

Reference information on “umbrella funds” for the LEI

SOURCE: Investment Management Association, submission to LEI Private Sector Preparatory Group (PSPG) February 2012

“6. Umbrellas and sub-funds

6.1 Another consideration when identifying the "risk entity" is that collectives will often employ an "umbrella" structure, where the umbrella scheme is simply a container for a range of sub-funds, each with its own discrete pool of assets and liabilities.

6.2 For the most part, umbrella schemes are simply constitutional arrangements - the parent/child relationship with the sub-funds is not that of a holding company and its subsidiaries, and the umbrella entity has no assets/liabilities or investors.

6.3 Most importantly, in most jurisdictions umbrella schemes are established under so-called "protected cell" regimes, whereby the assets and liabilities of each sub-fund are completely ring-fenced from those of the other sub-funds, with no risk of contagion between them in the event that a sub-fund becomes insolvent. This is not true in all cases, however, and in some jurisdictions, some forms of umbrella scheme may not enjoy protected cell status.

6.4 ISO 17442 indicates that for umbrella funds, LEIs should be allocated at both the umbrella and sub-fund level. In most cases, the umbrella structure is of no significance from a risk perspective, while each sub-fund is a completely separate risk entity. Only with a non-protected cell structure does the umbrella have any real importance, to the extent that one sub-fund may be required to accept a pro rata share of the net liabilities of another sub-fund should the second fund be wound up in a state insolvency. In both cases, however, the reference data for each sub-fund should identify the hierarchy that connects it to the other sub-funds. “

SOURCE: DTCC Submission to LEI PSPG, May 2013

“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.”