EDMA Europe

Position statement

Missing Issuer LEIs

On 20 June, ESMA announced the end of the grace period for the use of LEIs. In its statement[1], it called for any supervisory action to be “appropriate and proportionate”, to “consider the severity and particular circumstances of individual infringements” and for NCAs to “respect the proportionality principle and also consider the impact on investors, market functioning, and integrity.”

EDMA members have actively engaged with ESMA and NCAs for a significant period of time in relation to missing Issuer LEIs. We welcome ESMA’s call for any supervisory action to be appropriate and proportionate. Please find below our views on the factors that ESMA requires NCAs to take into consideration when deciding on their approach.

1. Severity of the issue
    - The number of bonds on European trading venues with missing issuer LEIs has fallen over the last year and continues to reduce.
    - However, as of today, it is still quite significant on an absolute basis and includes numerous bonds that trade actively.
    - It is therefore important to consider the impact of trading venues no longer being permitted to allow trading of these bonds on investors and market functioning.

2. Particular circumstances
    - European MTF trading venues facilitate the secondary market trading of bonds with the nominal listing being mostly on exchanges such as Luxembourg, London or Ireland.
    - As MTF platforms do not have a direct relationship with the issuers of the bonds that are traded on their platforms it is very difficult for them to play a major role in addressing the problem of missing issuer LEIs.

3. Impact on investors and market functioning
    - Most trading activity in bonds now takes place on transparent, regulated trading venues. It could therefore seriously harm European investors and market functioning if European trading venues were not permitted to offer secondary market trading of bonds without an issuer LEI:
        - European investors would be disadvantaged as it would become, at the very least, more costly and risky for them to buy/sell these bonds.
        - In some cases, European investors might not even be able to buy or sell these bonds at all. This could introduce significant systemic risks and drive up the cost of borrowing for European commpanies.
        - Any “delisting”/removal of bonds would drive activity back onto the phone and away from Europe. This would be the very opposite of the policy objectives of MiFID II to bring trading onto transparent, regulated trading venues.

[1] ESMA 70-145-87 https://www.esma.europa.eu/sites/default/files/library/esma70-145-872_public_statement_on_lei.pdf

4. Impact on market integrity
    - The impact of continued missing issuer LEIs on market integrity seems rather limited. This is because there is sufficient reference data and issuer information available for them, even if the issuer LEI is missing, to allow for the investigation of potential market abuse. Furthermore, the number of missing issuer LEIs continues to reduce.

Recommended approach

On that basis, it seems disproportionate to not allow European trading venues to continue to offer trading of bonds without an Issuer LEI. We recommend NCAs analyse which bonds or issuers are still missing issuer LEIs and discuss with MTF trading venues options that could be most effective in ensuring that these issuers receive LEIs.

About EDMA Europe

Electronic Debt Markets Association represents the interests of companies whose primary business is the operation of regulated electronic fixed income multilateral trading facilities in Europe (regulated markets and/or trading venues) and act as a source of consultation between the members in their roles as operators of such venues in order to project collective views on regulatory, compliance and market structure topics for the benefit of the electronic fixed income markets.

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