



The Global LEI Initiative

LEI issuance reaches all time high, monthly registrations continues slowing, parent registration shows up tick this month.

A Research Note by Financial InterGroup May 2018

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LEI ISSUANCE

- Total LEI Issuance at a new all time high 1,172,295. LEI Issuance trending lower in 2018: Jan - 92,029, Feb – 39,760, Mar – 33,120, April – 22,882
- Total lapsed LEIs still increasing in 2018: Jan 171,142, Feb 175,540, Mar 179,803, April 183,466

RELATIONSHIP DATA COLLECTION

- Full parent Relationship Data Collection reaches 129,128 but 1,700,551 have no parents or chose an opt out exception
- Full parent Relationship Data Collection after slowing each month in 2018 has shown an uptick this month: Jan - 20,859, Feb - 10,381, Mar - 3,368, April - 6,322



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The Global Legal Entity Identification Foundation (GLEIF) has been reporting statistics on Legal Entity Identifier (LEI) data since January, 2016. We are pleased to bring you this Research Note on the GLEIF’s April, 2018 month-end and year-to-date reporting of LEI Issuance¹, the progress on Relationship Data collection, and our comments.

LEI ISSUANCE

This month again saw the momentum of LEIs being issued declining. Whether the year-end rush to register LEIs due to the European Union’s (EU’s) MiFid II ‘No LEI No Trade’ rule exhausted most of the eligible registrant’s or was impacted temporarily by the EU’s six month moratorium remains to be seen.

After crossing into a first ever record of over one million LEIs issued through January, 2018 the number of LEIs issued as of month-end April, 2018 now stands at 1,172,295. In the twelve months since LEIs were required to register LEIs for MiFid II trade reporting and register their parent LEIs, 665,839 LEIs have been registered (month-end April 30, 2017 506,456 – April 30, 2018 1,172,295), representing 57% of total LEIs issued.

This is occurring while the ratio of issued vs. lapsed LEIs at year-end 2016 of 29% has declined significantly to 15.7%, although the total lapsed LEIs at 183,466 are now at an all-time high.

	2016 Year-end	2017 Year-end	Jan. 2018 Month-end YTD	Feb. 2018 Month-end YTD	Mar. 2018 Month-end YTD	Apr. 2018 Month-end YTD
	481,522	975,741	1,071,693	1,113,339	1,148,170	1,172,295
	2016 Monthly Avg.	2017 Monthly Avg.	Jan. 2018 Month-end	Feb. 2018 Month-end	Mar. 2018 Month-end	Apr. 2018 Month-end
Newly Issued	5,334	40,237*	92,029	39,760	33,120	22,882
Lapsed	6,300	7,134	7,494	8,296	8,904	7,529
Net Increase/decrease	-996	33,103	84,535	31,464	24,216	15,353
Lapsed rate	29.0% (Year-end %)	17.4% (Year-end %)	16.0%	15.8%	15.7%	15.7%
Total Lapsed (Year & month-end Totals)	139,461	169,778	171,472	175,540	179,803	183,466

* Monthly average Jan. - Sept. 7,476 vs. monthly average Oct. – Dec. 127,281

The Regulatory Oversight Committee (ROC) in an April 18 webinar, co sponsored with the Global Financial Markets Association (GFMA) was expected to inform on their the ‘Lapsed issue’ solution in conjunction with the recommendations on their corporate action consultation. The conjecture in that consultation was that the lapsed issue may be caused in part by ‘non-operational’ LEIs. No solution was proposed, rather resolving the issue was postponed to a later time. Also expected

¹ GLEIF Data Quality Report – April 2018, <https://www.gleif.org/en/lei-data/gleif-data-quality-management/about-the-data-quality-reports/download-data-quality-reports/download-global-lei-data-quality-report-april-2018#>, May 4, 2018

to be resolved from earlier ROC consultations was the issues of data change history and funds relationship hierarchies’. These too were postponed for a later date.

The ROC has stated its position that Lapsed LEIs should not be permitted to be used in transaction reporting. In the ROC’s just released Annual Report for 2017² they note that legal entities in a lapsed status may be an entity that has ceased its activity or merged with another entity. This latter case may result in market participants using two different LEIs for what has become the same legal entity (the LEI of the merged entity, and the LEI of the successor entity). Also, there is a risk that changes to the LEIs reference data are not recorded, and that a second LEI may be assigned to the same entity. LEIs with a lapsed status would also affect the funding of the GLEIS, as they would not be paying renewal fees. Finally, the ROC reports that the lapsed rate (currently at 15.7%) more than doubles (to 35%) when considering only the entities with LEIs issued more than one year earlier.

As annual renewals progress we will be monitoring the lapsed rate as a means to observe the influence the ROC has to enforce their renewal mandate vs. various regulators’ allowing or otherwise silent on lapsed LEIs. The ROC has no regulatory authority to compel compliance. They rely on sovereign regulators to promulgate the necessary rules for compelling such compliance.

