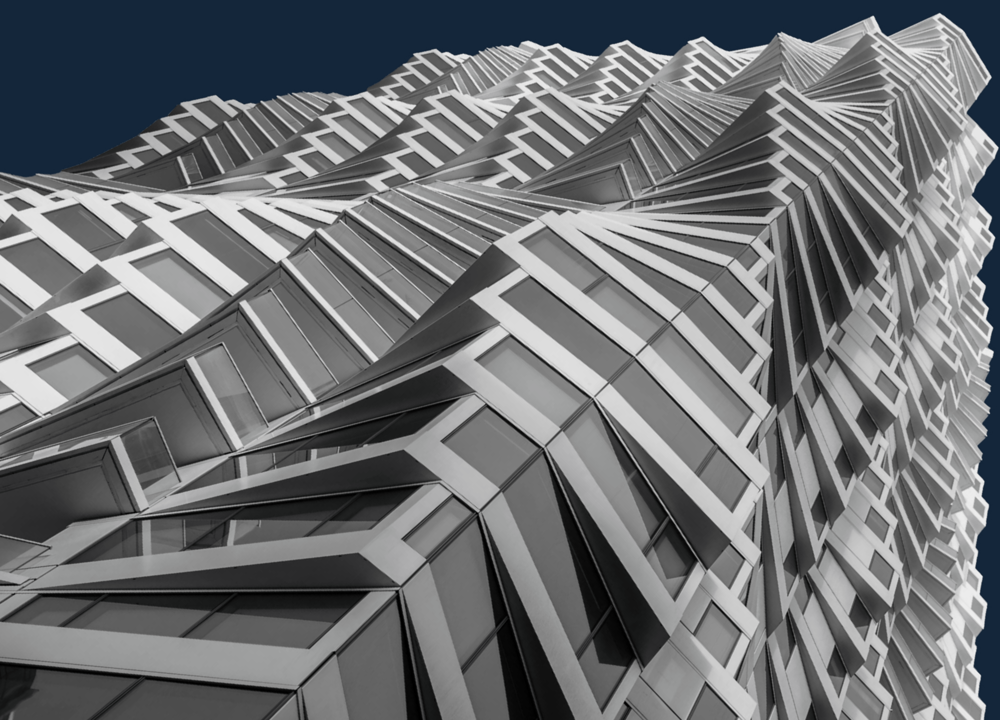
We manifest change.

Consulting Service

Legal Entity Identifier Remediation

Get Ready for OTC Derivative Reporting



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With the launch of South Africa's Over the Counter Derivative Trade Repository operated by Strate, derivative providers will be required to report over 170 data elements daily, aligned with EMIR Refit standards, including critical unique identifiers such as the Legal Entity Identifier (LEI).

With the reporting deadline expected to be set for Q1 2027, regulatory pressure is mounting to identify and address LEI data gaps, which also affect SARB-mandated reporting for money markets, foreign exchange, short selling, and securities finance transactions.

WHAT IS AN LEI?

A Legal Entity Identifier is a 20-character alphanumeric code that uniquely identifies a legally registered entity involved in financial transactions both locally and internationally. LEI is a mandatory data field for over the counter (OTC) derivative reporting and has been confirmed by Strate as non-negotiable.

LEIs are issued and renewed by Local Operating Units (LOUs), such as Strate in South Africa, under the framework of the Global LEI System. The Global Legal Entity Identifier Foundation oversees this system and provides a publicly available LEI database.

TL;DR

LEI = 20-character code identifying legal entities in financial transactions

Mandatory for all OTC derivative reporting

Strate confirms LEI requirement is non-negotiable

Issued/renewed by LOUs (e.g. Strate) under global system

WHY IS IT IMPORTANT TO YOU?

With South Africa set to align to the reporting requirements of the Financial Sector Conduct Authority's FMA Conduct Standard 3 and Strate's latest Trade Repository technical requirements, all licensed OTC derivative providers (ODPs) must ensure that they and their counterparties possess valid LEIs that are current, annually renewed, and reflect correct entity and ownership information when submitting trade data to the authorised Trade Repository.

However, challenges persist across the market, including:

- Incomplete LEI coverage across current and past OTC Derivative counterparties, particularly among smaller counterparties
- Limited or inconsistent internal data capturing of LEIs, and a lack of robust governance processes to track renewals and ownership changes.

These gaps increase the risk of reporting failures, data quality issues, and regulatory non-compliance, highlighting the need for a more structured and proactive approach to LEI management.

With the regulatory mandate for reporting OTC derivative transactions in South Africa, businesses face increasing pressure to maintain accurate and up-to-date LEIs for both themselves and their counterparties.

All OTC derivative providers must capture and store valid, renewed LEIs for themselves and counterparties

*Reporting **compliance** required with FSCA's Financial Markets Act Conduct Standard 3 and Strate's technical reporting requirements*

*Key **challenges** include missing and lapsed LEIs, poor internal tracking and data management, weak governance*

*Resulting **risks** include reporting failures, data errors, poor data standardisation, non-compliance*

