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**TO : Regulated Entities**

- i. **Cyprus Investment Firms ('CIFs')**
- ii. **Credit Institutions<sup>1</sup>**
- iii. **Alternative Investment Funds and their Managers ('AIFs'/'AIFMs')**
- iv. **UCITS and their Management Companies ('UCITS'/'UCITS MC')**
- v. **Non-Financial Counterparties (NFCs)**
- vi. **Central securities depositories (CSDs)**
- vii. **Market operators of Regulated Markets and MTFs**
- viii. **Approved Publication Arrangements (APAs)**
- ix. **Approved Reporting Mechanisms (ARMs)**
- x. **Issuers<sup>2</sup>**

**FROM : Cyprus Securities and Exchange Commission**

**DATE : 06 November 2020**

**CIRCULAR No : C415**

**SUBJECT : Recommendation 2020/12 of the European Systemic Risk Board (ESRB) on identifying legal entities (LEI) (the 'Recommendation ESRB/2020/12')**

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The Cyprus Securities and Exchange Commission (the 'CySEC') wishes, with this circular, to inform the Regulated Entities that the ESRB issued on 24 September 2020 the [Recommendation 2020/12](#) on identifying legal entities (LEI).

More specifically:

1. The purpose of Recommendation ESRB/2020/12 is to contribute, in line with the ESRB's mandate, to the prevention and mitigation of systemic risks to financial stability in the Union through the establishment of systematic use of the LEI by entities engaged in financial transactions. To achieve this objective, Recommendation ESRB/2020/12 seeks

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<sup>1</sup> Credit institutions as defined in article 2 of the Business of Credit Institutions Laws of 1997 to 2017 (Law No. 66(I)/1997), which they are allowed to provide/perform investment services/activities.

<sup>2</sup> It refers to issuers of financial instruments admitted to a Regulated Market or Traded on a Multilateral Trading Facility or an Organised Trading Facility or for which a request for admission to trading has been made.

the introduction of a Union legal framework to uniquely identify legal entities engaged in financial transactions by LEIs and to make the use of the LEI more systematic in respect of supervisory reporting and public disclosure by ensuring that all legal entities established in the Union that are involved in financial transactions obtain and maintain an LEI.

2. The Recommendation ESRB/2020/12 recommends:

**i. Recommendation A – Introduction of a Union framework on the use of the legal entity identifier**

- a) The Commission is recommended to propose that Union legislation incorporates a common Union legal framework governing the identification of legal entities established in the Union that are involved in financial transactions by way of a legal entity identifier (LEI), paying due regard to the principle of proportionality, taking into account the need to prevent or mitigate systemic risk to financial stability in the Union and thereby achieving the objectives of the internal market.
- b) The Commission is recommended to propose that Union legislation that imposes an obligation on legal entities to report financial information, while paying due regard to the principle of proportionality, as expressed in Recommendation A(1), include the obligation to identify by way of an LEI:
- the legal entity subject to the reporting obligation; and
  - any other legal entity about which information must be reported and which has an LEI.
- c) The Commission is recommended to propose that Union legislation incorporates an obligation on authorities to identify by way of its LEI any legal entity about which they publicly disclose information and which has an LEI, paying due regard to the principle of proportionality, as expressed in Recommendation A(1).

**ii. Recommendation B – Use of the legal entity identifier until the possible introduction of Union legislation**

Pending any action taken by the Commission to comply with Recommendation A and the possible introduction of corresponding Union legislation, it is recommended that to the extent permitted by law and subject to the principle of proportionality:

- a) the relevant authorities require or, where applicable, continue to require, all legal entities involved in financial transactions under their supervisory remit to have an LEI;

- b) the authorities, when drafting, imposing, or amending financial reporting obligations include or, where applicable, continue to include, in such obligations an obligation to identify by way of an LEI:
- the legal entity subject to the reporting obligation; and
  - any other legal entity about which information must be reported and which has an LEI;
- c) the authorities identify or, where applicable, continue to identify, by way of its LEI, any legal entity about which they publicly disclose information and which has an LEI.
3. Adoption of the LEI in the Union has mainly been driven by regulatory requirements laid down in legislation such as Regulation (EU) No 648/2012 (EMIR), Regulation (EU) No 600/2014 (MIFIR), Regulation (EU) 2015/2365 (SFTR) and Regulation (EU) No 909/2014 (CSDR). Those requirements apply to entities involved in OTC derivatives transactions, in transactions in derivatives and other financial instruments traded on trading venues and in securities financing transactions, as well as to securities issuers. Other legislative and non-legislative acts, such as Regulation (EU) No 575/2013 of the European Parliament and of the Council also require the adoption of a LEI.

**CySEC, adopts Recommendation ESRB/2020/12 by incorporating its recommendations into its supervisory practises. Regulated Entities are urged to take the necessary action in order to ensure their compliance with the above requirements.**

Yours sincerely

Demetra Kalogerou  
Chairman, Cyprus Securities and Exchange Commission