RELATIONSHIP DATA COLLECTION

April 30, 2018 represented a full year of GLEIF’s collection of relationship data (Level 2 data) or what is referred to as ‘who owns whom’ data – the immediate parent and ultimate parent of each LEI. Beginning May 1, 2018 GLEIF will have entered the annual renewal cycle for the new LEIs registered with reference to their immediate and ultimate parent LEIs. We will continue to monitor lapsed rates and particularly of these LEIs registered after May 1, 2017.

Level 2 Relationship Data	Number of Immediate & Ultimate LEI Parent Records	Month-to-Month Change
Year-end 2017	88,198	-
Month-end January 2018	109,057	20,859
Month-end February 2018	119,438	10,381
Month-end March 2018	122,806	3,368
Month-end April 2018	129,128	6,322

In their data quality reporting the GLEIF has begun to report statistics on “LEIs with Parent Relationships” (76,268 up 4.5% from last month’s 72,953). This statistic is the sum of unique LEIs for registration entities reporting both an immediate and ultimate parent. This compares to the 129,128 statistic (shown in chart above) at month-end April 2018 which includes 52,860 LEIs (129,128 – 76,268) that have either an immediate or ultimate parent (international branches, stand-alone entities) but not both . As can also be seen from the Month-to-Month Change column in the above chart the monthly reporting of the number of registered LEIs with parent

² Regulatory Oversight Committee (ROC), Progress Report on the Legal Entity Identifier - *The Global LEI System and regulatory uses of the LEI*, https://www.leiroc.org/publications/gls/roc_20180502-1.pdf, at pages 38-41, April 30, 2018

relationships has increased this month after steadily declining since such data has been reported by the GLEIF.

Also the GLEIF has begun to report statistics on “LEIs with Complete Parent Information” (909,859 up 9.05% from last month’s 834,384). This figure is comprised of the earlier parent relationship figure plus the legal entities that reported reasons why they were not providing either an ultimate parent LEI and/or an immediate parent LEI.

In the recording of these relationship records, the descriptions in the table below are those used by GLEIF to instruct registrants and LOUs on their submission of data for the Reporting Exceptions file, currently containing 1,700,551 records vs. last month’s 1,560,558, the prior month’s 1,435,891 and the previous month’s 1,309,801.

The latest GLEIF business report (Q4 2017) presents the percent of parent and ultimate parent ‘entity supplied only’ data (69-70%) as opposed to this data being completely or partially validated (30-31%) by the LOU. LOUs had been expected to do this validation.³ Parent information is essential to aggregating transaction data for monitoring systemic risk, the reason regulators had first embarked on this data standardization initiative. Accurate parent information is essential. If relationship data continues to be supplied by the registrant without validation by the LOU, then a longer term validation solution will be required. We have previously address this in earlier Research Notes suggesting accounting firms become involved as registrant’s validators.

The number per Exception Reason for Each Direct Accounting Consolidation Parent and each Ultimate Accounting Consolidation Parent follows (A more detailed explanation of what each category in the below chart includes is available in FIG’s February’s LEI Research Note, [The Global LEI Initiative: Starting the Second Million New Year - Progress and Pitfalls](#)):

LEI Ultimate & Immediate Parent Exception Reason	Number of LEIs from inception to Month-end March 2018	Number of LEIs From inception to Month-end April 2018
NON_CONSOLIDATING	516,175	541,714
NO_KNOWN_PERSON	427,734	447,196
NATURAL_PERSONS	365,066	383,771
NO_LEI	189,161	262,491
CONSENT_NOT_OBTAINED	43,345	45,271
BINDING_LEGAL_COMMITMENTS	5,971	6,134
LEGAL_OBSTACLES	6,271	6,764
DISCLOSURE_DETRIMENTAL	3,755	3,960
DETRIMENT_NOT_EXCLUDED	3,062	3,222
Total Exception Records	1,560,540**	1,700,523***

** The GLEIF reports 1,560,558 Exceptions, the difference of 18 records attributed to timing differences in receipt and processing of the Exception File and the Concatenatd file of the same dates.

***The GLEIF reports 1,700,551 Exceptions, the difference of 28 records, again attributed to timing differences.

Note: Above data supplied in collaboration with **pTools** (www.ptools.com)

³ GLEIF, Global LEI System Business Report, https://www.gleif.org/content/4-lei-data/2-global-lei-index/2-download-global-lei-system-business-reports/20180214-download-global-lei-system-business-report-q4-2017/2017-12-31_quarterly_business_report.pdf, at page 9, Feb. 14, 2018

As of year-end 2017 the ROC reports that 41,656 direct parents and 46,372 ultimate parents had been identified with an LEI. Where it is reported by a registered LEI that their parent does not have an LEI, a pilot project is underway to collect descriptive information, including business registry identification, from the reporting LEI. As of year-end 2017, 72,000 direct parent and 69,000 ultimate parent records had been reported in this way.⁴

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⁴ See footnote 2, page 11 Regulatory Oversight Committee (ROC), Progress Report on the Legal Entity Identifier - *The Global LEI System and regulatory uses of the LEI*, https://www.leiroc.org/publications/gls/roc_20180502-1.pdf, at page 11, April 30, 2018