Strong LEI management is now essential

HOW CAN MONOCLE ASSIST

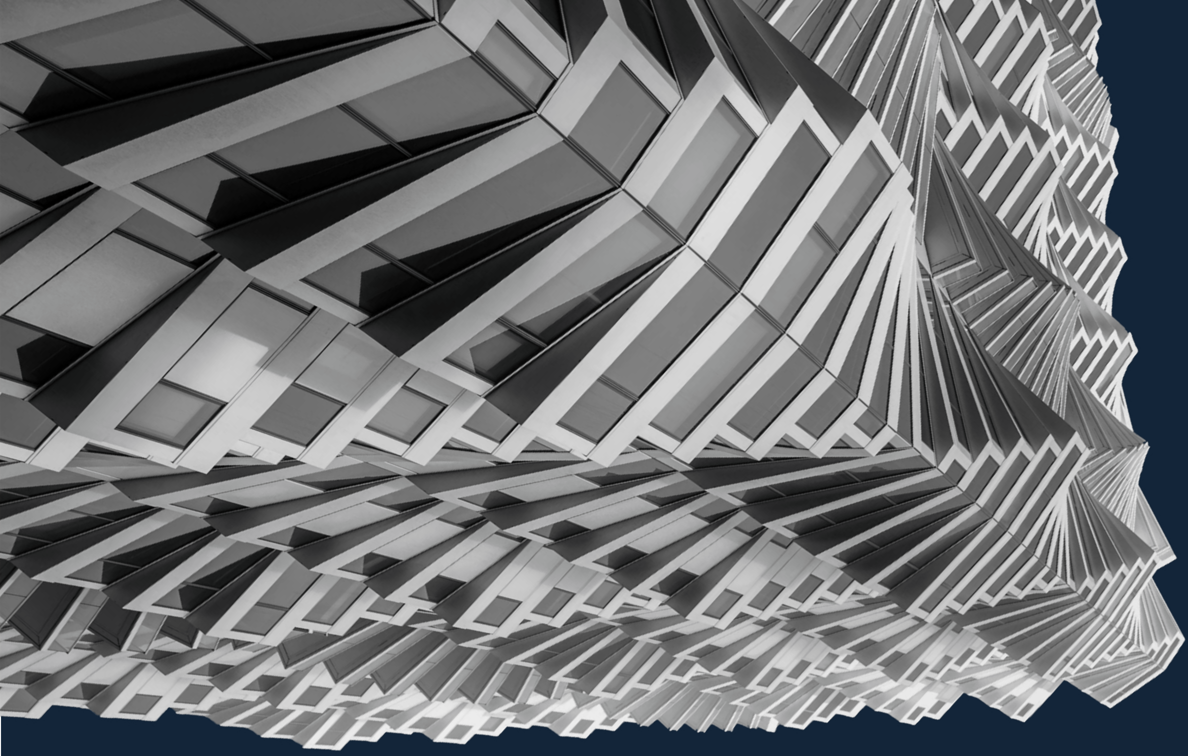
To support banks in meeting their regulatory trade reporting requirements, Monocle Solutions offers targeted LEI management and consulting services. We help institutions close compliance gaps by conducting data gap assessments to enable the provision of hands-on remediation and process enhancement recommendations. Additionally, we assist our clients to sustain LEI compliance with operational embedment across related processes, systems and policy.

Monocle's LEI Compliance Consulting Services:

- Gap Assessment of Current-State LEI Coverage
  - Conduct a comprehensive review of existing LEI data across counterparties (including current and historical, to fulfill the regulatory requirement of 18 months of historical trade back-loading)
  - Identify reportable entities without valid or active LEIs
- Remediation Through LEI Sourcing and Validation
  - Leverage the centralised LEI database to identify and retrieve missing LEIs
  - Match and validate counterparties' LEIs to eliminate duplication or inaccuracies
- Counterparty Outreach and LEI Registration Support
  - Assist in notifying counterparties of LEI reporting requirements
  - For appropriate clients, coordinate or directly manage LEI registration and renewal via Strate's LOU portal. Strate, as a GLEIF-accredited Local Operating Unit, offers a permission-based model that allows a third party to register an LEI on behalf of an entity, provided the registrant has given explicit authorisation
  - Track progress and document outreach to support auditability and compliance reporting
- Onboarding and KYC Process Enhancement
  - Review and update customer onboarding processes to make LEI capture mandatory
  - Embed LEI validation and renewal triggers into KYC/AML workflows
  - Design process integration to ensure LEIs are available for downstream reporting and risk management
- Operating Model Optimisation for LEI Governance
  - Define roles and responsibilities for LEI lifecycle ownership (e.g. data stewards, compliance owners) as part of BCBS 239 compliance
  - Establish ongoing monitoring routines to ensure LEI validity and timely renewal
  - Implement controls to manage exceptions and escalation where LEIs are unavailable or disputed

NEXT STEPS

To support your compliance efforts, contact Monocle to explore how we can deploy a dedicated consulting team to assist your Global Markets onboarding, data and reporting teams. Our offering is designed to help identify, manage, and remediate gaps in Legal Entity Identifier compliance across the full reporting lifecycle.



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Johannesburg

8th Floor, The MARC Tower 1
129 Rivonia Road, Sandton,
Johannesburg, 2196

info.za@monoclesolutions.com

+27 (0) 11 263 5600

Cape Town

301 New Cumberland
163 Beach Rd Mouille Point
Cape Town, 8005

info.za@monoclesolutions.com

+27 (0) 82 952 1415

London

1 Royal Exchange
EC3V 3DG
London, England

info.uk@monoclesolutions.com

+44 (0) 2030 022 514

Amsterdam

Office 136, Gustav Mahlerplein 2,
1082 MA, Amsterdam,
Netherlands

info.nl@monoclesolutions.com

+31 (0) 2 02 256 182

www.monoclesolutions.com