



The Global LEI Initiative – What’s in the Just Passed Financial Transparency Act?

December, 2022

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

TABLE OF CONTENTS

Taking a Closer Look at the US’s Just Passed Financial Transparency Act.....	2
Statistics on LEI Issuance, Renewals and Parent LEIs.....	3
For further Information.....	4

www.financialintergroup.com

Copyright © 2023 Financial InterGroup.

All rights reserved

Taking a Closer Look at the US's Just Passed Financial Transparency Act

I was surprised that the National Defense Authorization Act ([Congressional Bill HR 7900](#)) was the legislative vehicle to carry the Financial Data Transparency Act over the finish line. It is now incorporated in this Act as Division H – Financial Transparency.

More surprising is the failure of the legislation to endorse the Global LEI Foundation's (GLEIF's) Legal Entity Identifier (LEI). The relevant paragraphs in the Act (see below) references a generic common non-proprietary legal entity identifier, not specifically GLEIF's LEI.

“The data standards established in the final rules include common identifiers for information reported to member agencies or collected on behalf of the Council. The Common identifiers shall include 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 member agencies.”

Open license in this statute means a legal guarantee that a data asset is made available at no cost to the public and with no restrictions on copying, publishing, distributing, transmitting, citing, or adapting such asset.

This failure to specifically endorse the LEI, which meets all Act requirements, some believe exclusively so, comes after a decade long effort to establish a global financial regulator/industry partnership to develop the LEI, the definitive legal entity identifier for financial service entities. The Office of Financial Research, charged with coordinating all input data from member agencies of the Financial Services Oversight Council (FSOC) has endorsed this specific LEI. It is further supported by the G20 and its Financial Stability Board, and overseen by the Regulatory Oversight Committee (ROC). Members of all of the US regulatory agencies having to implement the ACT's data standards are members of the ROC which includes 65 members from 50 countries and regulatory jurisdictions.

The only member agency that is excluded in the Act is the Commodities Futures Trading Commission (CFTC). While present in the House and Senate versions of the draft legislation, it was exempted from the final legislation. This carveout is specifically noted in the National Defense Authorization Act.

“....the term `member agencies' does not include the Commodity Futures Trading Commission.”

The CFTC is a member of the ROC and the Treasury's FSOC (the “Council”), and was the lead in the implementation of the LEI from day one some twelve years ago. Why the CFTC was left out has been explained as the Agriculture Committee, which oversees the CFTC, was not prepared to do their homework in time to approve its inclusion in the Act.

The Act states data standards shall: render data fully searchable and machine-readable; enable high quality data through schemas, with accompanying metadata documented in machine-readable taxonomy or ontology models, which clearly define the semantic meaning of the data, as defined by the underlying regulatory information collection requirements; ensure that a data element or data asset that exists to satisfy an underlying regulatory information collection requirement be consistently identified as such in associated machine-readable metadata; be nonproprietary or made available under an open license; incorporate standards developed and maintained by voluntary consensus standards bodies; and be consistent with, and implement applicable accounting and reporting principles.

Here, too, there is no mention of any machine-readable schemas, especially the eXtensible Business Reporting Language (XBRL), as well as less established solutions, to accommodate this requirement. XBRL, like the LEI, has become a global standard for regulatory and accounting reporting and meets all requirements in the Act, again some believe exclusively so.

Statistics on LEI Issuance, Renewals and Parent LEIs

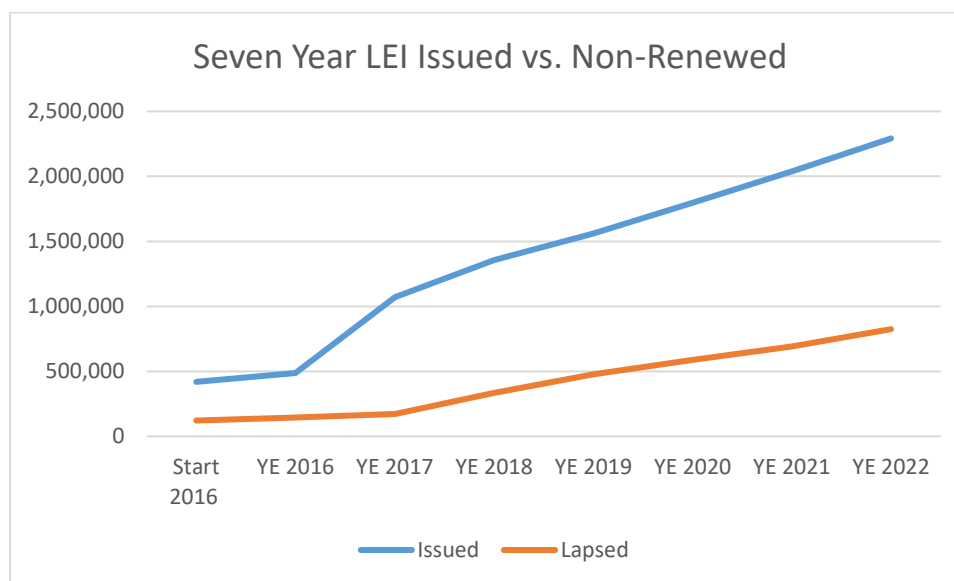
The increase in LEI registration this month was 18,875, in line with the average month’s historical rate. Without extraordinary efforts, historically consistent 20,000 monthly issued LEIs will fall far short of long-term goals for LEI issuance of 20 million by 2027.

