forwards and FX time options satisfy the above criteria, clients can continue to trade without providing us with a LEI. To ensure we meet the guidance set out by the FCA for 'means of payment', Lloyds Bank is required to confirm the purpose of the trade. We will do this on a trade-by-trade basis.

Any trades in financial instruments that fall outside of this 'means of payment exemption' cannot be made without a LEI being provided to us.

#### **A LEI is needed where:**

- trades are entered into for the purpose of hedging currency risk of balance sheets, or to reduce the impact of currency fluctuations on subsidy payments.
- a FX forward is transacted via a trading venue such as 360T. Lloyds' Arena trading platform is not a trading venue.

#### **Further Information on LEIs**

Further information on the Global Legal Entity Identifier (LEI) Foundation can be found here along with FAQs and information on how to purchase a LEI.

We also have a FAQ factsheet to help you answer any questions on our dedicated MiFID II web page.

If you have any further questions please email us at [CB.MiFIDIIHelpdesk@LloydsBanking.com](mailto:CB.MiFIDIIHelpdesk@LloydsBanking.com) or call our dedicated support team on +44 (0) 20 7158 8994. Lines are open from 09:00 to 17:00 UK time Monday to Friday.

#### **Disclaimer**

This information sheet is intended to provide basic information regarding certain aspects of EMIR and/or MiFID II and does not cover all aspects of EMIR and/or MiFID II nor address specific requirements or obligations of either party in connection with them. No part of this document is intended to be advice (legal or otherwise) by Lloyds Bank on EMIR and/or MiFID II, or rules and regulations promulgated as a result thereof. Recipients should conduct their own independent enquiries and obtain their own professional, legal, regulatory, tax or accounting advice as appropriate. Lloyds Bank plc does not accept liability for the content of this document, or for the consequences of any actions taken on the basis of the information provided. We recommend clients obtain their own advice to assist them in understanding how EMIR and/or MiFID II will impact their business.

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