

## **Policy on Fund Relationships and Guidelines for the registration of Investment Funds in the Global LEI System**

### **Executive summary**

A significant proportion of entities that have a Legal Entity Identifier (LEI) are investment funds.<sup>1</sup> In this document, an investment fund is defined as a collective investment scheme (or pooled investment) beneficially owned by multiple investors and managed on behalf of those investors by an asset manager or by the fund itself. The present report describes a **limited update to the way relationships affecting investment funds are recorded in the Global LEI System (GLEIS)**, with the objectives of making sure that the implementation of relationship data is consistent throughout the GLEIS and providing a means to facilitate a standardized collection of fund relationship information at the global level. These objectives are being pursued by: (i) providing a definition for each fund relationship and (ii) better aligning the data structure with what is done for direct and ultimate accounting parent entities as defined in the LEI Regulatory Oversight Committee (LEI ROC) report of March 2016<sup>2</sup>. Following the first consultation on the policy document, the LEI ROC brought improvements to the definitions and decided to keep the collection of fund relationships optional in some cases where the fund relationships are not required to be reported, while encouraging reporting. These changes were subject to a second public consultation, including as well draft guidelines for the registration of investment funds.

The report asks GLEIF to replace the current optional reporting of a single “fund family” relationship as part of Level 1 (reference data of the entity) with the following relationships, as part of “Level 2” data (relationship data):

- “**Fund Management Entity**” relationship, defined as a relationship, where *a legal entity is considered as the main management entity of a fund when it is legally responsible for the constitution and operation of the fund. Such responsibility will include the day-to-day management of a fund's investments and management of a fund's risks, or the appointment of others for that purpose. In the latter case, the entity to which these functions may have been delegated is **not** considered to be a Fund Management Entity.* This latter exclusion is due to the fact that the data collection is not designed to

---

<sup>1</sup> Based on the “entity category” field, some 8% of LEI records with an “issued” status were classified as funds as of 19 November 2018.

<sup>2</sup> See LEI ROC publication “Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1”, March 2016, [https://www.leiroc.org/publications/gls/lou\\_20161003-1.pdf](https://www.leiroc.org/publications/gls/lou_20161003-1.pdf).

capture the entity in charge of managing the investments of a fund, but to improve the identification of funds. Respondents noted that capturing all entities involved in the management of the same fund would require a more detailed description of the nature of these other relationships, rather than an unstructured listing of any kind of delegated services to the fund.

- “**Umbrella Structures**” relationship, defined as a *legal entity with one or more than one sub-funds/compartments where each sub-fund/compartment has its own investment objectives, separate investment policies and strategies, segregation of assets, separate investors and which has segregated liability between sub-funds/compartments*. This will cover a range of cases, such as UCITS compartments in the EU, series funds and insurance company separate account in the U.S., “non-investment management funds” in Japan, where the trustee will be the umbrella structure. To the extent possible, these different situations will be identified through the legal form of the entity, which is another data element recorded in the GLEIS.
- “**Master-Feeder**” relationship, defined as a relationship, where a *Feeder Fund is exclusively, or almost exclusively, invested in a single other fund (e.g. U.S, EU UCITS), or several funds that have identical investment strategies (for the latter, provided this situation is qualified as a Master-Feeder relationship under the applicable laws and regulations, e.g. some alternative investment funds in the EU) referred to as a Master Fund (or Master Funds)*. It is clarified that *this covers only cases where this relationship is organized in the legal documentation of the feeder fund, and does not cover relationships where a fund’s assets are invested in multiple other funds (fund of fund structure)*.

**In line with responses to the first consultation, the LEI ROC adopted eliminating the proposed generic category “Other Fund Family” (except for past records) and not including any additional relationships at this stage.**

The LEI ROC adopted that the collection of these relationships in the GLEIS will be optional, except:

- If the relationship is mandated to be reported and publicly available in the relevant jurisdiction AND if the LEI is mandatory for the related entity in the relevant jurisdiction.<sup>3</sup>
- For the relationship between an umbrella structure and a sub-fund or compartment or other sub-structure.

The optional approach was chosen because it is difficult to have meaningful, workable definitions that would cover all possible fund legal structures in all jurisdictions around the globe. There were also concerns that the mandatory reporting of these relationships could make

---

<sup>3</sup> For example, starting in 2018, the SEC requires LEIs on Form N-CEN for any registered fund in a Master-Feeder relationship. However, the SEC does not currently require a fund’s adviser (Fund Management Entity) to have an LEI. (See Investment Company Reporting Modernization Release Nos. 33-10231 (2016)).

registrations more costly and complicated, and would go against the priority objective of increasing LEI coverage.

To address the drawback of optional reporting, the LEI ROC adopted to flag whether applicable relationships have been reported. The ROC also decided to give the option to report that a fund is self-managed<sup>4</sup>, as this will help distinguish from cases where the fund has not opted to report the relationship.

To address the other drawback that relationship data would not be available in all cases to improve the quality of information on funds, the LEI ROC publishes, in an annex to this report, Guidelines for the registration of Investment Funds in the GLEIS.

The guidelines clarify:

- That the legal address of a fund is the current address provided in the business registry in which the entity was formed (which would generally be the case for funds that are incorporated) or (in other cases) the address recorded in the primary registration authority of the fund. A waterfall approach addresses other residual cases. The guidelines also underline that the field on the Headquarters Address allows funds to provide addresses other than the Legal Address, and especially the Fund Management Entity address, as foreseen in the ISO 17442 standard. The objective of the guidelines in this area is in particular to avoid cases where the address of the Fund Management Entity is incorrectly provided as the legal address, which causes issues for regulatory authorities relying on the legal address to determine the competent authority. The guidelines also clarify that a third data element, the legal jurisdiction, should match the legal form of the entity, and may in some cases be different from the jurisdiction of the legal address.
- That the name of a sub-structure should always include the name of the umbrella structure;
- The validation authority of a fund should always be the financial regulator registering the fund.

This document was developed by the LEI ROC under its Committee on Evaluation and Standards (CES).<sup>5</sup> Implementation is expected within eighteen months after the publication of this document, given the need for GLEIF to prepare the technical standards in consultation with Local Operating Units (LOUs), for LOUs to implement them and provide sufficient guidance to registrants ahead of implementation.

---

<sup>4</sup> See section IV for a discussion of self-managed funds.

<sup>5</sup> The ROC was established in January 2013 to coordinate and oversee a worldwide framework of legal entity identification, the Global LEI System. The ROC was established on the recommendation of the Financial Stability Board and its Charter was endorsed by the Group of 20 (G-20) nations in November 2012. G20 Leaders at their Los Cabos summit in June 2012 encouraged “global adoption of the LEI to support authorities and market participants in identifying and managing financial risks”. (More on <http://www.leiroc.org/>).

**Table of Contents**

Table of Contents ..... 4

Introduction ..... 5

Section I – Objectives of the data collection ..... 5

    1. Improve the current collection of fund relationships ..... 6

    2. Uses of fund relationship information ..... 6

    3. Funds represent a significant proportion of entities with an LEI and are generally not captured by the accounting consolidation parent relationships already collected in the GLEIS ..... 7

Section II - Definitions ..... 8

    1. Definition of “Fund Management Entity” ..... 9

    2. Definition of “Umbrella Structure” ..... 11

    3. Definition of a “Master-Feeder” relationship ..... 14

    4. Whether an “other fund family relationship” should be created ..... 15

Section III - An entity related to a fund should always be represented with an LEI ..... 16

Section IV - Extent to which fund relationships should be required by the GLEIS in order to obtain or maintain an LEI ..... 18

    1. Optional approach to reporting, subject to exceptions ..... 18

    2. Cases where fund relationships will be subject to mandatory recording in the GLEIS ..... 19

    3. Mitigating the limitations of the optional approach ..... 20

Section V - Verifications to be conducted by LOUs concerning fund relationships and the source for verification. .... 21

Section VI – Representation of fund relationships in the GLEIS. .... 23

Section VII - Other fund relationships ..... 24

Annex 1 ..... 26

    Guidelines for the registration of Investment Funds in the GLEIS ..... 26

    1. Scope – whether an entity is a fund ..... 26

    2. Address and jurisdiction of an investment fund ..... 26

    3. Name of a sub-fund ..... 28

    4. Different Registration Authorities and validation levels ..... 30

    5. Pools of assets ..... 32

Annex to the guidelines: examples ..... 33

Annex 2: Summary of responses received to the second public consultation ..... 42

Annex 3: LEI ROC Working Group on Fund relationships’ Members List ..... 47

## **Introduction**

The LEI is a 20-character reference code to uniquely identify legally distinct entities that engage in financial transactions. Each LEI is associated with reference data including the name and legal address of the entity. LEIs are issued and managed by a network of independent operators federated by the GLEIF applying the rules of the GLEIS under the oversight of the LEI ROC. The LEI ROC gathers over 90 official sector bodies from more than 50 countries. The LEI is used in more than 90 laws and regulations applicable in over 45 jurisdictions<sup>6</sup> to support the reporting of financial transactions and other public sector uses. More generally, the LEI is used by market participants to support more reliable management of data on legal entities.

As initially intended, the GLEIS started recording in 2017 relationships between an entity and its direct and ultimate accounting parent entities as defined in the LEI ROC report of March 2016.<sup>7</sup> Fund relationships had already been collected since the beginning of the GLEIS, on an optional basis, to complement the identification of a fund. At its Plenary meeting of 1-2 February 2016, the ROC decided to conduct work in view of a limited update to the way relationships funds have with other entities are recorded in the GLEIS, to both capture worldwide a fund's relationship with its management entity regardless of different legal and accounting framework under which they are organized, and improve the way fund relationships are recorded, in particular to improve consistency with the data format implemented for direct and ultimate accounting parent entities.

The ROC wishes to highlight that the present document does not seek to cover all relationships that funds have with other entities. Section I explains the objectives of the data collection. Section II describes the relationships that are intended to be covered (Fund Management Entity, Umbrella Structures and Master-Feeder) and provides definitions. Section III discusses why the rules of the GLEIS should require a fund to report the LEI as opposed to only the name of the related entity. Section IV explains why, following the public consultation, the continuation of an optional approach has been adopted by the LEI ROC, with some exceptions. Section V explains how these relationships should be verified and section VI lists issues to consider when representing fund relationships in the GLEIS. Section VII discusses potential future work on other fund relationships.

## **Section I – Objectives of the data collection**

Several reasons led the LEI ROC to contemplate improving the data collection on relationships funds have with other entities.

---

<sup>6</sup> Not all ROC members have implemented regulatory uses. For a list of countries and regulatory uses, see LEI ROC Progress report, April 2018 ([https://www.leiroc.org/publications/gls/roc\\_20180502-1.pdf](https://www.leiroc.org/publications/gls/roc_20180502-1.pdf)).

<sup>7</sup> [https://www.leiroc.org/publications/gls/lou\\_20161003-1.pdf](https://www.leiroc.org/publications/gls/lou_20161003-1.pdf)

## **1. Improve the current collection of fund relationships**

Currently, fund relationships are collected in the GLEIS with the optional “associated entity” data element in Level 1 data, which includes only one value (“Fund Family”), and allows a fund to provide the LEI or the name of the associated entity. Some 17,000 entities with an LEI have used this option and provided information on an associated entity. However, “Fund Family” covers different concepts and ROC guidance included “Umbrella Structures” and “fund manager”.<sup>8</sup> This is because this information was originally introduced in the GLEIS with the primary objective of avoiding possible confusions between funds that have the same name, especially where it is common to designate funds with numbers.<sup>9</sup> While this objective is met, some public sector users have complained that in the absence of clear definitions distinguishing different types of fund relationships, the information currently collected does not meet other uses (such as those reflected in the next subsection).

Another reason for the proposal to improve the collection of fund relationships in the GLEIS is that the “associated entity” data element needs to be updated for consistency with the new way relationships between entities are now recorded in the GLEIS. Since May 2017, the GLEIS started collecting information on the direct and ultimate parents of legal entities, based on accounting definitions.<sup>10</sup> These relationships are not recorded as part of the “Level 1” reference data, but as a separate relationship record. This facilitates recording various attributes of the relationship, such as a start and end date and the level of verification of the information (which may be different from the business card information recorded in Level 1 data). This also allows the relationship record to be managed separately from the identity of entities, given that the two entities involved in the relationship may not be managed by the same LEI issuer. Therefore, it is necessary to improve the way fund relationships are currently recorded and ensure the consistent treatment of relationship data in the GLEIS.

In addition, a structured way to record information on Umbrella Structures will improve the current practice of simply concatenating in the legal name data element the name of the Umbrella Structure and sub-fund. Similarly, the address field is frequently used to mention another entity (“care of”), which is probably in many cases the Fund Management Entity. Using data elements such as the name or address to record relationships is sub-optimal, as it results for instance in complicating name matching or the geocoding of addresses.

## **2. Uses of fund relationship information**

One could argue that relationship information may not be necessary, because in the case where an investment fund has a separate management entity, the assets and the liabilities of the fund are segregated from those of the management entity and therefore also from the assets and liabilities of any other fund(s) the management entity manages. Therefore the only “risk entity”

---

<sup>8</sup> LEI ROC, Common Data File Format V1.0 [http://www.leiroc.org/publications/gls/lou\\_20140620.pdf](http://www.leiroc.org/publications/gls/lou_20140620.pdf) (definition of Associated Entity and Fund Family).

<sup>9</sup> This refers to situations, such as in Japan, where a fund may have no other name than a reference number that is not unique at the national or international level.

