

8 December 2020

Joe Hawkins  
Policy Adviser, Economic Crime Reform  
HM Treasury  
1 Horse Guards Road, Westminster  
London SW1A 2HQ



Dear Mr Hawkins

### Innovation Working Group - Legal Entity Identifiers Survey

The role of the Financial Markets Law Committee (the "FMLC" or the "Committee") is to identify issues of legal uncertainty, or misunderstanding, present and future, in the framework of the wholesale financial markets which might give rise to material risks, and to consider how such issues should be addressed.

The FMLC Secretariat's attention was drawn to the evidence gathering survey published ahead of the next public-private Innovation Working Group ("IWG") on Legal Entity Identifiers ("LEIs"). The FMLC has published letters and papers in the past on the usefulness of the widespread adoption of LEIs.<sup>1</sup> These publications do not directly address the questions in the IWG's survey but the Secretariat was of the view, nonetheless, that you might like to be made aware of them.

A key issue in this context is the use of LEIs by firms dealing with cryptoassets. Directive (EU) 2018/843 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the "**Fifth Money Laundering Directive**" or "**5MLD**") introduced disclosure obligations for cryptoasset exchange providers and custodian wallet providers. The use of LEIs as part of disclosure requirements for firms offering cryptoasset exchange services and custodian wallet service providers could contribute significantly to the transparency in this unregulated capital market. This is especially true in the context of initial coin offerings which are not yet typically accompanied by standardised documentation, leading to the establishment of information intermediaries. A requirement to utilise LEIs would help investors identify token issuers without the need for intermediaries, therefore protecting against fraud.

I and Members of the Committee would be delighted to meet you to discuss the issues raised in this letter. Please do not hesitate to contact me should you wish to arrange a meeting or if you have any questions.

Yours sincerely,

A handwritten signature in black ink that reads "Joanna Perkins". The signature is written in a cursive style with a large initial 'J'.

Joanna Perkins  
FMLC Chief Executive

<sup>1</sup> FMLC, *Response to Consultation: Changes to the Trust Registration Service under the Fifth Money Laundering Directive* (21 February 2020), available at: <http://fmlc.org/response-to-consultation-changes-to-the-trust-registration-service-under-the-fifth-money-laundering-directive-21-february-2020/>

FMLC, *Response to European Commission Consultation: A New Digital Finance Strategy* (26 June 2020), available at: <http://fmlc.org/response-to-european-commission-consultation-a-new-digital-finance-strategy-26-june-2020/>

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