Also, a steadily increasing lapsed rate, now plateauing at the highest historical lapsed rate of 36.0%, is also undermining data quality goals for the LEI. A continual rising lapsed rate signals potential for deteriorating quality of the LEI data. Renewing LEIs should be a regulatory priority.

In the GLEIF’s year-end 2022 [4th Quarter Business Report](#), GLEIF reports that 41.2 % of LEIs have self-reported its ultimate reporting LEI parent, and 48.0% self-reported its direct parent. This has been consistent throughout 2022. It suggests that a new verification approach is needed, one that allows corroboration by a trusted entity, such as a Notary or Auditor, as a substitute for the Local Operating Units (LOUs) doing the corroboration. The below charts summarize the progress of LEI Data initiatives based on [GLEIF’s Jan. 6, 2023 Global LEI Data Quality Report](#) and FIG’s historical LEI database

Monthly LEI Issuance & Non-renewed (Lapsed) LEIs	2021 Year-end	Jan 2022 Mo-end	Feb 2022 Mo-end	Mar 2022 Mo-end	Apr 2022 Mo-end	May 2022 Mo-end	Jun 2022 Mo-end	Jul 2022 Mo-end	Aug 2022 Mo-end	Sep 2022 Mo-end	Oct 2022 Mo-end	Nov 2022 Mo-end	Dec 2022 Mo-end
Total LEIs issued at Year/Mo-end	2,038,661	2,050,428	2,080,671	2,102,303	2,122,684	2,140,911	2,160,543	2,178,013	2,192,958	2,210,965	2,252,986	2,273,333	2,292,142
Total Active LEIs at Year/Mo-end	1,954,190	1,973,745	1,992,796	2,012,137	2,031,394	2,048,905	2,067,636	2,084,134	2,097,901	2,114,480	2,155,295	2,174,634	2,191,498
Total Lapsed (non-renewed) LEIs	690,397	706,066	719,726	729,095	740,759	751,507	761,029	767,140	777,296	788,240	804,649	818,187	824,796
Non-renewed rate – issued LEIs	33.9%	34.3%	34.6%	34.7%	34.9%	35.1%	35.2%	35.3%	35.4%	35.7%	35.7%	36.0%	36.0%
Non-renewed rate – active LEIs	35.3%	35.8%	36.1%	36.2%	36.5%	36.7%	36.8%	36.8%	37.1%	37.3%	37.3%	37.6%	37.6%
Newly Issued	30,777	21,767	20,243	20,963	19,137	18,471	19,632	17,482	14,933	18,007	42,021	20,372	18,875
Relationship Data													
Number of Immediate & Ultimate LEI Parent Records	264,013	266,408	268,297	320,093	333,405	342,956	350,565	359,702	369,167	380,750	389,945	398,356	414,253
Number of Unique LEIs Reporting both Parent Relationships	123,079	123,438	123,786	123,798	123,923	125,509	124,965	125,534	125,842	126,972	128,002	128,193	126,052
Number of Immediate & Ultimate LEI Parent Exception Records	3,468,286	3,508,031	3,546,379	3,585,611	3,625,804	3,662,597	3,700,038	3,735,325	3,763,817	3,796,982	3,878,688	3,917,013	3,952,830
Number of LEIs with Complete Parent Information (includes those reporting exceptions)	1,786,117	1,863,483	1,874,328	1,895,012	1,915,565	1,934,544	1,953,881	1,972,415	1,986,779	2,011,867	2,053,680	2,273,731	2,090,329

Yearly Comparison LEI Issuance & Non-renewed (Lapsed) LEIs		2016 Year-end	2017 Year-End	2018 Year-end	2019 Year-end	2020 Year-end	2021 Year-end	2022 Year-end
Total LEIs issued		481,522	975,741	1,337,925	1,542,037	1,777,458	2,038,661	2,292,142
Total Active LEIs							1,954,190	2,191,498
Total Lapsed (non-renewed) LEIs		139,461	169,778	313,915	459,436	585,029	690,397	824,796
Non-renewed rate /issued LEIs		29.0%	17.4%	23.5%	29.8%	32.9%	33.9%	36.0%
Non-renewed rate /active LEIs							35.3%	37.6%
Newly Issued		4,976	40,237	29,987	16,652	19,364	30,777	18,875
Relationship Data								
Number of Immediate & Ultimate LEI Parent Records		n/a	88,198	152,318	208,139	230,755	264,013	414,253
Number of Unique LEIs Reporting both Parent Relationships		n/a	51,944	89,826	119,637	132,096	123,079	126,052
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	3,952,830
Number of LEIs with Complete Parent Information (includes those reporting exceptions)		n/a	572,818	1,146,554	1,341,015	1,563,458	1,786,117	2,090,329



For further Information



Allan D. Grody

Financial InterGroup - USA

New York, New York USA

Tele. +1 917 414 3608

Email agrody@financialintergroup.com

www.financialintergroup.com

Copyright © 2023 Financial InterGroup.

All rights reserved