<sup>10</sup> See LEI ROC, Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1, available here: [http://www.leiroc.org/publications/gls/lou\\_20161003-1.pdf](http://www.leiroc.org/publications/gls/lou_20161003-1.pdf).

to a transactional counterparty or investor is the fund itself. A management entity duly authorized to instruct and execute transactions on behalf of a fund does so as an agent of the fund. However, identifying the counterparty is not necessarily the only objective of this information, because collecting this information responds to other objectives, such as market conduct, as described below and to better understand the market activities of a Fund Management Entity, which may transact as agent for multiple funds and other clients, and for its own account. There are other ways to achieve these objectives, and some regulators are already collecting certain relationship information on funds, either as part of the regulation of funds, or for the reporting of transactions. While views may differ on the need for additional granularity, some ROC members have stated that collecting this information in the GLEIS could offer benefits, such as:

- Support the harmonisation of data collections and the ability to aggregate information from different data collections.
- Avoid having to record in every trade information that is largely static, although changes in funds management entities do occur. The GLEIS could offer a single repository that would avoid duplications (to the extent several regulators would use it instead of a separate collection) and also facilitate managing the history of changes.
- The identification of fund managers is for instance considered relevant for the meaningful global aggregation of OTC derivatives data to allow for effective monitoring of potential systemic risks and market conduct issues posed by the manager of different funds. Notably, it may be relevant to identify unusual or particularly large transactions stemming from funds managed by the same fund manager, to potentially identify market abuse situations or concentration of risks stemming from the behaviour of one or several fund managers. However, the collection in the GLEIS defined here focuses on Fund Management Entities, and does not necessarily capture the entities in charge of managing the investments of a fund.
- This is an important step in understanding whether and, if so, how the activities of funds might be interconnected. Such information is useful for data analytics, risk assessment, risk aggregation, and economic analyses; and likely will enhance the efficiency of gathering and assessing such data. Risk aggregation is one of the objectives of the GLEIS. The aspect of risk concentration is for instance relevant for identifying the various feeder funds invested into the same master fund.

**3. Funds represent a significant proportion of entities with an LEI and are generally not captured by the accounting consolidation parent relationships already collected in the GLEIS**

Major global industry associations, together with national associations from North America and Europe, wrote to the LEI ROC, in their response to the consultation on parent entities conducted in 2015, that “regulated investment fund LEIs form a large part (one third) of the assigned LEI data base” and that parent relationships would generally not capture relationships that these funds have with their managers and investors.

The parent information collected in the GLEIS is based on accounting consolidation, and funds typically are not consolidated with their management entities.<sup>11</sup> As applied in the GLEIS, relationships between a fund and a Fund Management Entity generally are distinct, and recording such a relationship with a Fund Management Entity does not necessarily duplicate parent relationships.<sup>12</sup> A range of criteria in both US GAAP and IFRS, applies to determine whether a manager should consolidate a fund and the mere fact that the asset manager is a decision maker and receives fees does not necessarily mean that there is consolidation.<sup>13</sup> Another reason for the lower relevance for funds of the ongoing collection by the GLEIS of parent relationships based on accounting consolidation is that exemptions to consolidation apply for investment entities in IFRS and US-GAAP.

The accounting consolidation parent relationship is also distinct from the master-feeder relationship envisaged in this report. Master funds can have several feeder funds, and none of them may be the majority shareholders or have control over the master fund. Even if, in the future, the GLEIS collects information on shareholders, which would allow to identify that a feeder is invested into a master, this would not inform that there is a master-feeder relationship and that the feeder is exclusively or almost exclusively invested in the master.

## Section II - Definitions

Investment funds or collective investment schemes may not always be registered, or may be subject to varying degrees of regulation, and there is therefore no single legal or regulatory definition.

For the purposes of this report, we are generally using the words “fund” or “investment fund” to describe a collective investment scheme (or pooled investment) beneficially owned by multiple investors and managed on behalf of those investors by an asset manager or by the fund itself<sup>14</sup>. There are many types of investment funds, depending for instance on whether they are incorporated or not, open-ended or closed-ended, exchange traded, etc. This report focuses on investment funds whether or not the fund is registered. The LEI ROC has not at this point included in its analysis pension funds and sovereign wealth funds.<sup>15</sup>

---

<sup>11</sup> Money market funds in the U.S., in particular, are not consolidated under U.S. GAAP accounting standards (ASC 810-10-15-12f)

<sup>12</sup> However, consolidation between a fund and a Fund Management Entity does occur, for example, in special instances, such as at the initial stage of a fund where the manager or sponsor seeds the investment funds, and is the unique or primary investor in the funds. Such consolidation generally lasts until the shares in the funds are distributed more widely.

<sup>13</sup> For instance, under US GAAP, a first step in assessing whether a reporting entity is required to consolidate another entity is to determine whether the reporting entity holds a variable interest in the other entity. The assessment whether fees paid to a decision maker or service provider are a variable interest would focus on whether (1) the fees “are commensurate with the level of effort” (ASC 810-10-55-37(a)), (2) the reporting entity has any other direct or indirect interests through its related parties that absorb more than an insignificant amount of the VIE’s variability (ASC 810-10-55-37(c)), and (3) the arrangement includes only customary terms (ASC 810-10-55-37(d)).

<sup>14</sup> See section IV for a discussion of self-managed funds.

<sup>15</sup> Despite the common moniker “fund” – pensions and sovereign wealth funds (SWFs) are different types of investment vehicles from what is covered in this document. A pension, or superannuation, fund is a fund or plan that typically is



## 1. Definition of “Fund Management Entity”

Currently the GLEIS offers the concept of “fund family” to identify entities associated with a fund, but does not specifically define “fund family”, other than referring to two types of associated entities: an Umbrella Structure, and an entity managing a fund.<sup>16</sup>

Concerning the latter concept, the ROC adopted to define the term “Fund Management Entity” rather than using “Fund Manager” because the objective is to identify the relationships between two entities: (i) the fund and (ii) the legal entity which is legally responsible for the constitution and operation of a fund. The objective here is **not** to identify the relationships of a fund with the staff that performs investment management tasks and is sometimes described as “fund manager” or “portfolio manager”. In the Global LEI System, the term “legal entity” is not restricted to incorporated entities and may include trusts, partnerships or individuals acting in a business capacity.<sup>17</sup> Therefore, it would seem that Fund Management Entities considered under the definition below are generally eligible to obtain an LEI.<sup>18</sup>

The ROC adopts the following definition of “Fund Management Entity”: *A legal entity is considered as the main management entity of a fund when it is legally responsible for the constitution and operation of the fund. Such responsibility will include the day-to-day management of a fund's investments and management of a fund's risks, or the appointment of others for that purpose. In the latter case, the entity to which these functions may have been delegated is **not** considered to be a Fund Management Entity.* In the United States, for instance, an investment adviser may have its own employees, including portfolio manager(s) who are investment professionals, determine which securities to buy and sell in the fund’s portfolio, consistent with the fund’s investment objectives and policies. In this example, the investment adviser matches the adopted definition of the Fund Management Entity, but the portfolio manager does not.

---

organized by a government or a private entity that is managed on behalf of its beneficiaries to provide retirement income. A SWF is a government-owned or -backed fund or entity that invests reserve funds to support the goals of the organizing entity, for example, stabilization, savings for future generations, and pension or other reserve funds.

<sup>16</sup> The Common Data File Format published in June 2014 ([http://www.leiroc.org/publications/gls/lou\\_20140620.pdf](http://www.leiroc.org/publications/gls/lou_20140620.pdf)) or “CDF” specifies for “AssociatedEntity”: “There is only one legal value for this enumeration – FUND\_FAMILY and that use is reserved to dealing with “umbrella” fund identification only” but also describes FUND\_FAMILY as “The legal entity is a fund, and the associated entity is the manager of the fund.”

<sup>17</sup> See the definition in ISO 17442 :2012 (The term "legal entities" includes, but is not limited to, unique parties that are legally or financially responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way (e.g. trust, partnership, contractual). It excludes natural persons, but includes governmental organizations and supnationals." (source: International Organisation for Standardisation, [http://www.iso.org/iso/catalogue\\_detail?csnumber=59771](http://www.iso.org/iso/catalogue_detail?csnumber=59771)). Individuals acting in a business capacity are eligible to an LEI under certain conditions described by the ROC on [30 September 2015](#).)

<sup>18</sup> In the EU, the AIFMD sets out that the AIFM shall be a legal person. Similarly, the UCITS Directive lays down that a UCITS management company is a company, the regular business of which is the management of UCITS in the form of common funds (including unit trusts) or of investment companies. Therefore, individuals can never be authorised as AIFM or UCITS management company. In the US, although investment advisers typically are organized in corporate form (e.g., LLC or LP), largely for liability limitation and tax purposes, approximately a hundred investment advisers are organized as sole proprietorships, which appear eligible to obtain an LEI given the definition above.

In the EU, EU legislation distinguishes between two types of external fund managers: (i) UCITS<sup>19</sup> management companies and (ii) alternative investment fund managers ('AIFM').<sup>20</sup> AIFMD was originally designed to capture collective investment undertakings (UCIs) that were not already regulated under the UCITS Directive, referred to as alternative investment funds (AIF), in particular hedge funds, private equity and real estate funds. A key element of both the AIFMD and UCITS framework is the responsibility of the UCITS management company or AIFM for providing 'investment management' functions (i.e. portfolio and risk management) to UCITS or AIF. In the EU, each UCITS can have only one UCITS Management Company and each AIF can have only one AIFM.

However, several entities may play a role in the management of a fund. In the US for instance, one variation of the traditional portfolio management structure is the manager-of-managers (or multi-manager) structure where an investment adviser supervises one or more sub-advisers. In such an arrangement: (i) the investment adviser is responsible for supervising each sub-adviser; and (ii) each sub-adviser is responsible for a designated portion (all or a slice) of the day-to-day management of the fund's portfolio. In such structures, each sub-adviser to the fund must be registered under the Investment Advisers Act of 1940 ("Advisers Act") and identified in fund filings under the Investment Company Act of 1940 ("Company Act"). In this example, the investment adviser matches the adopted definition of the Fund Management Entity, but the sub-advisers do not.

To take another example, in the EU, UCITS management companies and AIFMs can delegate portfolio management activities or risk management activities to third parties, subject to compliance with the delegation provisions which include requirements for ongoing delegation monitoring. Here as well, the delegated third parties are not captured by the adopted definition of the Fund Management Entity because, as mentioned earlier, the intention is not to capture the entity in charge of managing the investments of a fund, but to improve the identification of funds.

This is why the definition clarifies that it is intended to offer the option to report in the GLEIS only the main Fund Management Entity. The first consultation document envisaged the collection of the other Fund Management Entities, but a majority of respondents to the consultation advised against this additional layer of complexity, as some noted that it would require a more detailed description of the nature of these other relationships, rather than an unstructured listing of any kind of delegated services to the fund. In addition, some noted that the collection of Other Fund Management Entities was less critical to the identification of the fund, at least from a custodian perspective. For other purposes, the entity giving orders may be more relevant, however, it was recognised that information on entities giving orders may be best captured at a trade level, where several Fund Management Entities share the responsibility of managing the assets of the same fund.

Some respondents expressed the concern that, even limited to the main Fund Management Entity, this data collection may not make sense in some complex cases, where it would be

---

<sup>19</sup> Undertakings for Collective Investment in Transferable Securities

<sup>20</sup> Article 2 (1) (b) of Directive 2009/65/EU: 'Management company' means a company, the regular business of which is the management of UCITS in the form of common funds or of investment companies (collective portfolio management of UCITS); Article 4 (1) (b) of Directive 2011/61/EU: 'AIFMs' means legal persons whose regular business is managing one or more AIFs.

difficult to identify which entity is the main Fund Management Entity. The LEI ROC believes that this concern is now addressed by the optional nature of the collection.

## 2. Definition of “Umbrella Structure”

The ROC adopted the following definition: *An umbrella structure is a legal entity with one or more than one sub-funds/compartments where each sub-fund/compartment has its own investment objectives, separate investment policies and strategies, segregation of assets, separate investors and which has segregated liability between sub-funds/compartments.*

The sub-funds or compartments are legal entities in the LEI sense (i.e. eligible to obtain an LEI), although they may not be legal person or have legal personality in the traditional legal sense.

In EU legislation, there is no formal definition of ‘Umbrella Structure’ or ‘compartment’. Whether or not UCITS are allowed to have several **investment compartments** is left to the decision of each EU Member State.<sup>21</sup> AIFMD framework acknowledges the concept of ‘compartments’ without defining it.<sup>22</sup> Each UCITS compartment has to be treated as separate UCITS for the purpose of assessing compliance with investment limits laid down in the UCITS Directive.

In the US, the term “series” fund, rather than “umbrella” structure, is used.<sup>23</sup> The ROC’s intent is that “**series funds**” generally will be identified as “umbrella” structures in the GLEIS.<sup>24</sup> The objectives of collecting information on this relationship are discussed in section III-2 and are distinct from the identification of funds that have the same Fund Management Entity (which are covered in the previous section).

The reference to a common Fund Management Entity was removed from the definition provided in the first consultation because the separate optional collection of the relationship with the Fund Management Entities, will allow identification as needed of sub-funds or compartments that do not have the same Fund Management Entity.

Unsegregated sub-funds are excluded in the definition adopted above because they are not considered to be eligible to obtain an LEI, under the current definition of legal entities in the

---

<sup>21</sup> Article 1 (2) of Directive 2009/65/EU: Member States may allow UCITS to consist of several investment compartments.

<sup>22</sup> Article 1 (1) (a) of Directive 2011/61/EU: ‘AIFs’ means collective investment undertakings, including investment compartments thereof [...]

<sup>23</sup> A “series fund” is a single legal entity with multiple portfolios (each also referred to as a “series” of shares). A series fund, or trust, allows the sponsoring investment adviser to spread out operating costs across the funds in the trust by combining or outsourcing certain services (e.g., audit, trustee, some legal). The series trust structure accordingly allows the sponsor to focus more on gathering assets and managing portfolios.

<sup>24</sup> So-called turnkey funds exemplify one type of series fund. In such a case, a “turnkey” fund operator uses a series fund structure where each individual fund is managed by its own investment adviser and has its own strategy. The turnkey fund series has multiple funds that share a common board, administrator, and certain other service providers.

GLEIS.. Some jurisdictions require disclosures on segregation.<sup>25</sup> During the first consultation, respondents did not report cases where there is uncertainty concerning the existence of segregation, although some noted they did not conduct such a review, and not all jurisdictions were covered. In any case, the assessment of eligibility should be done by the LOU on a case-by-case basis during the verification of the application for an LEI, subject to guidance by the LEI ROC or GLEIF on whether certain types of structures meet the conditions.

