

COMPLIANCE ALERT: WHAT YOU NEED TO KNOW ABOUT GMEIs

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The Global Market Entity Identifier (GMEI) is a new federal regulation for companies that trade or are counterparties to OTC derivatives. Non-compliance can put your company's ability to trade OTC derivatives at risk.

Because this requirement is so new, many companies don't yet know that they are subject to it. The following information is intended to promote awareness and understanding for companies affected by this new mandate.

WHAT IS A GMEI?

A GMEI is a unique 20-character code assigned to each entity that trades or is counterparty to OTC (over-the-counter) derivatives. While they are also sometimes referred to as Legal Entity Identifiers (LEI), their official nomenclature is GMEI.

The predecessor to the GMEI was the CICI (CFTC Interim Compliant Identifiers). All swap counterparties subject to the CFTC's (Commodity Futures Trading Commission) jurisdiction have been required to obtain CICIs since April 2013.

GMEIs are an outgrowth of the recently finalized rules to implement regulatory requirements stemming from The Dodd-Frank Wall Street Reform and Consumer Protection Act. View the [GMEI timeline](#).

WHO NEEDS GMEIs?

The CFTC mandates that any entity that trades or is counterparty to OTC derivative trades must have a GMEI.

Companies that frequently trade OTC derivatives include financial institutions such as hedge funds, sovereign funds, private equity funds, real estate developers and real estate investment trusts (REITs).

However, many other corporations enter into or act as counterparties to derivatives, and they will also need to obtain GMEIs. These companies often include mining and energy companies and other non-financial institutions such as municipal corporate entities, government departments, and other [businesses](#).

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WHY DO YOU NEED GMEIs?

This new compliance requirement was created to improve the U.S. federal government's ability to track entities involved with OTC derivatives. Its goals are to promote transparency and integrity in this area of financial trading.

In a sense, the GMEI grants permission to a company to trade in OTC derivatives. Companies that engage in OTC derivatives trades are now required to have a GMEI for each of their entities involved in trading activity.

WHAT ARE THE CONSEQUENCES OF NON-COMPLIANCE?

The main risk of non-compliance is losing the ability to trade OTC derivatives. If an audit reveals that the required GMEIs were not obtained, a company may be barred from trading OTC derivatives going forward. Additionally, non-compliant companies will pay fines of \$100 for each entity out of compliance.



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HELPFUL COMPLIANCE CONSIDERATIONS TO BE AWARE OF

- Be sure to read the fine print. You must obtain new GMEIs, manage annual re-certifications of existing GMEIs, and make mandatory updates when your business changes.
- To safeguard your ability to continue trading OTC derivatives, begin your GMEI compliance now, if you haven't already.
- GMEIs are part of a broader effort to establish an international legal entity identification compliance system. There are now multiple organizations authorized to issue GMEIs, and the [GMEI Utility web site](#) exists to help swap counterparties determine whether or not they already hold a GMEI.

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