

## The Global Legal Entity Identifier Initiative - Building LEI Momentum

August 2021

*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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## LEI Statistics – A Critical Analysis

The Global Legal Entity Identification Foundation (GLEIF) has been reporting registration statistics on the Legal Entity Identifier (LEI) since January, 2016 and LEI Relationship data since May, 2017. This Research Note on annual, month-end and year-to-date LEI issuance is based on [GLEIF's Aug 6, 2021 Global LEI Data Quality Report](#) and FIG's historical LEI database.

### Summary of Issued and Renewal Data

Registered LEIs this month reached 1.917 million vs last month's 1.897 million. Newly issued LEIs this month was 19,649 vs. last month's 20,540, and slightly above the monthly average of last year of 19,364. This month's non-renewal (lapsed) LEIs were, again, not recorded in the GLEIF's Data Quality Report. Instead, total Lapsed LEIs of 625,679 was substituted for the previously reported monthly Lapsed LEI statistic. This was also the case in the previous month when total lapsed LEIs of 619,579 was reported as a substitute for the monthly lapsed rate.

### Renewal Data – A Closer Look

We had been reporting monthly net issued vs. lapsed rates up to two months ago until GLEIF stopped reporting monthly lapsed rates. We believe comparison of this data on a monthly basis provided a better pulse on the issue of non-renewals. Toward this end, the overall lapsed rate comparing total non-renewed LEIs to total issued LEIs remained consistent for the prior four (4) months at 32.7%, with this month registering 32.6%. This ratio has been approximately the same over the last year and a half and for the third year in a row.

If the non-renewal rate does not decline over time, whether by voluntary efforts or regulatory compulsion, a large portion of registrants will be subsidized by the remaining compliant registrants. It will also leave the financial community vulnerable to fraud when using a lapsed LEI and, eventually, inhibit the use of the LEI for real-time payments and settlements

### Active vs. Issued LEIs

Until now, we have been reporting the lapsed rate as a percent of total issues LEIs (1,917,020). However, as GLEIF is now reporting Total Active LEIs (this month it was 1,838,937). Therefore, we will now be reporting the lapsed (non-renewal rate) rate as a percent of active LEIs. This is due to the fact that merged and retired LEIs are absent from the active LEIs (77,083 LEIs), thus providing a clearer picture of the lapsed rate as such LEIs are not expected to renew. The new lapsed rate based upon using active LEIs now stands at 34.0% vs. 32.6% using total issued LEIs.

## Relationship Data

Relationship data which records permitted exceptions for opting-out of identifying a LEI for either or both parents has corrected itself after presenting an anomaly in the prior month of falling below the past month. This anomaly followed a long-established pattern of consistently growing at approximately twice the number of monthly newly issued LEIs. This month, with a total of 3,237,720 exceptions vs. last month's 3,200,632 a rise of 37,088 exceptions.

The reporting of unique LEIs of both parents presented another anomaly of declining month-over-month in the prior two months after consistently increasing each month since reporting began in 2016. While the prior month's anomaly has since corrected itself, a new month-over-month decline has surfaced. This month it was 122,567 vs. last month's 123,043, a further a decline of 476.

These anomalies appear to be a reflection of structural shifts in either LEI registrants reclassifying their relationship data, LOU's correcting their designations internally, and/or GLEIF using new or corrected criteria to classify parent relationship data. This is supported by the lowering of rates of check failures for those check categories related to relationship data.

Also, GLEIF's Data Quality Report statistical category 'LEIs with LEI parent relationships' was recently changed to 'LEIs with relationships'. This change most probably is reflecting the terminology associated with newly initiated fund and government relationships data collection effort, a major activity now underway to register such entities.

## Corroborated LEIs

In its 2021 Q2 Business Report, GLEIF reported the percentage of fully corroborated Level 1 reference data within the entire LEI population was 82.7% . However, while corroborated relationship data has improved, relationship data without full corroboration is reported as 50.8% for their direct parent's and 41.9% for ultimate parents.

We will be staying close and reporting on these changes in reporting relationship data as the year progresses. We hope these changes are a prelude to a continued emphasis on using the relationship data for risk management reporting purposes, internally and to regulators, the ultimate objective of the LEI initiative.