The inclusion in the definition of cases where an Umbrella Structure has only one sub-fund is intended to cover the transient situation where several sub-funds are planned, but only one is in existence, or the case where other sub-funds have ceased to exist.

In the U.S., there are certain insurance products (“variable annuities”) that are designed for retirement or other long-term goals and that offer investors aspects of insurance and investments. Premium payments under a variable annuity are invested in an **insurance company separate account**. An insurance company separate account is not a separate legal entity from its sponsoring insurance company under state law. Nevertheless, they may be eligible to obtain an LEI, to the extent the separate account is insulated by law for the benefit of certain contract owners. Such a separate account typically is registered under the Company Act as a UIT. A single separate account may have multiple subaccounts, each of which may invest in a different underlying mutual fund.<sup>26</sup>

GFMA and 8 regional or national funds associations, in their “LEI Fund Guidance”, v 4.0 of 12 May 2013, recommended that insurance company separate accounts receive a distinct LEI from the sponsoring insurance company if they are the counterparty to the reportable transaction.<sup>27</sup> Respondents to the consultation agreed with including insurance company separate accounts where segregation is organized like in the U.S., and therefore the relationship was renamed “umbrella structure” (instead of “umbrella fund” in the first consultation), reflecting as well the fact that the umbrella structure may not be a fund itself.

During the first consultation, the case of **Japanese “non-investment management funds”** was raised. Japanese “non-investment management funds” (by opposition to “investment management funds” regulated under the Investment Management Act) represent approximately 90% of the industry, and are usually not legal entities, but trusts represented by a trustee. The

---

<sup>25</sup> In the EU, UCITS prospectus and key investor information document (KIID) need to include an indication of the investment compartment(s). Separate KIID need to be produced for each individual compartment and, inter alia, describe whether or not the assets and liabilities of each compartment are segregated by law and how this might affect the investor. Separate accounting is required for compartments in the EU (under both UCITS and AIFMD, see Article 8 (1) of Commission Directive 2010/43/EU)

<sup>26</sup> For more information about variable annuities, see: <https://www.sec.gov/investor/pubs/varannnty.htm>.

<sup>27</sup> See: [http://www.gfma.org/uploadedFiles/Initiatives/Legal\\_Entity\\_Identifier\\_\(LEI\)/LEI-Fund-Guidance-2013.pdf](http://www.gfma.org/uploadedFiles/Initiatives/Legal_Entity_Identifier_(LEI)/LEI-Fund-Guidance-2013.pdf) “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.”

name of the fund is usually made of the name of the trustee, a code for the beneficiary, and a code for the sub-fund. The LEI ROC adopted that the Umbrella Structure relationship is a way to record the relationship with the trustee, in the case of Japanese “non-investment management funds”. These funds also have an investment management company, which could be recorded as “Fund Management Entity”.

A respondent to the first consultation observed that the Umbrella Structure relationship should cover not only series funds (including turnkey funds) and insurance separate accounts, (to the extent that the sub-structures are eligible for an LEI), but should also include **funds that are established under a common declaration of trust**. For example, many fund families such as U.S. registered investment companies, collective investment trusts and common trust funds are structured as multiple funds of a master trust, with each fund having the distinct characteristics referenced above. The LEI ROC supports this view.

A question is more generally whether the Umbrella Structure could be used to report relationships between a trust and a trustee. The primary objective of recording Umbrella Structure relationships in the GLEIS is the correct identification of the sub-structure, especially where the sub-structure cannot be sufficiently identified without including in its name the name of the Umbrella Structure (see Guidelines for the registration of Investment Funds in the GLEIS, attached). Therefore, while the Umbrella Structure relationship may be relevant for other examples than the Japanese “non-investment management funds” described above, it may not be relevant in all cases.

Some respondents in the first public consultation discussed the risk that categories that are too broad could become uninformative. One respondent wondered whether a correct approach for relationships would be to classify them jurisdiction by jurisdiction, as it may be difficult to define relationships that have the same meaning in all countries. In the case of the Umbrella Structure relationships, the Entity Legal Form (ELF), which is an existing data element in the Global LEI System defined in the ISO standard 20275<sup>28</sup>, may be a way to describe accurately the legal nature of the sub-structure, such as an UCITS compartment in EU Member States that accept it, a U.S insurance company separate account or a Japanese trust. The list of ELF codes is still incomplete and will need to be extended for that purpose.

A final consideration is whether the fund or the umbrella structure should be given the option to report, or both: although it may be more efficient for the umbrella structure to report its compartments, rather than the reverse, in practice, and as was the case for the accounting consolidation child-parent relationship, the compartments may be more frequently required to have an LEI than the umbrella, and at least at the outset not all Umbrella Funds will have an LEI and therefore all will not be in a position to report their compartments. Therefore, the option should necessarily be open to the sub-fund to report. Participants noted that the option should also be open to the umbrella structure, which the LEI ROC supports as this will encourage a more comprehensive reporting, but GLEIF considered that this would increase complexity. The

---

<sup>28</sup> <https://www.gleif.org/en/about-lei/code-lists/iso-20275-entity-legal-forms-code-list#>

possibility for the umbrella structure to report will be examined further during the implementation phase by GLEIF in consultation with the ROC and other stakeholders. It may be that once the umbrella structure chooses to report, the option would be closed for the funds under that structure.

### 3. Definition of a “Master-Feeder” relationship

The ROC adopted the following definition: *A Feeder Fund is exclusively, or almost exclusively, invested in a single other fund (e.g. U.S, EU UCITS), or several funds that have identical investment strategies (for the latter, provided this situation is qualified as a Master-Feeder relationship under the applicable laws and regulations, e.g. some alternative investment funds in the EU) referred to as a Master Fund (or Master Funds). This covers only cases where this relationship is organized in the legal documentation of the feeder fund, and does not cover relationships where a fund’s assets are invested in multiple other funds (fund of fund structure).*

In the US, some mutual funds have a two-tiered or **master-feeder structure** in which the master fund is an investment company registered under the Company Act. The feeder funds hold a single investment: shares in the master fund. The master and feeder funds have the same investment objectives and policies. The feeder funds typically are distinguished from one another by their targeted marketing and distribution arrangements.

Like a traditional single-tiered mutual fund, the master fund retains an investment adviser to manage its portfolio as well as a custodian to hold its assets and perform the fund accounting functions. Interests in the master fund are sold privately to one or more feeder funds.

In the US, with respect to funds in a master-feeder structure, it may be that only the master fund has an investment adviser.

In the EU a feeder UCITS/AIF has to invest at least 85% of its assets in the master-fund and is permitted to hold up to 15% of its assets in other assets (e.g. ancillary liquid assets or financial derivative instruments used for hedging purposes).<sup>29</sup> In any case, every feeder UCITS/AIF must have an authorised/registered entity that acts as Management Company or AIFM (or be self-/internally managed). The Management Company or AIFM of the feeder fund might be identical to the Management Company or AIFM of the master-fund, but could also be a separate entity.

This relationship could also possibly apply to situations in which a fund is exclusively, or almost exclusively, invested in another fund. For instance, in the US, insurance company separate accounts invest in underlying mutual funds and the separate account is considered to be an investment company known as a unit investment trust, which is passive in nature. This is similar

---

<sup>29</sup> In the EU, an alternative investment funds can have several master funds, under Art. 5 of Directive 2011/61, (“feeder AIF” means an AIF which: (i) invests at least 85 % of its assets in units or shares of another AIF (the ‘master AIF’); (ii) invests at least 85 % of its assets in more than one master AIFs where those master AIFs have identical investment strategies; or (iii) has otherwise an exposure of at least 85 % of its assets to such a master AIF).

to master-feeder in that there is a 1-1 relationship between the separate account and the underlying fund.

It should be noted that relationships are not mutually exclusive: a feeder fund could for instance report both a Master fund relationship and a Fund Management Entity.

The option to report the relationship should therefore be open both to the feeder and the master funds to provide flexibility and ease of reporting. In the US, master funds report their feeder funds to the SEC. In the EU, a feeder may not be from the same “family” as the master fund, and it is the responsibility of the feeder to initiate the recognition of this relationship (including the notification of authorities), which allows an exception to requirement regarding the diversification of a fund’s assets. GLEIF considered that reporting from both side of the relationships could increase complexity, but in practice it is unlikely that reporting from both sides would be needed for the same relationship. The possibility for both to report will be examined further during the implementation phase by GLEIF in consultation with the ROC and other stakeholders.

#### **4. Whether an “other fund family relationship” should be created**

There may be other relationships qualified as, or akin to, a fund family relationship under domestic law, which are not encompassed in the three definitions above. To ensure continuity with the current option to report a broad “Fund family” relationship, the LEI ROC envisaged to create a catch-all category “other fund family relationship” which could be sub-divided at a later stage, if necessary.

For instance, in the US, the term “**Family of investment companies**” is used in certain regulatory context to mean any two or more registered investment companies that: (i) share the same investment adviser or principal underwriter; and (ii) hold themselves out to investors as related companies for purposes of investment and investor services.<sup>30</sup> A number of these family relationships will be covered by the relationships defined above. However, some other relationships, such as funds that share the same principal underwriter, will not and could therefore be captured in the GLEIS under the “other fund family relationship”.

Similarly, two funds with different Fund Management Entities could be related because these Fund Management Entities are themselves related. In some cases, the relationship will be captured in the GLEIS, for instance if these Fund Management Entities report in the GLEIS that they have the same ultimate accounting consolidation parent. In other cases where such indirect relationships are not reported, the concept of “other fund family relationship” could be used. For instance, in the US, the term “**fund complex**” is used in certain regulatory contexts to encompass, for example, the situation where a registered investment company (fund) has an

---

<sup>30</sup> Starting in 2018, the SEC requires registered funds to identify the name of the “family of investment companies” in responding to Item B.5 of newly adopted Form N-CEN (as such term is defined in the form). (See Investment Company Reporting Modernization Release Nos. 33-10231 (2016)).

investment adviser that is an affiliated person of the investment adviser of any of the other registered investment companies that are part of the fund complex.<sup>31</sup>

The LEI ROC decided not to pursue the creation of any additional fund relationships. Respondents, for example, to the first public consultation did not support the creation of a generic, unstructured “other fund family” relationship or any other relationships. Several respondents noted that to avoid inclusion of meaningless data into the GLEIS, there would be a need for a structured approach and user guidance with a concrete listing of the requested fund types and relationships spelled out in sufficient details. In line with the governance principles of the Global LEI System endorsed by the G20, the LEI ROC will regularly review the need for additional relationship information to reflect emerging regulatory and market requirements for the LEI, in consultation with relevant stakeholders.<sup>32</sup>

### **Section III - An entity related to a fund should always be represented with an LEI**

The LEI ROC decided that the LEI of the related entity will be required by the standards governing the GLEIS in all cases where such a relationship is reported (i.e. optionality applies for reporting the relationship, but the use of an LEI will be mandatory, if the relationship is reported).

The LEI ROC had noted in the first consultation document that there may be cases of sub-funds that have an LEI whereas the Umbrella Structure does not yet have one. In addition, while funds are or will be required to obtain an LEI in some jurisdictions pursuant to applicable law and/or regulation, the related entities may not be under the same obligation. For instance, in the US, the SEC has adopted a rule that requires all U.S. registered funds to report an LEI starting in 2019.<sup>33</sup> The rule requires U.S. registered funds to obtain LEIs at the registrant and registered fund (series) level for SEC reporting purposes. In contrast, such rule does not require that the fund’s investment adviser (Fund Management Entity) obtain an LEI based solely on its relationship with a registered fund, but does allow the fund to report its investment adviser’s LEI, if available.

Out of 17,000 LEIs with an associated entity recorded in the GLEIS, the associated entity is designated by a name, and not an LEI, in some 4,000 cases. This concern will be addressed in two ways:

---

<sup>31</sup> See Investment Company Act Form N-1A (registration form for mutual funds) instructions for Item 17.1(b) (Management of the Fund).

<sup>32</sup> See FSB Recommendation 10, review of scope of coverage and reference data. [https://www.leiroc.org/publications/gls/roc\\_20120608.pdf](https://www.leiroc.org/publications/gls/roc_20120608.pdf)

<sup>33</sup> See Investment Company Reporting Modernization Release Nos. 33-10231 (2016) (adopting reporting requirement) and 33-10442 (2017) (temporary final rule requiring funds in larger fund groups to maintain the required information in their records, and to start submitting public reports on Form N-PORT via EDGAR by April 30, 2019).



- in cases where reporting the fund relationships are optional, related entities will not be forced to obtain an LEI, where they are not required to do so by the law or regulation of the jurisdiction where they are organized and/or do business.
- For umbrella structures, the concern is mitigated by the fact that the umbrella structure and sub-structure are closely related, as discussed in section IV.

The benefits of requiring an LEI when the relationship is recorded are manifold:

- This is consistent with the GLEIS principle of self-registration, where each entity is responsible for the quality of its own data: the name, address, business registry number will be provided by the relevant entity, and not by the related entities, which improves quality. For instance, the related entity will have its own contract with an LOU and be committed to update its record when there is a change;
- In 2013 already, representatives of the global fund industry supported the approach to attribute an LEI to the “**Umbrella Structure**”, because it “will help to drive better data consistency for the fund name and registered address information that can then be applied to each sub-fund name”.<sup>34</sup> This is important for avoiding duplicates, where two LEIs are issued to the same sub-structure: Taking the example of LEI 353800XC1G8C7UHRES52, with legal name “ステート・ストリート信託銀行株式会社 BYS9/2381063” and other entity names “State Street Trust & Banking Co., Ltd. BYS9/2381063, SSTB BYS9/2381063”, if there are variations on how the umbrella structure is captured in the fund name, for instance whether “Ltd” is mentioned or not, in full or not, whether the name is in its original language or not, and whether the name is abbreviated, it may be that the same fund could be issued another LEI, without being detected. While the registration authority ID should reduce that risk, there are cases where several registration sources can exist for the same entity. In addition, any variations in the fund name can complicate reconciliation for LEI users.
- A given Fund Management Entity frequently manages portfolios of investments of a large number of different regulated investment funds (compartments included). To avoid any confusion in registering the names of the Fund Management Entities, it appears preferable to register them with an LEI. The use of different types of identifiers or description of the entity through open text fields might lead to a situation where the same entity is identified/described differently by the reporting entity, thus limiting the usefulness of that information.
- This will avoid multiple validations of the same information on the related entities, potentially by different LOUs at different point in times, and ensure that any update to

---

<sup>34</sup> See: [http://www.gfma.org/uploadedFiles/Initiatives/Legal\\_Entity\\_Identifier\\_\(LEI\)/LEI-Fund-Guidance-2013.pdf](http://www.gfma.org/uploadedFiles/Initiatives/Legal_Entity_Identifier_(LEI)/LEI-Fund-Guidance-2013.pdf)

the information of the related entities is done simultaneously without duplication of efforts.

