



A Guide for Solicitors  
Legal Entity Identifiers (LEIs)  
and Reporting Requirements  
for Dealing with Probates



## Reporting Requirements for dealing with Probates

Following the introduction of new legislation (MiFID II), there are now reporting requirements demanded of the financial services industry for the sales of shares as part of the administration of an estate.

This brief guide describes the two options that GHC Capital Markets offer Solicitors and, in the case of the use of Legal Entity Identifiers, a rationale for our position.

For the sale of shares from an estate where the solicitor wishes GHC Capital Markets to effect this sale, these are the two options available:

1. The solicitor arranges a separate agreement between the executors of the estate and GHC Capital Markets. The executors issue the sales instructions. (See Executors Agreement section below)
2. The Solicitor has a signed Master Agreement with GHC Capital Markets and has its own Legal Entity Identifier (LEI). This enables the solicitor to issue sales instructions on behalf of the executors. (See the Legal Entity Identifier section below and a more detailed guide later)

### EXECUTORS AGREEMENT

Where a solicitor does not wish to obtain an LEI, a direct agreement between the executors of the estate and GHC Capital Markets is the provided option. This will require:

- A signed and dated copy of our latest Execution Only Share Dealing Brochure and Application pack including the details of all the executors (with their National Insurance Number(s)) and bank details for payment of the proceeds of the sale. This brochure can be obtained either via Jonathan Bishop, our customer services team or by downloading a copy off our website.
- A certified document providing proof of identity (i.e. a current passport or a current driving licence) AND a certified document providing proof of residence (i.e. a bank statement dated within the last 3 months or a current utility bill) for each of the executors
- Certified copy of the Grant of Probate
- A letter of authority signed by the Executors giving authority for you, the Solicitor, to receive information on this account (if required)
- The executors' National Insurance Number will be used as part of the new reporting requirements

### MASTER AGREEMENT

This option for the sale of shares arising from the administration of an estate where the agreement is between GHC Capital Markets and the solicitor. This will require:

- A signed master agreement between the Solicitor and GHC Capital Markets
- The Solicitor's own Legal Entity Identifier
- Certified copy of the Grant of Probate

In these cases we would receive sales instructions from the solicitor on behalf of the executors.



## BENEFITS OF EACH APPROACH

- Executors agreement
  - An LEI does not need to be acquired
  - Executors are involved in the process of selling the shares
- Master Agreement
  - There is no requirement for agreements with the executors. This can save considerable amounts of time
  - Once a master agreement and the LEI is in place, they are valid for use with any number of estates.
  - This is the recommended approach for solicitors who anticipate dealing with a number of estates requiring the sales of shares



## Detailed Guide to Legal Entity Identifiers

Since the introduction of MiFID II, GHC Capital Markets has received a number of queries regarding the technical rationale for the need for a Solicitor's LEI when dealing with sales of equities as part of the administration of an estate.

In reaction to this, GHC Capital Markets' Compliance Department have put together a detailed guide to help answer these questions.

### WHAT IS MIFID II?

The Markets in Financial Instruments Directive is the EU legislation that regulates firms who provide services to clients linked to reportable 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.

MiFID was applied in the UK from November 2007 but has now been revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.

The changes took effect on 3 January 2018, with the new legislation being known as MiFID II - this includes a revised MiFID and a new Markets in Financial Instruments Regulation (MiFIR).

### WHAT IS TRANSACTION REPORTING FOR?

MiFID I, which came into force in 2007, represented the European Union's (EU) first attempt to regulate financial markets, and it introduced, for the first time, a harmonised transaction reporting regime across the EU.

In MiFID II, the European Commission (EC) takes the current objective of transaction reporting - the detection and investigation of potential market abuse - and expands it into supporting Market Integrity - Monitoring the fair and orderly functioning of markets.

### WHAT ARE THE CONTENTS OF TRANSACTION REPORTS?

Under MiFID II the level of detail required in transaction reports has expanded significantly. The number of data fields required in the reports has risen from 23 under MiFID I to 81 under MiFID II.

One particular new requirement is the more exacting details required for identifying the client. Under MiFID I it was sufficient to name the investment management firm responsible for initiating the transaction in the "client" field. Under MiFID II, every client (fund, account or natural person) will have to be identified in a standardised format.

