



## **The Global LEI Initiative – All Strategies Now in Place - Part 2**

April 2022

*The LEI is but a small step in the global data standards landscape yet a giant leap forward for financial transparency.*

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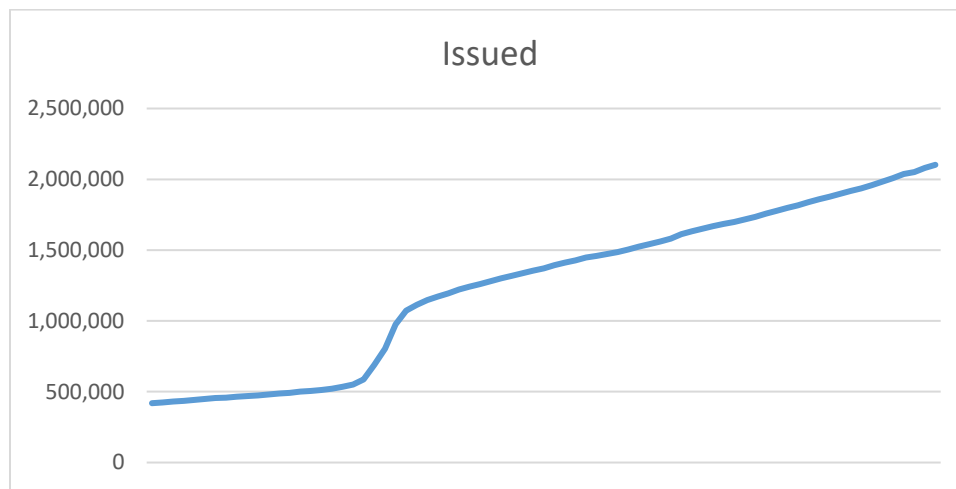
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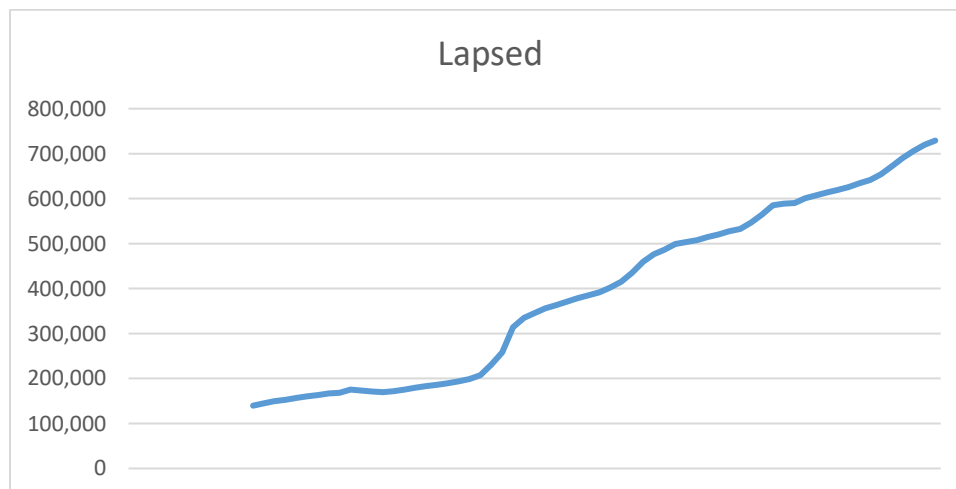
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## Summary of this Month's Issued, Renewed and Relationship Data