It should be noted that LEI issuance for the related entity should be facilitated when as noted in the “LEI Fund Guidance”, v 4.0 of 12 May 2013 prepared by GFMA and 8 regional or national funds associations, a number of funds obtain their LEIs through a request from their Fund Management Entity and the LOU is already required to check that this entity is entitled to represent the fund.<sup>35</sup> Therefore, at least in those cases,<sup>36</sup> requiring the “Fund Management Entity” relationship to be recorded with an LEI and verified will presumably not substantially add to the workload of LOUs.

## **Section IV - Extent to which fund relationships should be required by the GLEIS in order to obtain or maintain an LEI**

Currently, a minimum set of Level 1 reference data (name, address, ...) for an entity must be provided in order for an LEI to be issued and considered by the ROC and regulators as valid. The ROC also decided that information on direct and ultimate parent entities should be added to this set of information required by the GLEIS for validating an LEI record, but with the option to decline providing this information for reasons that are made public. The first consultation document envisaged that the fund relationships described in section 1 could be a mandatory part of the validation of an LEI record, and discussed the nature of any exception or opt-out that would be permissible (for instance in case the information would not already be in the public domain).

During the public consultation, part of the respondents supported this approach, while others preferred the continuation of an optional approach.

### **1. Optional approach to reporting, subject to exceptions**

The LEI ROC adopted the optional approach, subject to limited exceptions, for the following reasons:

- As noted earlier, there is no universal definition of an investment fund, and fairly and accurately defining the universe of funds globally that would be subject to this requirement may be difficult: this would have had to rely in part on the self-reporting

---

<sup>35</sup> The GFMA stated that “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”.  
[http://gfma.org/uploadedFiles/Initiatives/Legal\\_Entity\\_Identifier\\_\(LEI\)/LEI-Fund-Guidance-2013.pdf](http://gfma.org/uploadedFiles/Initiatives/Legal_Entity_Identifier_(LEI)/LEI-Fund-Guidance-2013.pdf)

<sup>36</sup> Other cases include funds not represented by a Fund Management Entity, which are likely to have no such relationships to report (for instance self-managed funds), and where verification costs would be limited as well. The availability of verification sources is discussed in section V.

by funds of their status as a fund.<sup>37</sup> The optional approach allows those funds that consider the relationships meaningful to report them. Finally, some respondents noted that it was unclear whether the adopted definition would capture some complex situations, or relationships in all jurisdictions, as not all jurisdictions are represented on the LEI ROC.

- As noted by some respondents, avoiding largely static fund management information in transaction reporting will not be achieved through collecting information at the LEI level, in particular in cases where several Fund Management Entities are involved in initiating trades for the same fund, which will make it necessary to continue reporting the information at trade level. The focus is therefore on reporting the relationships where these are deemed useful by users: funds will report such relationships where this brings benefits (for instance more efficient management of LEI registrations, by avoiding multiple verifications of information common across several funds) or where this is expected from them by other market participants.
- There were concerns that the mandatory reporting of these relationships, among other things, could make registrations more costly and complicated, and would go against the priority objective of increasing LEI coverage.

## **2. Cases where fund relationships will be subject to mandatory recording in the GLEIS**

As exceptions to the general principle described in the previous section, fund relationships will be collected as part of the information necessary for an LEI to have an “issued” status in two circumstances. First, if the relationship is mandated to be reported and publicly available in the relevant jurisdiction AND if the LEI is mandatory for the related entity in the relevant jurisdiction.<sup>38</sup> GLEIF, in cooperation with the ROC, will maintain on a best-effort basis a list of cases where the conditions are met. This list will be used by GLEIF to perform automated checks where possible (for instance, when all funds authorised by a given regulator or located in a given jurisdiction are meeting the conditions). If the case is not on the list, users could still challenge the absence of a relationship on the basis that the conditions are met, which will be a way to expand the list, if relevant regulators (even outside the ROC) confirm.

Second, the relationship between an umbrella structure and a sub-fund or compartment will be collected (to the extent such a relationship exists). Industry participants were concerned that an optional approach would not sufficiently address the issue of the consistent identification of sub-funds with a name made of the “name of the umbrella structure” + “name of the sub-fund”. The absence of the name of the umbrella structure can be a source of duplication. Stakeholders participating in a workshop organised by the ROC with industry representatives who had

---

<sup>37</sup> Self-reporting may have been mitigated by the challenge process and possibly some verification based on the legal form for instance. It was also unclear whether such a requirement should apply to certain categories of funds such as pension funds or sovereign wealth funds.

<sup>38</sup> For example, starting in 2019, the SEC will require LEIs to be reported on Form N-CEN for any registered fund in a Master-Feeder relationship. The SEC does not require a fund’s adviser (Fund Management Entity) to have an LEI. (*See* Investment Company Reporting Modernization Release Nos. 33-10231 (2016)).

responded to the consultation discussed a possible alternative, which would be to concatenate the names in a text field, or collect the two names separately as part of level 1 data. However, such solutions appear complex, especially to manage languages and transliterations, changes in names, or provide the source used to validate the name of the umbrella structure. Participants agreed that requiring that the umbrella structure has an LEI and that the relationship be recorded would be simpler and less costly for the LEI system. The ROC noted during the first consultation that the case was close to the situation of branches, to the extent that sub-funds are part of the same legal entity, and that a mandatory approach would be consistent with the one adopted for branches.

The attached guidelines clarify that before issuing or renewing an LEI for a fund compartment, the LOU should make sure that the umbrella structure has an LEI and the relationship with the umbrella structure is recorded in the LEI system. The verification of the name and legal form of a fund against official sources should allow LOUs to detect such structures.

### 3. Mitigating the limitations of the optional approach

A limitation of the optional approach to reporting fund relationships is that users will not know whether the absence of a relationship is because the relationship (as defined in the GLEIS) does not apply, or because the option to report was not used. This will be mitigated in several ways:

- In the case of Fund Management Entities, the GLEIS will implement a way to record that such a relationship does not apply, despite the entity being recorded in the GLEIS with the entity category “fund”. This would be the case for instance if the Fund itself is responsible for providing any portfolio management and risk management function. For example, a U.S. unit investment trust and a U.S. feeder fund each do not have an investment adviser. In the EU, UCITS and AIF of the corporate form may be internally/self-managed (subject to authorization/registration).<sup>39</sup> Self-managed funds should report themselves as the Fund Management Entity, which matches the way this situation is considered in some jurisdictions.<sup>40</sup> This was generally supported by market participants. One concern was that describing the fund itself as a Fund Management Entity could be confusing, given that usually such entity is not able to carry out the function of a Fund Management Entity for other funds. However, given the requirement that the related entity be reported with an LEI, cases where both LEIs in the relationships are the same should easily be identified and could be flagged as necessary.

---

<sup>39</sup> For an example of AIF where the **Fund Management Entity** and the **Umbrella Structure** is the same see [https://portal.mvp.bafin.de/database/FondsInfo/verwaltungsgesellschaftdetails.do?instid=10121577&locale=en\\_GB](https://portal.mvp.bafin.de/database/FondsInfo/verwaltungsgesellschaftdetails.do?instid=10121577&locale=en_GB). The internally managed Fund Management Company is registered in the common register - North Rhine-Westphalia District court Neuss HRB 14870. [Link to register: www.handelsregister.de](http://www.handelsregister.de). The sub-funds could therefore report two relationships in the GLEIS (Fund Management Entity and Umbrella Structure).

<sup>40</sup> In the EU, in the case of a self-managed fund, the fund is considered as the Fund Management Entity. Under AIFM Directive 2011/61/EU, *Article 5*, 1. Member States shall ensure that each AIF managed within the scope of this Directive shall have a single AIFM, which shall be responsible for ensuring compliance with this Directive. The AIFM shall be either: (a) an external manager, which is the legal person appointed by the AIF or on behalf of the AIF and which through this appointment is responsible for managing the AIF (external AIFM); or (b) where the legal form of the AIF permits an internal management and where the AIF’s governing body chooses not to appoint an external AIFM, the AIF itself, which shall then be authorised as AIFM....”

- The GLEIS will explore, in consultation with the ROC and other stakeholders, the establishment a flag or indicator that would be completed by the entity when a fund has reported all fund relationships relevant for that fund. This would allow users to distinguish, in the absence of information, cases where the information is missing because there is no relationship, and cases where the fund has not opted to report. Concerns include, for example, whether such determinations are too subjective and whether they would be detrimental indicators as to data quality. Such a proposal will be considered as part of the wider reflection of the LEI ROC on such indicators.

Another limitation is that relationship data will not be available in all cases to improve the quality of information on funds, especially the name and address of the Fund Management Entity, when these are part of the address of the fund. The LEI ROC intends to address this through the attached Guidelines for the registration of Investment Funds in the GLEIS, and the following measures:

- creation of a way for “care of” addresses to be recorded in a structured manner, referring to an LEI, as this will simplify updates when the name and/or address of the Fund Management Entity change. This may incentivise Fund Management Entities that manage large number of funds to voluntarily acquire an LEI, even if not required to do so.
- clarify that when recording the Legal Addresses or Headquarters Address of an entity as being the address of another entity (“care of” situations), the name of the other entity and its address should be verified by the LOU, unless this other entity has an LEI. This will apply in particular to unincorporated funds that are hosted by their Fund Management Entities.
- a greater use of data feeds from regulatory authorities to detect changes, as described in the LEI ROC Policy Document on Legal Entity Event and Data History<sup>41</sup>.
- Increased data quality checks.

## **Section V - Verifications to be conducted by LOUs concerning fund relationships and the source for verification.**

Fund Management Entities are regulated entities and registered as such with the securities regulators or the central banks so far as regulated investment funds are concerned.

The ROC adopted<sup>42</sup> that for verifying the existence of a fund relationship, the following sources should be used when available, in this order of priority:

---

<sup>41</sup> [https://www.leiroc.org/publications/gls/roc\\_20181030-1.pdf](https://www.leiroc.org/publications/gls/roc_20181030-1.pdf)

<sup>42</sup> This is similar to the guidance on validation documents in the LEI Fund Guidance v 4.0 published by GFMA ([http://www.gfma.org/uploadedFiles/Initiatives/Legal\\_Entity\\_Identifier\\_\(LEI\)/LEI-Fund-Guidance-2013.pdf](http://www.gfma.org/uploadedFiles/Initiatives/Legal_Entity_Identifier_(LEI)/LEI-Fund-Guidance-2013.pdf)).

1) Regulatory filings to regulators or central banks as well as registers and databases kept by competent authorities (which is consistent with the approach of the list of business registries and registration authorities currently maintained by the GLEIF);

2) Fund prospectuses vetted by authorities.

For Level 1 reference data and for parent entities relationship data, the ROC already recognized several levels of validations, from “fully corroborated” to “entity supplied only”, to reflect the extent to which independent sources could be used for validation. A fund prospectus not vetted by authorities will be considered under the category “entity supplied only”, which may be the case for certain types of funds.<sup>43</sup> There are differences with level 1 validation, and as explained in the guidelines for the registration of funds, national company registries should appear as the Registration Authority when applicable.

Regulatory filings would exist in the US for instance, as the federal securities laws focus on a fund’s investment adviser because of such adviser’s prominent role in managing a fund, *e.g.* investing portfolio assets and, sometimes, sponsoring the fund. Such U.S. laws require an investment adviser (Fund Management Entity) to a:

- fund that is registered under the Company Act of 1940 also to be registered under the Advisers Act; and
- private fund (*i.e.*, generally a hedge fund or private equity fund), generally to register and, for certain advisers, report under the Advisers Act.<sup>44</sup>

Form ADV, the public registration and reporting form required under the Advisers Act, asks a filer to provide its LEI, if it has one. Similarly, Form PF, a non-public form filed by certain private fund advisers, asks a filer to provide its LEI, if available. The investment adviser(s) to a registered fund can be identified through both: (i) the adviser’s Form ADV; and (ii) the registered fund’s registration statement.

Investment advisers in the U.S. generally are regulated entities. As such, an LOU could compare funds against IARD, EDGAR, and the SEC website for verification:

- IARD is a FINRA maintained system used to make required filings by: (i) registered investment advisers; and (ii) exempt reporting advisers (*i.e.*, certain private funds).
- EDGAR is an SEC maintained and owned system that is used by multiple types of registrants (*e.g.*, investment companies, corporations, exchanges) to make required filings.
- The SEC’s website, [www.sec.gov](http://www.sec.gov) provides certain information about funds and advisers at <https://www.sec.gov/data>.

---

<sup>43</sup> For instance, in Luxembourg, Reserved Alternative Investment Funds or RAIFs (a specific form of Alternative Investment Funds) have a prospectus, but, unlike their management company, are not subject to regulatory approval.

<sup>44</sup> Certain private fund advisers are not required to register, but are required to file annual reports with the SEC (*i.e.* those that exclusively manage a venture capital fund(s), or have less than \$150 million (U.S. dollars) in assets under management that are held in only private funds).