### THE USE OF IDENTIFIERS

Companies who have authority to deal in shares etc (such as GHC Capital Markets) and who are acting on behalf of an entity such as a charity, a trust or corporate client will require a Legal Entity Identifier (LEI) for the purpose of reporting.

Where the entity being acted on behalf of is a natural person, the identifier will be a Natural Person Identifier (NPI). For UK residents, this will be derived from a National Insurance number.

### WHO IS RESPONSIBLE FOR CORRECT REPORTING?

The investment management house (in this case GHC Capital Markets) has the responsibility for reporting all relevant transactions to UnaVista, who in turn report directly to the Financial Conduct Authority.



It is therefore the responsibility of the investment management house to assess which identifier is most appropriate for the type of transaction taking place. To ensure consistency in reporting, GHC Capital Markets has created a reporting policy based on its interpretation of the new rules.

### WHEN DOES A SOLICITOR NEED TO PROVIDE AN LEI?

If the Solicitor firm has signed a master agreement with GHC in order to execute transactions on behalf of an estate, then the Solicitor will need to provide a Legal Entity Identifier (LEI). The reason for this is that GHC will not be able to identify the underlying client (the deceased) for money laundering purposes and will therefore rely on the legal status of the Solicitor Firm.

### WHO NEEDS A LEGAL ENTITY IDENTIFIER?

According to the Financial Conduct Authority (FCA) An LEI is a unique identifier for persons that are legal entities or structures including companies, charities and trusts.

### WHAT IS THE PURPOSE OF AN LEI?

An LEI is a unique 20-character alphanumeric reference code. It will be used as the identifier for the legal entity whenever it undertakes investment activity or when an investment firm undertakes investment activity on its behalf in a reportable financial instrument. The intention is to enable much greater monitoring and visibility of trading activity with specific emphasis on market abuse and market manipulation.

All counterparties to a reportable transaction will be required to report their LEI.

### HOW CAN AN LEI BE REQUESTED?

An LEI can be obtained from the London Stock Exchange.

[www2.londonstockexchange.com/register-for-lei](http://www2.londonstockexchange.com/register-for-lei)

The LSE has produced both a detailed and a quick guide to aid in the acquisition of an LEI:

Quick User guide - [www2.londonstockexchange.com/requesting-LEI-quick-guide](http://www2.londonstockexchange.com/requesting-LEI-quick-guide)

Full LEI User Guide - [www2.londonstockexchange.com/LEI-User-Guide](http://www2.londonstockexchange.com/LEI-User-Guide)

### WHAT IS THE COST OF OBTAINING AN LEI?

There is an initial allocation cost of £115+vat and annual maintenance cost of £70+vat per LEI.

### WHEN CAN A NATURAL PERSON IDENTIFIER BE USED?

There is one occasion where neither an LEI nor an agreement with the executors is required and this is if the deceased client was originally a client of GHC Capital Markets. This is because there will be an existing agreement in place which would cover money laundering and other legal requirements surrounding Know Your Client. In this case MiFID II allows for the original client to be identified for the purpose of transaction reporting.

This is clearly defined in **ESMA 5.10.2 Seller is deceased:**

*'For transactions stemming from a probate for deceased clients or inheritances, the deceased person should be reported as the seller and the deceased person is regarded as the decision maker and therefore the decision maker fields would not be populated. Where a party is inheriting financial instruments, it would be reported as the buyer and the inheriting party would be considered to be the decision maker and the decision maker fields would not be populated.'*



## OTHER AREAS OF INTEREST

One other area of interest (unrelated to probates but is one where we have received queries from solicitors) is partnerships. Our approach for partnerships is as follows:

1. Partnerships that are legal entities through incorporation

A legal structure may be obtained through a certificate of incorporation, articles of association, limited liability and so forth. In these cases an LEI is required.

2. Partnerships with no legal structure

Where no legal structure exists it will be the Know Your Customer (KYC) of the individual members that will be required. Up to four members may be delegated as authorised signatories for the partnership and it will be their KYC details that will be reported.

It is our policy to always ascertain the purpose behind a partnership and whether or not they have a legal structure. This will allow us to obtain the proper KYC.

It should be noted that we are required to obtain KYC (Natural Person Identifier / Legal Entity Identifier as applicable) for all clients as our services are not tied or restricted to one product such as funds.

## ANY OTHER QUESTIONS

If there are any further questions please contact customer services on:

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Email: [customerservices@ghcl.co.uk](mailto:customerservices@ghcl.co.uk)

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