

## What is a Legal Entity Identifier (LEI) and how are they relevant to charities?



The code is entered on a global database. It enables any legal entity that is party to a financial transaction such as buying and selling listed investments to be identified in any jurisdiction.

Legal entities in almost 200 countries are now required to have an LEI. From 3 January 2018 UK investment managers will not be able to execute investment transactions on behalf of clients who do not have an LEI. Because the code is an international requirement, a Charity Registration Number or any other form of UK identifier do not qualify as alternatives.

### Why are LEIs required and why are they important?

The LEI system was developed by the G20 group of countries in an attempt to reduce financial risk, limit tax evasion and other financial misconduct. The system seeks to identify, by means of a unique identity code, all organisations that are trading in financial investments so that their financial transactions can be tracked across different national jurisdictions and borders. This helps to ensure that such transactions are legal and that tax is being deducted by the relevant tax authorities when and where payable. More importantly, it helps governments and financial institutions to assess and manage the exposure of UK organisations to international debt and financial risk in the event of a crisis such as the collapse of Lehman Brothers.

### What do you need to do?

If you are a charity that wishes your investment managers to trade in investments or continue to act on your behalf, you may need to obtain an LEI code. However, before doing anything, you should check with your investment manager as to whether you need a code or not. If your investment manager manages a segregated portfolio of stocks and shares on your behalf, you will probably need one. You will only need to apply for one unique code regardless of how many investment managers you have.

Many investment managers are contacting their clients now to arrange for the codes to be obtained. Some investment managers will apply and obtain the code on behalf of their clients whereas others are asking their clients to obtain a code directly. If your investment manager offers to obtain an LEI for you, this may be far easier than applying for one yourself! If your investment manager requires you to obtain a code directly, the easiest way of doing this is through the London Stock Exchange Group.

**A**n LEI is a unique 20-character alphanumeric code that identifies distinct legal entities (including charities) that engage in financial transactions, including transactions in listed investments. It is an international identifier and is not limited to the United Kingdom.

## How can we help?

For further guidance and advice tailored to your situation, please speak to your usual Buzzacott contact in the first instance or contact:

## General Enquiries

T : +44 (0)20 7556 1200

E : [enquiries@buzzacott.co.uk](mailto:enquiries@buzzacott.co.uk)

## Buzzacott LLP

130 Wood Street

London EC2V 6DL

T: +44 (0)20 7556 1200

[www.buzzacott.co.uk](http://www.buzzacott.co.uk)

## Is there a cost to obtaining an LEI?

Inevitably the answer is “yes”. The initial cost to apply for an LEI is £115 plus VAT. Thereafter, there will be an annual renewal fee of £70 plus VAT per annum. Renewal will be via the London Stock Exchange Group again unless your investment manager has agreed to do this on your behalf.

## What information will you need when applying for an LEI?

Applications can be made on-line and your charity’s name, address and certain supporting data and documents will need to be provided. Charitable trusts, for example, are likely to need to provide their trust deeds as part of the application. The London Stock Exchange aims to turn around applications in one to three working days.

## Conclusion

The global crisis of 2007/08 highlighted the need for an international system of identifying risk from the collapse of financial institutions and to assess financial stability. The system of LEIs applies to legal entities such as governmental bodies, companies and charities. While it may be seen as yet another piece of bureaucracy, it is an important step forward in managing global financial risk.

Charities with investment portfolios should contact their investment managers as soon as possible to ascertain whether or not they need an LEI and whether or not they need to apply directly for one or whether the manager will do so on their behalf.