Given that the funds identifier will likely be included as the Business Registry or Registration Authority (BRRA) number requested by the LOU from the registrant, this should facilitate verification.

In the EU, both UCITS and AIFMD frameworks include detailed provisions in relation to the conditions and procedures for obtaining authorisation/registration as UCITS management company or AIFM. National competent authorities (NCAs) keep registers of all authorised/registered UCITS management companies and AIFMs and report regularly to ESMA. ESMA compiles data on authorised UCITS management companies and AIFMs on the basis of data provided by NCAs in a publicly accessible register.<sup>45</sup> ESMA register does not include ‘registered AIFMs’.<sup>46</sup>

Respondents to the consultation supported the approach and noted that the verification of a Master Feeder relationship would need to rely on the legal documentation of the feeder fund. It is indeed not expected that the GLEIS would verify if the feeder is effectively invested in the Master Fund.

## **Section VI – Representation of fund relationships in the GLEIS.**

There is an expectation by the ROC that the relationship data model developed for parent entities will be used also for relationships with funds, instead of recording the information as part of the Level 1 data. During the first consultation, a number of respondents supported this approach, but others cautioned against the additional costs of verifying the dates of a relationship. The optional approach should help focus on cases where the benefits of the collection outweigh the costs. Fund relationships should have a start date and an end date and the relationship file should also specify the date of the last update and other maintenance information as for parent entities.

Concerning verification, one respondent was concerned that when the Fund Management Entity is replaced, this change is not necessarily accounted for in the public domain until the next Statement of Additional Information, but given the focus on the entities responsible for the constitution and operation of the fund (and not the delegated entities), these changes should not be frequent, and are expected to be well publicised. In any case, the LEI ROC specified in the case of accounting consolidation relationships, that the data validation sources should allow to mention that a relationship is “Entity supplied only” when accounting documents are not available yet to verify a change in relationship. A similar approach should be followed here.

Concerning legacy issues for the some 17000 fund relationships already reported:

- In all cases, historical files are not affected.
- As records are updated as part of the annual process, past “fund family relationships” will be classified according to the new taxonomy, and an LEI will be reported by the registrant for the related entity, or the registrant will not choose the option of not

---

<sup>45</sup> <https://www.esma.europa.eu/databases-library/registers-and-data>

<sup>46</sup> AIFMs managing portfolios of AIFs whose assets under management, including assets acquired through use of leverage, in total do not exceed threshold of (i) 100 million EUR or (ii) 500 million EUR if portfolios of AIFs consist of AIFs that are unleveraged and have no redemption rights exercisable during 5 years following the initial investment.

reporting when this option is available (in which case the updated files will show no relationship).

- For LEIs that have not yet been updated (e.g. lapsed, LEIs having not yet been subject to the annual renewal) and those that are likely to never be updated (e.g. retired LEIs), the legacy classification “fund family relationship”, or some other description such as “Other Fund Family” could be used, and the name kept for designating the related entities (when no LEI was provided, which affects only a few thousand records). GLEIF will determine with the ROC and other relevant stakeholders how best to record these legacy cases (e.g., whether or not they should remain part of the level 1 data).

## **Section VII - Other fund relationships**

The present document focuses only on some relationships that funds have with other entities. The ROC is aware that many other relationships exist, some of which might be added in future expansions of relationship data, on which there would be separate public consultations. To that end, respondents to the first public consultation were invited to specify which relationships they would recommend adding to the GLEIS, any definition they would recommend using (preferably relying on internationally recognized definitions) as well as the benefits and costs related to such additions. Where several additional relationships were suggested, respondents were invited to specify whether they consider that some of them would have a higher priority.

For instance, additional relationships that could be considered to be implemented in the GLEIS include relationships that apply to a broad range of entities that provide services to funds (and possibly to entities other than funds) such as the independent public accountant or external auditor of the entity, a custodian<sup>47</sup>, a principal underwriter<sup>48</sup>, a sponsor<sup>49</sup> a transfer agent<sup>50</sup> or entities to which certain fund management activities are delegated.<sup>51</sup> Another consideration is that some jurisdictions are already implementing the optional reporting of certain fund relationships, some of which may be specific to local regulatory definitions. To illustrate, starting in 2018, all investment companies that are registered in the United States under the Investment Company Act will be required to report certain census information on new Form N-CEN. The SEC rule that implements the requirement provides that a registered investment company that does not yet have a LEI will be required to obtain one, and report its LEI on Form

---

<sup>47</sup> A custodian holds the fund’s assets, maintaining them separately to protect shareholder interests and reconciling the fund’s holdings against the custodian’s records.

<sup>48</sup> Principal underwriters sell fund shares, either directly to the public or through other firms (e.g., broker dealers).

<sup>49</sup> The fund’s sponsor, who is typically the fund’s investment adviser, has a variety of responsibilities such as, assembling the group of third parties needed to launch, manage, and operate the fund, providing officers and affiliated directors to oversee the fund, and recruiting unaffiliated persons to serve as independent directors. The sponsor also usually contributes the seed capital, serving as the fund’s initial shareholder.

<sup>50</sup> Transfer agents execute shareholder transactions, maintain records of transactions and other shareholder account activity, and send account statements and other documents to shareholders.

<sup>51</sup> As discussed in section II 1 on the definition of Fund Management Entities.



N-CEN.<sup>52</sup> With respect to related third parties that provide services to such a fund, however, the same SEC rule provides that the fund report the third party's LEI only if the third party has an LEI (and has shared it with the fund).<sup>53</sup> In addition, an investment adviser that is registered in the U.S. under the Advisers Act is not required to obtain an LEI simply because of its relationship to a U.S. registered fund.<sup>54</sup>

Another type of relationship that may merit consideration in the future is the concept of “funds of funds”, by which a fund invests in other funds. However, this relationship is generally less permanent than the other ones considered here, and may more usefully be considered as part of the broader issue of whether and how to record investments by an entity in another (see ROC report Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1, section 2.3 on “other relationships”).

In line with responses to the first public consultation, the ROC did not adopt adding at this stage any other relationships. A respondent noted that relationships should only be included in GLEIS, if this provides higher added value than the related costs and efforts. Another stated that “The principal reason for creating the LEI was to provide a mechanism to uniquely and unambiguously identify legal entities and, in so doing, to facilitate more effective regulatory oversight of risk in the financial system. There is danger in seeking to collect information that goes beyond these objectives in that the GLEIS will start to become a source of wider reference data, for which the current model of cost recovery from the subject entities is inappropriate.” Yet another group of respondents believe that only relationships that are consolidated on financial statements, when necessary for regulatory purposes, should be required to be collected and included in the Global LEI system, subject to the established opt outs.

---

<sup>52</sup> See Investment Company Reporting Modernization Release Nos. 33-10231 (2016). At the registrant level, the rule requires reporting of LEIs for the investment company registrant. The rule also requires reporting of LEIs of registered fund series. The SEC also noted that it would expect to revisit the requirement to report LEIs if the operation of the GLEIS were to change significantly.

<sup>53</sup> The rule instructs a registrant to report LEIs (if any, as discussed above) for its principal underwriter and independent public accountant. The rule also seeks the reporting of LEIs (if any) for numerous relationships on the registered fund (series) level, including for feeder funds, securities lending agents, controlled foreign corporations, investment advisers, investment sub-advisers, transfer agents, pricing services, custodians, shareholder servicing agents, third-party administrators, affiliated broker-dealers, top ten brokers that received the largest brokerage commissions, and top ten principals with which the fund did the largest dollar amount of principle transactions. Furthermore, the rule seeks the reporting of LEIs (if any) for authorized participants (to be reported by exchange-traded funds) and depositor (to be reported by unit investment trusts).

<sup>54</sup> SEC rules do not require a registered or reporting investment adviser to obtain an LEI; only to report its LEI if it has one. See, e.g., Form ADV, Item 1.P. As of May 31, 2016, approximately 6.80% of all registered investment advisers reported an LEI when filing Form ADV. See *Form ADV and Investment Advisers Act Rules*, Release No. IA-4509 (Aug. 25, 2016).

## Annex 1

### Guidelines for the registration of Investment Funds in the GLEIS

The LEI ROC wants to thank the WG Chair Michel Maquil for his research on data quality issues affecting investment funds, which greatly supported the development of these guidelines. The LEI ROC also thanks industry participants who responded to the consultation on the guidelines.

#### 1. Scope – whether an entity is a fund

In line with the governance principles of the GLEIS, it is the primary responsibility of entities to report whether they are an investment fund, defined as a collective investment scheme (or pooled investment) beneficially owned by multiple investors and managed on behalf of those investors by an asset manager or by the fund itself.

If an entity reports itself as a fund, this should be verified by the LOU and appear in the “entity category”. There is no expectation for LOUs to verify whether an entity not reporting itself as a fund is a fund, except minimum due diligence including: whether the name of the fund includes the mention that it is a fund or any equivalent in the relevant language and legal framework; whether the legal form necessarily means that the entity is a fund; whether the registry used to establish the existence of the entity is specific to funds. To the extent possible and subject to a cost-benefit analysis that costs would be reduced for the GLEIS, GLEIF may provide an automated tool to support those checks. GLEIF will also implement data quality check (which could be automated and/or on a sample basis). Any user can also challenge the “entity category”.

#### 2. Address and jurisdiction of an investment fund

The Common Data File Format CDF 2.1 published by the GLEIF defines the “legal address” as “the address of the entity as recorded in the registration of the entity in its legal jurisdiction” and the “headquarters address” as “the address of the headquarters of the Entity”.

Recording two addresses was already foreseen in the ISO 17442 standard on the LEI published in 2012. ISO 17442 distinguishes

- “The address and the country of legal formation as represented in ISO 3166”. The ISO standards also defines the “address of legal formation” as the “current address of legal formation in the jurisdiction in which the entity is established”.
- “The address of the headquarters of the legal entity or the address of the fund manager.”

The Glossary of the CDF 1.0 published by the LEI ROC<sup>55</sup> provided additional specificity and stated for instance for legal address: “The legal address is the physical address to which legal

---

<sup>55</sup> [http://www.leiroc.org/publications/gls/lou\\_20140620\\_2.pdf](http://www.leiroc.org/publications/gls/lou_20140620_2.pdf)

actions would need to be addressed; this address will most often be given in official registries or foundational documents for an entity.”

The LEI ROC Glossary also described a waterfall approach for recording the Legal Address of funds in the GLEIS: “(1) where the fund’s constituting document identifies a registered address, that address should be used; (2) failing (1), if the foundational documents identify an address for the service of legal documents, that address should be used; (3) failing (1) and (2), if there is a management company responsible for the legal affairs of the entity, the address of the management company should be used.”

The LEI ROC has found examples where the Legal Address for investment funds that are established in a corporate form, and meet the first criteria of the waterfall approach above, had other addresses (for instance, address of the Fund Management Entity, or of a Bank or a Law Firm). This is a source of confusion, especially where this alternative address is in another jurisdiction than the fund, and legal addresses in the GLEIS are used to allocate the responsibilities of regulators.

Therefore, the LEI ROC underlines the importance of a strict implementation of the following clarification on the Legal Address:

- (1) If a current address is provided in the business registry in which the entity was formed (which would generally be the case for funds that are incorporated), this address should be recorded as the legal address in the GLEIS.<sup>56</sup>
- (2) Failing (1), given that “business registry” is understood to encompass other relevant registration authority sources, if a current address is provided by such other registration authority source (such authoritative source is recorded with its code in the field BusinessRegisterEntityID)<sup>57</sup>, this address should be recorded as the legal address in the GLEIS, provided this registration is the primary registration, i.e. generally a condition of the existence of the fund as a legal entity (this does not encompass cases where funds need an authorisation or a registration for operating in countries others than the one in which they are established).
- The waterfall approach applies in other cases: (3) failing (1) and (2), where the fund’s constituting document identifies a registered address, that address should be used; (4) failing (1), (2) and (3), if the foundational documents identify an address for the service of legal documents, that address should be used; (5) failing (1), (2), (3) and (4), if there is a management company responsible for the legal affairs of the entity, the address of the management company should be used (in the latter case, the “care of” address structure should be used to signal that the address is the one of another entity).

---

<sup>56</sup> This could for instance be frequent for Alternative Investment Funds in the European Union. Alternative Investment Fund Managers (AIFMs) are regulated and supervised whereas the investment vehicles are not directly supervised but only indirectly through the AIFM. AIFMs invest in real estate investment vehicles, LT investment vehicles, Venture Capital investment vehicles, etc, which may not be registered as funds but as investment vehicles or even only as companies.

<sup>57</sup> <https://www.gleif.org/en/about-lei/code-lists/gleif-registration-authorities-list>

For the Headquarters address, the Glossary of the CDF 1.0 stated: “This element provides the address of the headquarters of the entity. In some circumstances, the physical headquarters address may be precisely defined as a legal term, but in other situations there is no such formally defined alternative. Where no such formal address exists, focusing on communication as an objective would support allowing the registrant to define for itself an address at which it might be contacted most usefully. Following this approach, it is recommended that where there is no legally defined headquarters address, the physical address where the entity prefers to receive routine communication should be recorded.”

**Therefore, the field on the Headquarters Address allows funds to provide addresses other than the Legal Address, and especially the Fund Management Entity address, as foreseen in the ISO 17442 standard.** The measures presented separately will allow user to know that an address is the address of the Fund Management Entity, (recording “care of” situations with an LEI, and Fund Management Entity relationship showing an LEI) provided these options are used.

In addition to “Legal Address” and “Headquarters Address”, the GLEIS records the “Legal Jurisdiction”. The “legal jurisdiction field” was meant as “an auxiliary variable” for the legal form field.<sup>58</sup> This was confirmed in other terms in June 2014 in the final version of CDF 1.0 and taken over by CDF 2.1 (“the jurisdiction of legal formation and registration of the entity (and on which the legalForm data element is also dependent)”). In most cases, the country of the legal address is the same as the “Legal Jurisdiction”. However, there may be cases where the Legal Address is different from the Legal Jurisdiction:

- For instance some territories have their own ISO country code, but company law and entity legal forms are the ones of the mainland/jurisdiction they are bound to.
- For some funds such as Mutual Trusts<sup>59</sup> in the EU, the Legal Address as defined above could be the one of the Fund Management Entity, and, under the EU principle of “freedom to deliver services”, the Fund Management Entity can be in a jurisdiction other than the jurisdiction where the fund is registered. It is therefore important that the “Legal Jurisdiction” be the one associated with the legal form, i.e. the legal regime under which the non-incorporated fund is registered or created.