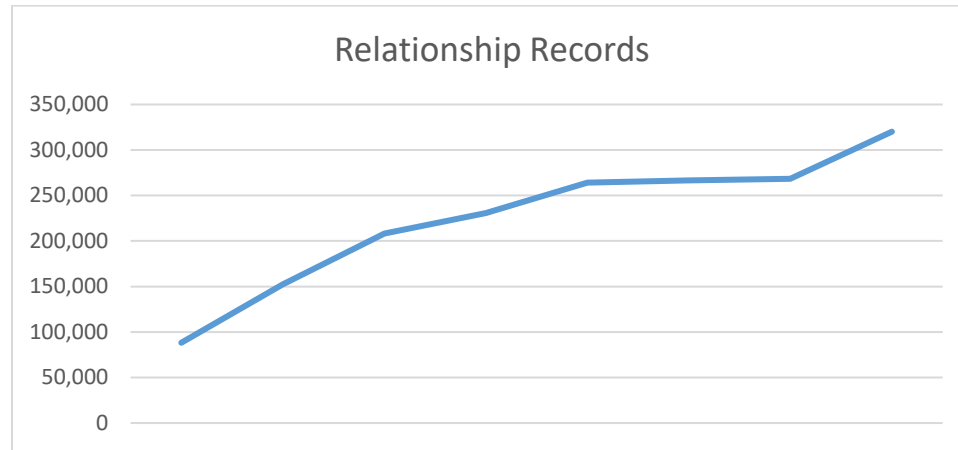
The new issuance rate continues at a rate approximating the six (6) year monthly average of 22,043 .Newly issued LEIs this month was 20,963 vs. last month's 20,243. Registered LEIs in total reached 2,102,303 vs. last month's 2,080,671. GLEIF and many others, including myself, are complementing them on achieving a milestone of 2 million LEIs issued. However, those paying tribute to this milestone are mainly advisors, consultants, data vendors, trade association heads and other service entities. They are representatives of support services to financial market participants. Financial market participants themselves do not appear in any public forum in praise of this milestone as it is far short of GLEIF's goal of global adoption, estimated at 20 million by 2027. Achieving this goal requires accelerating monthly issuance ten-fold.



The overall lapsed (non-renewal) rate comparing total non-renewed LEIs to total issued LEIs was 34.7% vs last month's 34.6%. A recent metric, the lapsed rate based upon comparison to active LEIs stands at 36.2% vs. last month's 36.1%. GLEIF has yet to articulate a strategy for renewing LEIs. Only about 2/3 of LEIs are renewed annually as required by GLEIF while the lapsed rate continues to climb.



Relationship data is the recording of registrants having reported LEIs for one or both parents. This month there were 320,093 parent LEIs vs. last month's 268,297 and the prior month's 266,408. This most recent large month-to-month jump (51,796) is most probably attributable to renewed interest in reporting many more intermediate parent LEIs to flesh out the hierarchies of relationships. This can be seen in the relationship data reported by each unique LEIs for both parents. That statistic rose minimally in total over the three (3) month period in 2022 by 719 (123,798 this month vs. last month's 123,786 and the prior month's 123,079) while the LEI's reported for all parents rose by 53,685 in this same period.



Relationship data also records permitted exceptions for opting-out of identifying a parent LEI. This month, there was a total of 3,585,61 LEI exceptions vs. last month's 3,546,379 and the prior month's 3,508,031. This number has been stable over time, increasing at 2 X monthly issuance

### Statistics on LEI Issuance, Renewals and Parent LEIs

LEI Issuance & Non-renewed (Lapsed) LEIs	2016 Year-end	2017 Year-End	2018 Year-end	2019 Year-end	2020 Year-end	2021 Year-end	Jan 2022 Mo-end	Feb 2022 Mo-end	Mar 2022 Mo-end
Total LEIs issued at Yr/Mo-end	481,522	975,741	1,337,925	1,542,037	1,777,458	2,038,661	2,050,428	2,080,671	2,102,303
Total Active LEIs at Yr/Mo-end						1,954,190	1,973,745	1,992,796	2,012,137
Total Lapsed (non-renewed) LEIs	139,461	169,778	313,915	459,436	585,029	690,397	706,066	719,726	729,095
Non-renewed rate – issued LEIs	29.0%	17.4%	23.5%	29.8%	32.9%	33.9%	34.3%	34.6%	34.7%
Non-renewed rate – active LEIs						35.3%	35.8%	36.1%	36.2%
Newly Issued	4,976	40,237	29,987	16,652	19,364	30,777	21,767	20,243	20,963
<b>Relationship Data</b>									
Number of Immediate & Ultimate LEI Parent Records	n/a	88,198	152,318	208,139	230,755	264,013	266,408	268,297	320,093
Number of Unique LEIs Reporting both Parent Relationships	n/a	51,944	89,826	119,637	132,096	123,079	123,438	123,786	123,798
Number of Immediate & Ultimate LEI Parent Exception Records	n/a	1,067,968	2,156,909	2,519,418	2,965,315	3,468,286	3,508,031	3,546,379	3,585,611
Number of LEIs with Complete Parent Information	n/a	572,818	1,146,554	1,341,015	1,563,458	1,786,117	1,863,483	1,874,328	1,895,012

Note: In 2016 the GLEIF began recording LEIs and in 2017, LEI Relationship data, in its databases. Since 2016 the GLEIF has been publishing statistics on LEI issuance and renewals, and since May, 2017, on LEI Relationship data. This chart summarizes progress of LEI issuance and its corresponding Relationship Data initiative based on [GLEIF's April 7, 2022 Global LEI Data Quality Report](#) and FIG's historical LEI database

Perhaps in this month's data we can see the larger financial institutions providing information to represent an organization's hierarchy of risk and control, a necessity to accomplish the final goal – observing the buildup of risk across the globe. This goal was stated in the G20's founding mandates for the LEI initiative in 2009 as seeking “global adoption of the LEI to support authorities and market participants in identifying and managing financial risks”.