## LEI Historical and Current Statistics Comparison Chart

LEI Issuance & Non-renewed (Lapsed) LEIs	Year - Year 2016-2020					Monthly Q1 2021			Monthly Q2 2021			Current Month
	2016 Year-end	2017 Year-End	2018 Year-end	2019 Year-end	2020 Year-end	Jan 2021 Mo-end	Feb 2021 Mo-end	Mar 2021 Mo-end	Apr 2021 Mo-end	May 2021 Mo-end	Jun 2021 Mo-end	JUL 2021 Mo-end
Total LEIs issued at Yr/Mo-end	481,522	975,741	1,337,925	1,542,037	1,777,458	1,797,171	1,817,082	1,839,494	1,858,136	1,876,920	1,897,371	1,917,120
Total Active LEIs at Yr/Mo-end												1,838,937
Total Non-renewed (Lapsed) LEIs issued at Year/Month-end	139,461	169,778	313,915	459,436	585,029	588,972	590,265	600,952	607,065	613,400	619,579	625,679
Non-renewed rate – issued LEIs	29.0%	17.4%	23.5%	29.8%	32.9%	32.8%	32.5%	32.7%	32.7%	32.7%	32.7%	32.6%
Non-renewed rate – active LEIs												34.0%
<b>Monthly Averages</b>												
Newly Issued	4,976	40,237	29,987	16,652	19,364	19,485	19,491	22,166	18,470	18,596	20,540	19,649
Non-renewed (Lapsed) LEIs	6,300	7,134	16,422	19,802	18,778	22,270	15,688	19,981	13,663	12,700	n/a	n/a
Net LEI Increase/Decrease	-1,324	33,103	13,565	-3,150	586	-2,785	3,803	2,185	4,807	5,896	n/a	n/a
<b>Relationship Data</b>												
Number of Immediate & Ultimate LEI Parent Records	n/a	88,198	152,318	208,139	230,755	232,516	234,116	236,715	236,144	238,593	243,133	247,503
Number of Unique LEIs Reporting both Parent Relationships	n/a	51,944	89,826	119,637	132,096	133,025	133,471	134,596	134,034	134,575	123,043	122,567
Number of Immediate & Ultimate LEI Parent Exception Records	n/a	1,067,968	2,156,909	2,519,418	2,965,315	3,002,881	3,041,991	3,086,072	3,125,083	3,106,747	3,200,632	3,237,720
Number of LEIs with Complete Parent Information	n/a	572,818	1,146,554	1,341,015	1,563,458	1,580,985	1,600,106	1,621,675	1,639,858	1,657,862	1,704,792	1,724,636

## The Road Ahead in the Issuance and Renewal of LEIs Through Regulatory Compulsion

In its most recent [Board meeting](#), GLEIF reported on its risk management program and declared its three (3) highest risks are limited LEI growth, a drop in renewals, and third party providers not delivering on time. GLEIF also presented a timeline for the 2021- 2022 period for the implementation of three remaining ROC policy initiatives; the recording of funds relationships, the recording of government entities and the incorporation of third-party legal entity events data.

In the past GLEIF had relied on regulatory mandates to support these initiatives. To this end, GLEIF reports that there are 178 regulatory mandates world-wide concerning the LEI - 124 regulatory mandates requiring a LEI and 54 requesting LEIs be used for regulatory reporting. The caveat of the use of the term ‘required’ is that most regulations state it is required only if you already have an LEI. The LEI is used on specific reports, or in specific processes, to be reported to specific government agencies.

There are virtually no requirements to renew an LEI. Only one regulator (the CFTC) requires renewing LEIs and then only for a limited category of legal entities. There is a need for consistent guidance or requirements on renewals across all regulatory agencies and jurisdictions. The vast majority of the regulatory mandates refer to LEI registration, not renewals, and only for OTC derivatives.

## The EU vs. the US

The EU countries have, out of a necessity to consolidate data from disparate country-specific reporting systems, have been the exception in extending the LEI to all financial participants transacting in all financial instruments and contracts and, significantly, in accepting Lapsed LEIs as valid LEIs in transactions. The EU countries represent over 70% of all issued LEIs.

In the US, in furtherance of LEI issuance, the US Congress has taken on an aggressive new legislative initiative, the Financial Transparency Act (FTA), introduced in the US Congress as [H.R.2989](#). The legislation sets a three (3) year time frame for all the financial regulatory agencies to adopt a common nonproprietary legal entity identifier that is available under an open license (as defined under [section 3502 of title 44, United States Code](#)) for all entities required to report to these agencies. It should be noted that there is no reference to the LEI nor a definition of 'open license' in the section and title of the US code as referenced in the legislation.

## Private Sector Initiatives to Supplement Regulatory Mandates

The GLEIF has initiated three (3) significant additional projects to gain voluntary acceptance of the LEI.

The first is the Validation Agent concept. Here a financial entity (or a vendor) requiring clients to onboard their credentials to open an account, or to refresh the details of their account, is approved by GLEIF to issue LEIs to these clients. The assignment and registration of the LEI is done in cooperation with the Validation Agent and an approved LOU.

Another approach is an ambitious goal by GLEIF in initiating a digitally encrypted version of the LEI (the vLEI) for use by financial market participants, and beyond, by all entities in digital commerce. Registering for a LEI is the first step in obtaining a vLEI.

The third is a yet to be implemented third-party linkage to legal entity event vendors to populate the LEI data base with primary and supplemental reorganization event data. It is expected that this will create great benefit to holders of a LEI, enabling them to access world-wide and timely merger, spin-off, acquisition and bankruptcy notifications and their associated data. Without timely and accurate legal entity event data the quality of the LEI reference data will, at best, be out of sequence with the actual event. At worst, it will cause miscalculations of the value of reorganized entities and their financial instruments.

## For further Information



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