For instance, if a trust is organised under UK law but registered in another country, the correct approach to record as “Legal jurisdiction” the UK, knowing that the jurisdiction of registration (competent authority having registered the fund) will be identified through the ValidationAuthorityEntityID.

### **3. Name of a sub-fund**

Each investment fund has to record in the LEI System its Legal Name being defined as “The Legal Name of the Entity”.

---

<sup>58</sup> see [https://www.leiroc.org/publications/gls/lou\\_20140224.pdf](https://www.leiroc.org/publications/gls/lou_20140224.pdf), p. 6, February 2014.

<sup>59</sup> We use “mutual trust” here for all funds established in contractual form e.g. Mutual trusts, fonds commun de placement or common funds, “Sondervermögen laut deutschem Recht KAGB, etc).

The Glossary published by the LEI ROC in February 2014 stated: “The legal name of a fund is the name as set out in the constituting documents of the fund. This may include an alphabetic name, a numeric code or a combination of both. In some instances, the legal identity of a fund cannot be described sufficiently well by its own legal name alone; where this is the case, the element AssociatedEntity should be used to provide the LEI or name of another entity, such as an umbrella fund, fund manager or other hierarchically relevant entity.”

For most sub-funds, the legal name recorded in the GLEIS is a combination of the legal name of the umbrella fund, followed by the legal name of the sub-fund. In several cases a sub-fund appeared only with the name of the sub-fund and no mention was made of the umbrella fund. This latter case can be a source of confusion. The sub-fund is intrinsically linked to the umbrella fund and both legal names have to be available in the record of the sub-fund. There can be under different umbrellas sub-funds with identical legal names. The only way to distinguish them is by recording the name of the umbrella fund.

In a response to the LEI ROC public consultation on fund relationships in late 2017, one respondent noted that “it is imperative that the GLEIS finally and definitively define the naming convention for Umbrella / Sub-Funds across all LOUs. Today there are widespread formatting differences which lead to confusion and potential duplicate LEIs being issued. Some LOUs follow the <Umbrella> + <Fund Name> convention and others do not.”

In the public consultation, the ROC proposed that “When an LEI is obtained for the first compartment or sub-fund of an umbrella fund, [...] the relevant umbrella fund would also have to obtain an LEI” and that “there would be no opt out available where the compartment/sub-fund does not itself have legal personality and is a sub-set of another legal person, consistent with the decision made by the ROC for international branches”. The consultation document stated that “a structured way to record information on umbrella funds would avoid the current practice of using the legal name data element to mention the name of the umbrella fund and sub-fund.”

The second consultation confirmed the mandatory approach for the collection of relationships with umbrella structures more generally, which should facilitate the consistent implementation of naming conventions.

In addition to the mandatory reporting of the Umbrella Structure relationship with the LEI of the umbrella structure, this LEI ROC Policy clarifies that:

- the name of the sub-structure should always include the name of the umbrella structure; the LEI ROC recommends to the GLEIF that it should be done in a more systematic, structured and transparent manner; where the relationship with the umbrella structure is recorded in the GLEIS, there should be a data format or process ensuring that the name of the sub-structure is updated without delay when the name of the umbrella structure changes
- to be able to verify the consistent implementation of the naming convention, the Entity Legal Form (ELF) code list should cover sub-structures. The GLEIF should monitor that the correct name structure “umbrella structure name” + “sub-structure name” is used for ELF codes that correspond to sub-structures that require such a naming

convention. Where the ELF code would be insufficient, another flag should be created (e.g, in the “entity category” data element).

- when issuing or maintaining the LEI of the sub-structure of an umbrella structure, the LOU should verify that the umbrella structure has a current LEI and the relationship with the umbrella structure is recorded in the LEI system, to make sure that the legal existence and name of the umbrella structure have been verified against the official registration.
- the reference data of the sub-fund have to be registered and validated specifically and separately from the umbrella fund, using a registration or validation authority that mentions the data of the sub-fund.

#### **4. Different Registration Authorities and validation levels.**

Incorporated funds will generally appear both on the official national business register as well as on the list of the supervisory authorities (which generally covers all entities authorised to provide services in a given jurisdiction). On the other hand, funds with no legal personality will only appear on the list published by the supervisory authority. This can also be the case for sub-funds.

It has to be added that if entities are registered with two different Registration Authorities, it is likely that these separate registers, maintained by different authorities, will not be updated in a perfectly synchronised manner, and that there could be discrepancies.

The CDF 2.1 published by the GLEIF introduced a distinction between:

- RegistrationAuthority, defined as “An identifier for the legal entity in a business registry in the jurisdiction of legal registration, or in the appropriate registration authority”. The GLEIS records a RegistrationAuthorityID (reference code of the registration authority, taken from the Registration Authorities List maintained by GLEIF) and a RegistrationAuthorityEntityID. The document “LEI Common Data File format V.2.1” specifies that this is “The identifier of the entity at the indicated registration authority. Typically, the identifier of the legal entity as maintained by a business registry in the jurisdiction of legal registration, or if the entity is one that is not recorded in a business registry (e.g. one of the varieties of funds registered instead with financial regulators), the identifier of the entity in the appropriate registration authority.”
- ValidationAuthority, defined as “the (primary) registration authority used by the LOU to validate the entity data”. The GLEIS records the Validation Authority ID, which is the reference code of the registration authority, taken from the Registration Authorities List (RAL) maintained by GLEIF. The GLEIS also records the ValidationAuthorityEntityID, defined in the same way as the RegistrationAuthorityEntityID above.

There is therefore the possibility of recording two registration authorities, and for incorporated funds recorded both in the business registry and by the funds registration authority, in addition to the Registration Authority, which should be the Business Registry, the validation of a fund reference data should always be based on the funds registration authority. This means that the Validation Authority of a fund should always be the financial regulator registering the fund. For non-incorporated funds that do not appear in a business registry, the financial regulator will also be the Registration Authority.

This has several merits:

- potentially increase accuracy, as the Supervisory Authority is not only responsible to publish data but also responsible to oversee that the supervised entity is incorporated according to the specific rules and regulations.
- facilitate the identification of supervised entities in the GLEIS, and the mapping between supervisory identifiers and the LEI.

In addition, potential data quality issues may arise when the validation source is not the registry of the authority that originally registered the fund:

- It appears that some entities apply for an LEI by presenting legal documents like prospectuses and that LOUs consider these information as source to register and validate data. There is a risk that such sources may not be the latest version available, approved by the supervisory authorities.
- Within the EU funds can be distributed cross border only in countries where an official notification was made and finally published on the list of authorized entities maintained by the registration authority. The notification information published in the host country is necessarily published with some delay compared to the home country information and the updates may also be late, which affects accuracy. In addition, the information may be published in the language of the host country (country of distribution in the logic of such a local notification), which may affect the ability of the LOU to verify that the name, address and legal form are accurately provided in the language of the jurisdiction that governs the entity, in accordance with GLEIS principles.

The data of a fund should only be declared “fully corroborated” if

(1) the validation authority is the one specialised in funds, and all the data is found in that source  
or

(2) if criteria (1) is not met, the LOUs should verify that the prospectus (or similar documents) has been approved by supervisory authority and has been published before.

- Otherwise in cases where no official registry is available, and other documents not meeting the conditions above need to be used, the validation status should be “entity supplied only” (or, in case of a mixed situation, “partially corroborated”). This may happen if an legal entity needs an LEI in its application, before the prospectus is approved. In conformity with the Master Agreement (Appendix 5) which specifies that

the contracts that LOUs have with entity should include the “obligation of the Legal Entity to promptly submit any changes regarding any aspect having an actual or potential influence on the LEI and/or LE-RD”, and the GLEIS Governance Principles (FSB Recommendation 18) according to which LOUs have the responsibility “to encourage necessary updating”, the LOU should verify, after the customary delay, whether the fund was authorised and registered, so that the reference data can be checked against the official source, and the ValidationAuthorityID and ValidationAuthorityEntityID can be added. If the fund was in the end not authorised or registered, and cannot be considered to exist as a legal entity, the LEI registration should be annulled, and this should appear as such in the registration status of the LEI record.

Investment fund’s data should only be validated against data published by the home country Registration and/or Validation Authority.

## **5. Pools of assets**

Many funds bundle their purchases and sales of assets in pools. Generally, these pools are limited to funds or sub-funds of a single promoter. In some countries, such pools have a corporate structure (Germany), in some other countries these pools are just contractual arrangements (Ireland, Luxembourg, Switzerland).

In the response to the first public consultation, the German Funds Association BVI noted: “Also to identify in a meaningful way, e.g. the joint fund accounting/administration of several funds within a so-called pooling structure as permitted in Luxembourg or Switzerland a data structure and guidance is necessary to be able to report such pooling structures as necessary within “Other Fund Management Entity”, “Umbrella Fund” or “Other Fund Family” (OFF).” In the response to the second public consultation, there was a range of views on how the situation should be addressed. Work is ongoing on this issue with relevant regulators, and a clarification will be published as needed at a later date..



## **Annex to the guidelines: examples**

### **Example 1**

The annex takes the example of a fund compartment, M&G (Lux) Investment Funds 1 – M&G (LUX) Global Corporate Bond Fund (LEI 549300DOA2EQY3C0OC82). The current LEI record and various sources of information are presented in the next pages.

Name: the name of the sub-fund recorded in the GLEIS is a combination of the name of the umbrella structure (M&G (Lux) Investment Funds 1) and the name of the sub-fund (M&G (Lux) Global Corporate Bond Fund), as described in the guidelines. The prospectus specifies that M&G (Lux) Investment Funds 1 is an “umbrella fund with segregated liability between sub-funds”. The sub-fund is therefore eligible to an LEI.

The same part of the prospectus could also be used by the LOU to verify the “Umbrella Structure” relationship adopted in this document. The supervisory authority (CSSF) also allows verifying the information.

The prospectus provides the name of the Fund Management Entity: “Management Company: M&G Luxembourg S.A. 16 boulevard Royal, L- 2449 Luxembourg”. This could be used by the LOU to verify the adopted “Fund Management Entity” relationship. It should be noted that the fund also has an “Investment manager” (M&G Investment Management Limited, in the United Kingdom), which should not be confused with the Fund Management Entity.

The umbrella structure has a registered address, recorded in the business registry of Luxembourg. Recording the relationship with the umbrella structure as described in this policy document will allow making the connection with the business registry record. The address of the sub-fund in the LEI system is the registered address of the umbrella structure. It also coincides with the address of the domiciliary agent mentioned in the prospectus (State Street Bank Luxembourg S.C.A.). The introduction of the option to record in a structured way “care of” addresses will give the possibility of making this information available. As there are 34 sub-funds of this umbrella structure recorded in the GLEIS, this may allow a more efficient management of information, and avoid duplication of verifications.

There is currently no Entity Legal Form (ELF) code for such sub-fund (hence the ELF code 8888).

## Information in the LEI record

| Entity details                    |   |
|-----------------------------------|---|
| LEI                               | 549300DOA2EQY3C0OC82  |
| LEGAL NAME                        | M&G (Lux) Investment Funds 1 - M&G (Lux) Global Corporate Bond Fund |
| OTHER ENTITY NAMES                | not available   |
| TRANSLITERATED OTHER ENTITY NAMES | not available   |
| REGISTRATION AUTHORITY ID         | RA000433  |
| OTHER REGISTRATION AUTHORITY ID   | not available   |
| REGISTRATION AUTHORITY ENTITY ID  | 000008975_00000028  |
| LEGAL JURISDICTION                | LU  |
| ENTITY CATEGORY                   | FUND  |
| ENTITY LEGAL FORM CODE            | 8888  |
| ASSOCIATED ENTITY                 | not available   |
| ENTITY STATUS                     | ACTIVE  |
| EXPIRATION DATE                   | not available   |
| EXPIRATION REASON                 | not available   |
| SUCCESSOR ENTITY                  | not available   |

| Addresses   |   |
|---|---|
| LEGAL   | HEADQUARTERS  |
| 49, avenue J.F. Kennedy<br>L-1855<br>Luxembourg<br>LU | 49, avenue J.F. Kennedy<br>L-1855<br>Luxembourg<br>LU |

| Registration details           |  |
|--------------------------------|--|
| INITIAL REGISTRATION DATE      | 2018 07 09 14:31:00.000Z   |
| LAST UPDATE DATE               | 2018-07-09 14:31:00.000Z   |
| REGISTRATION STATUS            | ISSUED   |
| NEXT RENEWAL DATE              | 2019-06-26 15:16:00.000Z   |
| MANAGING LOU                   | <a href="#">EVK05KS7XY1DCII3R011</a><br>Business Entity Data B.V. (GMEI Utility a service of BED B.V.) |
| VALIDATION SOURCES             | FULLY_CORROBORATED   |
| VALIDATION AUTHORITY ID        | not available  |
| OTHER VALIDATION AUTHORITY ID  | not available  |
| VALIDATION AUTHORITY ENTITY ID | not available  |

## Information in the prospectus

# M&G (LUX) INVESTMENT FUNDS 1

October 2018



## Prospectus M&G (Lux) Investment Funds 1

Société d'investissement à capital variable (SICAV) established in Luxembourg as an Undertaking for Collective Investment Schemes (UCITS) umbrella fund with segregated liability between sub-funds

### DIRECTORY

#### Registered Office of the Company

49 Avenue J.F. Kennedy  
L-1855 Luxembourg

#### Administrator and Domiciliary Agent

State Street Bank Luxembourg S.C.A.  
49 Avenue J.F. Kennedy  
L-1855 Luxembourg

#### Board of Directors of the Company

- Laurence Mumford, chairman
- Gary Cotton
- Philip Jelfs
- Graham MacDowall
- Yves Wagner, independent director