In turn, the FSB stated in their founding document in 2012 that “the FSB recommends the rapid development of the standards for LEI reference data on ownership and corporate hierarchies, as these data are essential to achieve one of the key objectives of risk aggregation for the global LEI system”.

The FSB reinforced this view in its peer review of the LEI in 2019 as it advocated for more widespread adoption of the LEI (“...in order to support the timely analysis of risk exposures and interdependencies.”). Throughout the peer review the most comments about deficiencies of the LEI was the lack of group structures to assist in risk management. However, this end goal of risk management has largely been ignored by both the ROC and the GLEIF. Rather relationship data's purpose has been reimagined by GLEIF, as reported in their Quarterly Business Reports as a better understanding of the entity from which another entity is buying from or investing in:

“Identification of the direct and ultimate parents of a legal entity with an LEI allows users to research entities owned by individual companies. It provides a better understanding of the entity from which a company or individual is buying goods or services or in which it is investing”.

## **GLEIF's Multi-industry Strategy for Increasing LEI Registrations**

Whether intended or not, under the banner of global adoption or broader adoption, the FSB has taken to allow the use of the legal entity identifier to be interpreted as applying to all industry sectors, not just those that are financial market participants - its initial exclusive interest.

In this multi-industry focus, GLEIF with the permission of the ROC, has focused on entities involved in digital commerce, an all-encompassing domain, probably as large as 200- 400 million entities, rather than the narrowly focused but huge financial market participant domain of 20- 40 million entities. In this regard, the FSB has defined the legal entities qualified for registering a LEI as entirely related to financial markets:

‘For purposes of this definition, the term ‘legal entity’ refers to a legal person or structure organized under the laws of any jurisdiction. Legal entities include, but are not limited to, unique parties that are legally responsible for the performance of financial transactions or have the legal right in their jurisdiction to enter independently into legal contracts, regardless of whether they are incorporated or constituted in some other way (e.g., trust, partnership, contractual, etc.). It excludes natural persons, but includes governmental organizations; and supnationals, defined as governmental or non-governmental entities established by international law or treaty or incorporated at an international level.

Examples of eligible legal entities include, without limitation: all financial intermediaries; banks and finance companies; all entities that issue equity, debt or other securities for other capital structures; all entities listed on an exchange; all entities that trade stock or debt; investment vehicles, including mutual funds, pension funds and alternative investment vehicles constituted as corporate entities or collective investment agreements (including umbrella funds as well as funds under an umbrella structure, hedge funds, private equities, etc.); all entities under the purview of a financial regulator and their affiliates, subsidiaries and holding companies; and counterparties to financial transactions.”

It is a puzzle that the ROC, constituted to oversee financial market data standards, consisting almost exclusively of financial markets members, has allowed the LEI initiative to venture far beyond its still unaccomplished mission. That mission is full adoption of LEIs by those financial market participants (listed above) to enable illuminating risk in the global financial system.

### **Risk of Slow Growing LEI Registrations and Rising Non-renewals**

Sustaining the LEI initiative as intended – as a non-profit, lowest fee service, requires a huge base of expanding new registrants who pay an initial registration fee. This is especially important as over one-third of initial registrants pay no fees after the first year because they do not renew their LEIs. This non-renewal phenomenon was not considered at the outset of the initiative and regulators have been late or non-existent in making renewals mandatory.

The GLEIF has expressed fear of slowly diminishing new registrations and increasing non-renewals. Therefore, the revenue projections to support itself with these fees is in danger of losing momentum. Perhaps this is the reason GLEIF has proposed expanding the universe of legal entities beyond financial market participants. To this end, the ROC has approved the vLEI, an encrypted version of the LEI, to expand registration of LEIs to embrace entities involved in digital commerce. To get a vLEI an entity must register a LEI. It remains to be seen if this and other strategies recently implemented (see [last month's Research Note](#)) will accelerate LEI registrations.

### **For further information**



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