



The impact of ESMA statement on the introduction of Legal Entity Identifiers (LEI) on Nasdaq's markets.

On December 20 2017, ESMA issued a statement on the LEI implementation under MiFID II, 'to support the smooth implementation of LEI requirements under the Markets in Financial Instruments Regulation (MiFIR)'. This statement can be found in its entirety on ESMA's website by following this [link](#).

The smooth introduction of LEIs will allow investment firms, for a temporary period of six months, to 'provide a service triggering the obligation to submit a transaction report to the client, from which it did not previously obtain an LEI code'. This provision will also impact services for which Order Record Keeping are required under MiFID II.

Impact on Order Record Keeping

Starting on January 3 2018, members of Nasdaq Nordic, Nasdaq Baltic and Nasdaq Commodities (Nasdaq)¹ will be required to provide Order Record Keeping information as part of its order submission. ESMA's statement referenced above will ease the requirement for Investment Firms to provide LEIs as a client identifier on orders for the temporary introduction period, provided the conditions described by ESMA are met.

Operationally, members will still be required to provide a designated and unique short code on order entry but will not be required to provide the long code identifier (LEI) in the Member Portal until the LEI is obtained. As a best practice, Nasdaq recommends to leave the LEI field blank in the Member Portal, rather than to enter a dummy temporary value.

Reconciliation

As part of its daily Order Record Keeping routines, Nasdaq will perform a reconciliation of all short codes used on orders against all entered long code values. Nasdaq will then notify each member that unmapped short codes remain in the Member Portal. This reconciliation will include the fields for which LEI is a possibility.

¹ Nasdaq Copenhagen, Nasdaq Helsinki, Nasdaq Iceland, Nasdaq Riga, Nasdaq Stockholm, Nasdaq Tallinn and Nasdaq Vilnius are respectively brand names for Nasdaq Copenhagen A/S, Nasdaq Helsinki Ltd, Nasdaq Iceland hf., Nasdaq Riga AS, Nasdaq Stockholm AB, Nasdaq Tallinn AS and AB Nasdaq Vilnius. Nasdaq Nordic represents the common offering by Nasdaq Copenhagen, Nasdaq Helsinki, Nasdaq Iceland and Nasdaq Stockholm. Nasdaq Baltic represents the common offering by Nasdaq Tallinn, Nasdaq Riga and Nasdaq Vilnius.

If contacted by Nasdaq as part of the reconciliation routine, Investment Firm members will need to indicate that they are using the smooth introduction provision and will supply the LEI as soon as it is available.

Entering LEIs in the Member Portal

As mentioned above, Nasdaq recommends to leave the LEI field blank in the Member Portal until it is available.

Once the LEI is available, the record should be updated in the Member Portal. It is important to include the date of first use of the short code in order entry as the 'Begin Date'. This will ensure that the short code is updated retroactively.

Example:

On January 4th, 2017, a member submits an order on behalf of a client that does not have an LEI at the time of order entry and where the member is relying on the ESMA provisioned exemption. When the member obtains the LEI for the client on January 10th, they register the LEI to the relevant short code with a 'Begin Date' equal to '2017-01-04' to apply the registration retroactively.

Order Record Keeping report

As required by MiFID II, Nasdaq will provide order record keeping information to National Competent Authorities (NCA) upon request. For the duration of the smooth introduction of LEI, any order record reports provided by Nasdaq may contain records with missing LEIs.

Nasdaq will inform NCAs that Investment Firm members are using the introduction period and that the report is not indicative of missing required information under MiFID II. As such, Nasdaq will not consider Investment Firm members to be in breach of the member rules, as long as they comply with the conditions described by ESMA.

Questions and feedback

For further information and feedback concerning this information, please contact MiFID2Readiness@nasdaq.com.

Support

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Best regards,

Nasdaq Nordic, Nasdaq Baltic and Nasdaq Commodities