#### Depositary

State Street Bank Luxembourg S.C.A.  
49 Avenue J.F. Kennedy  
L-1855 Luxembourg  
Luxembourg

#### Management Company

M&G Luxembourg S.A.  
16, boulevard Royal  
L-2449 Luxembourg  
Luxembourg

#### Registrar and Transfer Agent

RBC Investor Services Bank S.A  
(Luxembourg)  
14 Porte de France  
L-4360 Esch-sur-Alzette  
Luxembourg


#### Investment Manager

M&G Investment Management Limited  
5 Laurence Pountney Hill  
London EC4R 0HH  
United Kingdom

#### Distributor

M&G International Investments S.A.  
16, boulevard Royal  
L-2449 Luxembourg  
Luxembourg

## Information available at the supervisory authority (identified as RA000433 in the GLEIS)



**Commission de Surveillance  
du Secteur Financier**

Home Simple search Advanced search Recent changes Complete lists Public register of the audit profession Legend Contact

### Details

|                                |  |
|--------------------------------|--|
| <b>Type:</b>                   | Undertakings for collective investment that fall under the Law of 17 December 2010         |
| <b>No:</b>                     | O00008975  |
| <b>Name:</b>                   | M&G (LUX) INVESTMENT FUNDS 1   |
| <b>Address:</b>                | 49, avenue J-F Kennedy L-1855 Luxembourg   |
| <b>Start date of validity:</b> | 2016-12-21   |
| <b>Group:</b>                  | I. Undertakings for Collective Investment subject to Part I of the law of 17 December 2010 |
| <b>Sub-group:</b>              | I.2. Investment Company with Variable Capital  |
| <b>Comment:</b>                |  |

## Information available at the business registry (identified as RA000432 in the GLEIS)



LBR Portal > RCS > Search > **Details of the person**

|  |  |
|--|--|
| <b>ELECTRONIC FILINGS</b>                        | <b>M&amp;G (Lux) Investment Funds 1</b><br><b>B210615</b><br>^ Information |
| <b>OFFERED SERVICES</b>                          |  |
| > View the person's file                         |  |
| 📄 Order a company profile                        | <b>Trade name(s) or trading name(s)</b><br>M&G (Lux) Investment Funds 1    |
| 📄 Order a certificate of trade name availability | <b>Registered office</b><br>49, Avenue J.F. Kennedy<br>L - 1855 Luxembourg |
| 📄 Order a negative certification                 | <b>Registration date</b><br>30/11/2016                                     |
| 📄 Monitor this person                            | <b>Legal form</b><br>Société d'investissement à capital variable           |
| > Filing statistics                              |  |

**Example 2 – sub-fund where the umbrella structure is missing in the LEI record**

This is an example of a sub-fund mentioned only with its "sub-fund" legal name. No mention is made about the umbrella fund. In this case it is an SIF - FCP (Special Investment Fund - Fonds commun de Placement). The correct legal denomination should be: F&C LDI FUND - LDI PRIVATE SUB-FUND 50 EUR. The Registration Authority ID refers to RA000434 where no information about the sub-fund is to be found. The record should have referred to RA000433 and indicate the ID O00004431-00000178.

Under ID B122163 only information is to be found about the Fund Management Entity: see:

[https://www.lbr.lu/mjrcs/jsp/DisplayConsultDetailCompanyActionNotSecured.action?id=B122163&timesession=1541516120995&CURRENT\\_TIMESTAMP\\_ID=1541516107806#null](https://www.lbr.lu/mjrcs/jsp/DisplayConsultDetailCompanyActionNotSecured.action?id=B122163&timesession=1541516120995&CURRENT_TIMESTAMP_ID=1541516107806#null)

**LDI PRIVATE SUB-FUND 50 EUR**

GRAND DUCHY OF LUXEMBOURG, Luxembourg

Entity details

|                                   |                             |
|-----------------------------------|-----------------------------|
| LEI                               | 21380024CT7VWNPONT66        |
| LEGAL NAME                        | LDI PRIVATE SUB-FUND 50 EUR |
| OTHER ENTITY NAMES                | not available               |
| TRANSLITERATED OTHER ENTITY NAMES | not available               |
| REGISTRATION AUTHORITY ID         | RA000434                    |
| OTHER REGISTRATION AUTHORITY ID   | not available               |
| REGISTRATION AUTHORITY ENTITY ID  | B122163                     |
| LEGAL JURISDICTION                | LU                          |
| ENTITY CATEGORY                   | not available               |
| ENTITY LEGAL FORM CODE            | 8888                        |
| OTHER LEGAL FORM                  | SUB FUND                    |
| ASSOCIATED ENTITY                 | not available               |
| ENTITY STATUS                     | ACTIVE                      |
| EXPIRATION DATE                   | not available               |
| EXPIRATION REASON                 | not available               |
| SUCCESSOR ENTITY                  | not available               |

Addresses

|  |  |
|--|--|
| LEGAL  | HEADQUARTERS   |
| 49, AVENUE J.F. KENNEDY<br>L-1855<br>GRAND DUCHY OF LUXEMBOURG<br>LU | 49, AVENUE J.F. KENNEDY<br>L-1855<br>GRAND DUCHY OF LUXEMBOURG<br>LU |

Registration details

|                                |   |
|--------------------------------|---|
| INITIAL REGISTRATION DATE      | 2018-01-04 00:00:00Z  |
| LAST UPDATE DATE               | 2018-10-29 10:25:51.757Z  |
| REGISTRATION STATUS            | ISSUED  |
| NEXT RENEWAL DATE              | 2019-01-04 00:00:00Z  |
| MANAGING LOU                   | 213800WAVOP85N2205<br>London Stock Exchange LEI Limited (London Stock Exchange) |
| VALIDATION SOURCES             | FULLY_CORROBORATED  |
| VALIDATION AUTHORITY ID        | RA000434  |
| OTHER VALIDATION AUTHORITY ID  | not available   |
| VALIDATION AUTHORITY ENTITY ID | B122163   |

## Details

Type: Specialised investment funds that fall under the Law of 13 February 2007  
No: 000004431  
Name: F&C LDI FUND  
Address: 49, avenue J-F Kennedy L-1855 Luxembourg  
Start date of validity: 2007-02-13  
Group: I. Mutual Fund

000004431\_00000178-LDI PRIVATE SUB-FUND 50 EUR

### Example 3: case of a sub-fund where the address of the umbrella structure is in a different jurisdiction than the Fund Management Entity hosting the fund

This is the case of a Luxembourg investment company with variable capital, which has several sub-funds. The legal address indicated in the LEI record as of 8 November 2018 is the address of the Fund Management Entity. Interestingly the Registration Authority ID is RA000433 with the correct entity ID and the Validation Sources are recorded as “fully corroborated”, although the LEI record does not match the legal address in the corroboration source (RA000433).

In that case, the legal jurisdiction is correctly recorded as Luxembourg, but given that the umbrella structure is incorporated in Luxembourg, the legal address should have been in Luxembourg as well (address of the umbrella structure, as shown in the CSSF registry), with possibly the headquarters address showing the Fund Management Entity in France.

#### GEFIP INVEST-RENDEMENT

 PARIS, France



| Entity details                                  |  |
|---|--|
| LEI   | 529900ILR4ZAHN31E962   |
| LEGAL NAME                                      | GEFIP INVEST-RENDEMENT   |
| OTHER ENTITY NAMES                              | not available  |
| TRANSLITERATED OTHER ENTITY NAMES               | not available  |
| REGISTRATION AUTHORITY ID                       | RA000433   |
| OTHER REGISTRATION AUTHORITY ID                 | not available  |
| REGISTRATION AUTHORITY ENTITY ID                | 000001751_00000003   |
| LEGAL JURISDICTION                              | LU   |
| ENTITY CATEGORY                                 | FUND   |
| ENTITY LEGAL FORM CODE                          | UDY2   |
| ASSOCIATED ENTITY                               | not available  |
| ENTITY STATUS                                   | ACTIVE   |
| EXPIRATION DATE                                 | not available  |
| EXPIRATION REASON                               | not available  |
| SUCCESSOR ENTITY                                | not available  |
| Addresses                                       |  |
| LEGAL   | HEADQUARTERS   |
| 20 rue Quentin-Dauchart<br>75008<br>PARIS<br>FR | 20 rue Quentin-Dauchart<br>75008<br>PARIS<br>FR  |
| Registration details                            |  |
| INITIAL REGISTRATION DATE                       | 2017-02-03 15:40:05+01:00  |
| LAST UPDATE DATE                                | 2018-02-26 11:15:37+01:00  |
| REGISTRATION STATUS                             | ISSUED   |
| NEXT RENEWAL DATE                               | 2019-02-12 09:27:42+01:00  |
| MANAGING LOU                                    | <a href="#">529900QJ2N45DDNE4Y28</a><br>Herausbergemeinschaft WERTPAPIER-MITTEL UNGEN<br>Keppler, Lehmann GmbH & Co.KG (WM Datenservice) |
| VALIDATION SOURCES                              | FULLY_CORROBORATED   |
| VALIDATION AUTHORITY ID                         | RA000433   |
| OTHER VALIDATION AUTHORITY ID                   | not available  |
| VALIDATION AUTHORITY ENTITY ID                  | 000001751_00000003   |

## Details

|                         |  |
|-------------------------|--|
| Type:                   | Undertakings for collective investment that fall under the Law of 17 December 2010         |
| No:                     | O00001751  |
| Name:                   | GEFIP INVEST   |
| Address:                | 60, avenue J-F Kennedy L-1855 Luxembourg   |
| Start date of validity: | 2011-07-01   |
| Group:                  | I. Undertakings for Collective Investment subject to Part I of the law of 17 December 2010 |
| Sub-group:              | I.2. Investment Company with Variable Capital  |
| Comment:                |  |

## Sub-Funds

| Name                          |
|-------------------------------|
| O00001751_00000001-EUROLAND   |
| O00001751_00000002-PATRIMOINE |
| O00001751_00000003-RENDEMENT  |



## Example 4: pool Fidelity Funds - Italy Pool

 Luxembourg, Luxembourg



| Entity details  |  |
|---|--|
| LEI   | 5493007AKWUMQNZVXG03   |
| LEGAL NAME  | Fidelity Funds - Italy Pool  |
| OTHER ENTITY NAMES                                      | not available  |
| TRANSLITERATED OTHER ENTITY NAMES                       | not available  |
| REGISTRATION AUTHORITY ID                               | RA999999   |
| OTHER REGISTRATION AUTHORITY ID                         | not available  |
| REGISTRATION AUTHORITY ENTITY ID                        | not available  |
| LEGAL JURISDICTION                                      | LU   |
| ENTITY CATEGORY   | FUND   |
| ENTITY LEGAL FORM CODE                                  | 8888   |
| OTHER LEGAL FORM  | OTHER  |
| ASSOCIATED ENTITY                                       | not available  |
| ENTITY STATUS   | ACTIVE   |
| EXPIRATION DATE   | not available  |
| EXPIRATION REASON                                       | not available  |
| SUCCESSOR ENTITY  | not available  |
| Addresses   |  |
| LEGAL   | HEADQUARTERS   |
| 2A, rue Albert Borschette<br>L-1246<br>Luxembourg<br>LU | 2A, rue Albert Borschette<br>L-1246<br>Luxembourg<br>LU  |
| Registration details                                    |  |
| INITIAL REGISTRATION DATE                               | 2013-04-09 15:02:00.000Z   |
| LAST UPDATE DATE  | 2018-02-02 15:34:00.000Z   |
| REGISTRATION STATUS                                     | ISSUED   |
| NEXT RENEWAL DATE                                       | 2018-12-29 00:33:00.000Z   |
| MANAGING LOU  | <a href="#">EVK05KS7XY1DEI13R011</a><br>Business Entity Data B.V. (GMEI Utility a service of BED B.V.) |
| VALIDATION SOURCES                                      | FULLY_CORROBORATED   |
| VALIDATION AUTHORITY ID                                 | not available  |
| OTHER VALIDATION AUTHORITY ID                           | not available  |
| VALIDATION AUTHORITY ENTITY ID                          | not available  |

## Fidelity Funds - Italy Fund

 Luxembourg, Luxembourg



| Entity details  |  |
|---|--|
| LEI   | 549300KCMWWQDPOVF030   |
| LEGAL NAME  | Fidelity Funds - Italy Fund  |
| OTHER ENTITY NAMES                                      | not available  |
| TRANSLITERATED OTHER ENTITY NAMES                       | not available  |
| REGISTRATION AUTHORITY ID                               | RA000433   |
| OTHER REGISTRATION AUTHORITY ID                         | not available  |
| REGISTRATION AUTHORITY ENTITY ID                        | 000000795 00000010   |
| LEGAL JURISDICTION                                      | LU   |
| ENTITY CATEGORY   | FUND   |
| ENTITY LEGAL FORM CODE                                  | 8888   |
| OTHER LEGAL FORM  | OTHER  |
| ASSOCIATED ENTITY                                       | not available  |
| ENTITY STATUS   | ACTIVE   |
| EXPIRATION DATE   | not available  |
| EXPIRATION REASON                                       | not available  |
| SUCCESSOR ENTITY  | not available  |
| Addresses   |  |
| LEGAL   | HEADQUARTERS   |
| 2A, rue Albert Borschette<br>L-1246<br>Luxembourg<br>LU | BP 2174<br>2A, rue Albert Borschette<br>L-1246<br>Luxembourg<br>LU                                     |
| Registration details                                    |  |
| INITIAL REGISTRATION DATE                               | 2015-10-20 02:26:00.000Z   |
| LAST UPDATE DATE  | 2018-02-02 15:34:00.000Z   |
| REGISTRATION STATUS                                     | ISSUED   |
| NEXT RENEWAL DATE                                       | 2018-12-29 00:34:00.000Z   |
| MANAGING LOU  | <a href="#">EVK05KS7XY1DEI13R011</a><br>Business Entity Data B.V. (GMEI Utility a service of BED B.V.) |
| VALIDATION SOURCES                                      | FULLY_CORROBORATED   |
| VALIDATION AUTHORITY ID                                 | not available  |
| OTHER VALIDATION AUTHORITY ID                           | not available  |

## **Annex 2: Summary of responses received to the second public consultation**

The ROC received 11 responses from seven industry associations, three financial sector companies, two LOUs and an individual.

There is overall a large level of support for the revised policy document on funds relationships and for the new guidance on fund registration. For instance, one respondent “greatly appreciates the LEI ROC’s adoption of much of the feedback we provided on the first consultation document and we support moving forward with the implementation of final guidance.” Several associations also stated: “We commend the LEI ROC’s outreach to the industry and the effort to ensure that the design of the fund relationship data is clear and meaningful. We generally believe that the second consultation will improve the ability of the GLEIS to produce and maintain high quality fund relationship data.”

**Definitions:** there is wide support for the revised definitions. Several commenters agree with the exclusion of unsegregated sub-funds from the definition of the umbrella structure relationship, but express concerns at a wording in the ROC consultation suggesting that this position may change in the future. Some of them note that “Identification problems relating to reporting of “unsegregated sub-funds” (e.g. segmented funds, delegated investment management mandates) in EMIR and Dodd-Frank Act (DFA) transaction reports as reported in previous FSB consultations have largely been addressed in practice by now. Any change in this approach would create uncertainty and reduces clarity in a current rather efficient fund identification process”. *The debated wording was removed.*

Several associations recommend to explicitly exclude pension funds and sovereign wealth funds from the definition of funds. *The final document states that: “The LEI ROC has not at this point included in its analysis pension funds and sovereign wealth funds”.*

A commenter reiterates its suggestion to exclude feeders that have several masters from the master-feeder relationship. *This case was kept, but the ROC made more explicit that this is restricted to cases where applicable legislation designates as “master-feeder” such a relationship (which is the case for alternative investment funds in the EU).*

Several commenters welcome the differentiation between the Fund Management Entity (FME) and others to whom the portfolio management activity may be delegated (which are not FME). However, another regrets the absence of recording of relationships with delegated entities which “invest the funds’ assets, manage its risk, process its work, or settle and bookkeep its portfolios”, as he considers that “having such entities identified with a LEI offers an ability to identify financial market participants that have concentration risk in their collective use of a common entity for investment management purposes (or a common entity for other services) should such entity fail, experience fraud, have their data breached, or undergo communications and data processing failures. In this context Cyber-risk, Outsourcing Risk, Third Party Risk, and Operational Risk are major risks to be considered.” However, as noted in the consultation, *such relationships would require a more detailed description of the nature of these other relationships. This would go beyond the mandate of a limited update to the way the fund family relationship is captured in the GLEIS.*

**Scope of umbrella structures:** all respondents agreed that the umbrella Structure relationship should cover not only series funds (including turnkey funds ) and insurance separate accounts, (to the extent that the sub-structures are eligible for an LEI), but also include funds that are established under a common declaration of trust, or expressed no views. One commenter notes that for example, many fund families, such as U.S. registered investment companies, collective investment trusts and common trust funds, are structured as multiple funds of a master trust, with each fund having the distinct characteristics noted in the Umbrella Fund relationship definition. An LOU would like more guidance on trusts and wonders whether there may be value in recording trustee/trust relationship within the GLEIS. It considers that it may be possible to utilize the mentioned catch-all relationship “Other Fund Family Relationship” for this purpose or a new “Trustee Entity” relationship that could be added in the future. Other respondents support that “other fund family” was abandoned. ***Response: the second consultation foresees that in some cases the “umbrella structure” relationship will capture the relationship between a trust and its trustee. Notably, the final document concluded that for Japanese “non-investment management funds” the trustee would be the umbrella structure. Given the scope of the policy, this would only apply for trusts that are investment funds (and where the trustee is eligible for an LEI). The report states: “Therefore, while the Umbrella Structure relationship may be relevant for other examples than the Japanese “non-investment management funds” described above, it may not be relevant in all cases”.***

Several respondents agree that in principle all forms of (sub-) funds should be LEI eligible if considered sufficiently legally segregated or ring-fenced from the liabilities of the other entities within a fund structure under applicable home state regulation.

Two respondents share the view to open to either the sub-fund or the umbrella fund the initiative to report the relationship. They consider that the same would apply for master feeder structures. However, they recommend to clarify that the relationship should always appear on the LEI of the lower level entity, be it a sub-fund or a feeder, where it is of the essence of the entity. ***Response: the information will be stored in a relationship file, and the GLEIF interface should help retrieve the information for both entities in the relationship.***

**Question 3 - Whether the related entity should always be reported with an LEI:** there is more debate here. Several respondents support the ROC proposal that the related entity cannot be reported with a name instead of an LEI. Two of them underline that a fund should not be prevented to have an LEI if a related party does not have an LEI but recognise that optional reporting should address the issue. Several associations and an LOU would on the contrary leave the LEI optional, as the LOU notes that this could otherwise prevent the collection of relationships that are optional. However, the associations also acknowledge that “The reporting optionality will ease the burden of asset managers to acquire LEIs where not a regulatory requirement, and will allow time to help the industry, global regulators and the LEI ROC to determine whether the fund relationship information is useful”. ***Therefore, the balanced approach proposed in the 2<sup>nd</sup> consultation was kept in the final document.***

An LOU asks whether the LEI of the reported entity should also be current. ***The consultation document already specified (in the guidelines) that “when issuing or maintaining the LEI of the sub-structure of an umbrella structure, the LOU should verify that the umbrella structure has a current LEI and the relationship with the umbrella structure is recorded in the LEI system”.*** ***This position was kept, without extending it to the other fund relationships*** (where the relationship is mandated to be reported only if “the

relationship is mandated to be reported and publicly available in the relevant jurisdiction and if the LEI is mandatory for the related entity in the relevant jurisdiction” but without requiring the LEI of the related entity to be current). A current LEI is particularly important for umbrella structure given the objective of making sure that the name of the substructure is made of the name of the umbrella and the name of the substructure. This requires the name of the umbrella structure to be up-to-date.

**Question 4 - Balance between mandatory and optional reporting:** a few responses regret the absence of a more encompassing requirement, and one suggests that reporting should be mandatory as soon as the related entity has an LEI (“conditional reporting”). Two of them recognise, however, that mandatory reporting is not always possible (one gives the example of a master fund operated by a third party not obliged to obtain an LEI for the master, although IA suggests in that case to flag in level 1 data that the feeder fund is a feeder). Other responses consider on the contrary that mandatory reporting should be the exception (an LOU is afraid that information on the umbrella structure could not be available in some jurisdictions), but some agree that umbrella structures are a legitimate case of mandatory reporting, although one LOU would recommend opt-outs even in that case. There is agreement that self-managed funds should report themselves as Fund Management Entity. There is some support for a flag signalling that the reporting of relationship is complete, but one notes that an exhaustive list of cases where such reporting is mandatory would be necessary.

One LOU recommends clarifying what happens to relationships when a fund is dissolved or closed. *This should affect the status of the relationship.*

**Question 5 – Level of verification of fund relationships:**

European associations believe that under EU law dedicated to funds, the identification of a fund is a relatively easy exercise since both AIFMD and UCITS Directive and their regulatory framework provide for a detailed mapping of all types of funds and their relationships. They note that National Competent Authorities (NCAs) in the EU oversee funds and usually maintain registers of AIF and UCITS. Therefore, they think that NCAs are a far more efficient source for information than a national company or business register. Many funds, e.g. of the contractual type (Sondervermögen, FCP) are not usually registered in a company or business register.

However, these associations have concerns about the potential costs of asking LOUs to verify that entities are a fund. *Response: if an entity is a fund, this should appear in the “entity category”, and be verified by the LOU. The final document added a clarification that there is no expectation for LOUs to verify that an entity not reporting itself as a fund is a fund, except minimum due diligence including: whether the name of the fund includes the mention that it is a fund or any equivalent in the relevant language and legal framework; whether the legal form necessarily means that the entity is a fund; whether the registry used to establish the existence of the entity is specific to funds. GLEIF should be able to provide an automated tool to support those checks and keep their cost to a minimum.*

One LOU recommends that it should be clarified that the verification of the relationship itself is not the same as the verification of the underlying Fund, Fund Management Company, Umbrella Entity or Master Fund, as that verification will be handled against the LEI record for that entity. *This was clarified in the document, especially concerning business registries, which should be the primary source when available for the existence of an entity, but not for the verification of fund relationships.*

### **Question 6: Other data elements, updates**

A respondent considers that the focus of establishing and verifying the data should be on the initial LEI registration of the fund and the respective FMC to get high-quality information into the GLEIF database. Continuous verification is thereafter less an issue because regulated fund information is quite stable. This respondent highlights that there is however a need to monitor special situations, e.g. fund mergers and dissolution of funds, where possible using the local NCA register. The respondent thinks that certain changes must be made on a timely basis (e.g. in case of change of management company or change of name of funds), which for them means “as soon as it changes but not on a real-time basis, as it is not manageable practically in some case”.

Another believes that it is imperative that the LEI ROC issue clear and precise standards on how data should be validated by all LOUs.

An LOU recommends using the existing level 2 files to record funds relationships, but highlights that there may be a need to adapt some fields, especially if names are accepted to record the related entity.

### **Question 7: Legal jurisdiction of a fund**

Several associations agree that there could be cases where the legal jurisdiction is different from the jurisdiction of the registration authority and consider that the guidelines seem to correctly address this. Two other associations also agree that the legal jurisdiction of the fund should prevail, even if the fund is authorised or has its Fund Management Entity in another country. Yet another association considers that any difference between the legal jurisdiction and the country of the legal address should be scrutinised by LOUs. An LOU agrees that such differences between the legal jurisdiction and the country of the legal address may occur.

One respondent supports the waterfall approach currently described in the already published LEI ROC Glossary and apparently would not add the preliminary criteria of the address in the business registry or other registration authority. ***However, it seems that such addresses should match the one in the first step of the waterfall (registered address identified in the constituting documents of the fund). The policy was nevertheless amended to avoid cases where a fund is registered in countries other than the one where it was constituted.***

Another LOU would take a different approach than the one suggested in the consultation document for a trust under UK law registered as a fund in another country, ***but this seems to reflect the fact that current practice does not fully align with the proposed policy.***

### **Question 8 –Umbrella structures**

Most respondents agree that the name of the sub-structure should always include the name of the umbrella structure. One of them nuances by stating that “two can be combined or not, as required by the user of the data”. Other respondents did not provide a response, except one, who suggested various approaches to ensure consistency, such as reliance on audit firms, or on a single LOU, or blockchain.

Respondents also generally agree that to be able to verify the consistent implementation of the naming convention, the Entity Legal Form (ELF) code list should cover sub-structures, although some noted that they disagree with the idea to have different denominations for the

same structure or sub structure and suggest a uniform and stable naming convention in the ELF convention.

Most respondents agree that when issuing or maintaining the LEI of the sub-structure of an umbrella structure, the LOU should verify that the umbrella structure has a current LEI and the relationship with the umbrella structure is recorded in the LEI system, to make sure that the legal existence and name of the umbrella structure have been verified against the official registration, but a number of them urge not to increase the cost of producing and maintaining LEIs beyond what is necessary.

Finally, most respondents support the proposal that the reference data of the sub-fund have to be registered and validated specifically and separately from the umbrella fund, using a registration or validation authority that mentions the data of the sub-fund. Another agrees as well, but nuances that this should be “to the extent this is feasible and the necessary information to do so is publically available”. An LOU notes that it is not uncommon for a regulatory source to provide details on both the Umbrella and Sub-Fund entities, but to only assign an entity identification number to the Umbrella entity rather than the Sub-Fund entity, which complicates “corroboration” status under current standards. ***Such cases may happen and would have to be taken into account for the implementation.***

#### **Question 9 - Different Registration Authorities and validation levels**

Three respondents support the proposals. Two other respondents do not see the merits of necessarily seeking “fully corroborated” if it adds costs. ***Response: Concerning the latter, verification of the data by LOUs is an important principle, and costs are minimal if the registration authority makes the data available in a machine readable format.***

One LOU would like to continue referring to validate funds with registration authorities other than the home country, for instance the SEC for a Cayman Islands Fund. ***Response: this goes against the principle in ISO 17442 that LEI records should include “The official name of the legal entity as recorded in the business registry”, and “where applicable, the name of the business registry in which the entity was formed and the identifier of the entity in the business registry”. In addition, as noted in the consultation document, using registries other than the “home” one exposes to the risk of validating the data in another language than the official language of registration, and receiving information with delays.***

#### **Question 10: Pool of assets**

There is no consensus in the industry regarding pools:

- Two associations support the current practice of adding “pool” to the name of funds to distinguish the pool from the fund name, and to assign an LEI.
- Half a dozen respondents are not comfortable with introducing names that do not match the name of a legal entity or considering eligible to an LEI pools that have not segregated assets and liabilities. One considers that if the pools do not have their own balance sheet, “consideration might be given to capturing the LEIs of all funds whose transactions may be aggregated through a pool in order to provide visibility from a risk/exposure perspective”, and to flag pools as such. ***The final document underlines the conditions for LEI eligibility.***

### **Annex 3: LEI ROC Working Group on Fund relationships' Members List**

**Chair:**

Michel Maquil, Central Bank of Luxembourg

**Members:**

Gerlinde Abraham, Bafin, Germany

Eoin Cashin, Bank of Ireland

Yannick Ellenbroek, Netherlands Authority for the Financial Markets

Dan Hiltgen, US Securities and Exchange Commission

Susan Nash, FSB Secretariat (until 29 November 2018)

Kian Navid, ESMA (until 9 October 2018)

Tim Pinkowski, IOSCO Secretariat

Andreas Strömmer, Bafin, Germany

Bram Zwagemakers, Netherlands Authority for the Financial Markets.

Stéphane Mahieu, ROC Secretariat