



The Global LEI Initiative –Lest we Forget the Mission

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

This year the new issuance rate continues at a rate somewhat less than the six (6) year monthly average of 22,043. Newly issued LEIs this month was 18,471 vs last month's 19,137 and the prior month's 20,963, continuing a steady monthly decline of newly registered LEIs this year. Registered LEIs in total reached 2,140,911 vs. last month's 2,122,684 vs. the prior month's 2,102,303.

The overall lapsed (non-renewal) rate comparing total non-renewed LEIs to total issued LEIs was 35.1% this month vs last month's 34.9% and the prior month's 34.7%. A recent metric, the lapsed rate based upon comparison to active LEIs stands at 36.7% this month vs last month's 36.5% and the prior month's 36.2%.

Relationship data is the recording of registrants having reported LEIs for one or both parents. This month there were 342,956 parent LEIs vs. last month's 333,405 and the prior month's 320,093. These relationships are critical to performing risk analysis as such analysis requires aggregating transaction data up through the hierarchies of control and influence of parent and child LEIs.

Relationship data also records permitted exceptions for opting-out of identifying a parent LEI. This month, there was a total of 3,662,597 vs. last month's 3,625,804 LEI exceptions and the prior month's 3,585,611. This number has been relatively stable over time, increasing at 2 X monthly issuance which indicates both ultimate and intermediate parents either don't exist or are opting out for registering parents under permitted exceptions.

Statistics on LEI Issuance, Renewals and Parent LEIs

This chart summarizes progress of LEI issuance and its corresponding Relationship Data initiative based on [GLEIF's June 8, 2022 Global LEI Data Quality Report](#) and FIG's historical LEI database

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	Apr 2022 Mo-end	May 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	2,122,684	2,140,911
Total Active LEIs at Yr/Mo-end						1,954,190	1,973,745	1,992,796	2,012,137	2,031,394	2,048,905
Total Lapsed (non-renewed) LEIs	139,461	169,778	313,915	459,436	585,029	690,397	706,066	719,726	729,095	740,759	751,507
Non-renewed rate – issued LEIs	29.0%	17.4%	23.5%	29.8%	32.9%	33.9%	34.3%	34.6%	34.7%	34.9%	35.1%
Non-renewed rate – active LEIs						35.3%	35.8%	36.1%	36.2%	36.5%	36.7%
Newly Issued	4,976	40,237	29,987	16,652	19,364	30,777	21,767	20,243	20,963	19,137	18,471
Relationship Data											
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	333,405	342,956
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	123,923	125,509
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	3,625,804	3,662,597
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	1,915,565	1,934,544

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.

Lest we forget the systemic risk mission of the Global LEI Initiative

Since the financial crisis, regulators' awareness of the devastating effects of systemic risk became front-and-center. Its revelations precipitated a race to develop metrics to measure and monitor this phenomenon. Metrics, not dissimilar to the ways in which financial institutions have calculated their internal risk and reported to their regulators, was devised. Additional factors were devised to augment the capital calculations for systemic risk analysis. All such systemic risk measures had a focus on the mechanism by which standard capital calculations can be adjusted to observe undercapitalization of the systemically important financial institutions (SIFIs) that initiated the financial crisis.

The key metric, both for internal risk and now for systemic risk, is based on 'capital'. All metrics developed to-date ultimately monitor the amount of capital needed and the rate of capital depletion before a financial institution will fail. In these capital calculations, inputs include the key risk factors of volatility, leverage, liquidity and correlations amongst financial assets. It also includes credit exposures and concentration risk factors. These measures are combined with extensions for systemic risk, such as size (some metrics use total exposures others market value), complexity (value of derivatives and tradeable and hard-to-value assets) and interconnectedness (liabilities held by others, securities issued). Thereafter, scenario analysis using a range of changes in economic measures creates a reasonable assessment of the rate of capital depletion that can be estimated by firm, by country, by economic region and in total.

These techniques, however, are all looking backward to see what's up front. They are all lagging measures of systemic risk not a proactive means for viewing the contagion of systemic risk surfacing, or building up incrementally to intolerable levels, as was the case with Lehman Brothers.

Much thoughtful deliberations, consultations, testimony and research was done in the aftermath of the Lehman bankruptcy and the cascading effect it had on the global financial system. In some of these forums, participants speculated that to observe systemic risk building up it would be necessary to first capture individual financial transactions as they occur. Then aggregate these transactions by product and by counterparty. Thereafter, the financial details of each transaction would be associated with the ultimate parent of the counterparty and aggregated to be able to analyze the accumulation of risk of an entire enterprise. The global LEI project is the key component of this technique.

As we have been reporting in our Research Notes, both the adoption of LEIs and the identity of parent LEIs is still a work-in-progress. Other components of the global data standards effort, also initiated after the financial crisis and governed by the same Regulatory Oversight Committee that oversees the LEI project, is also a work-in-progress. These include the global standards initiatives- the UPI (Unique Product Identifier) and the UTI (Unique Trade Identifier); the CDE (Critical Data Elements) project; and the DSB (Derivatives Service Bureau) which assigns ISINs (International Securities Identification Numbers) to derivative trades.

When all of this is finalized and implemented, there will be standardized derivatives transactions flowing daily into newly established Trade Repositories (TRs). There are 25 TRs across major financial centers that have been established to accept and maintain these trades, and to make them available to regulators for observing the contagion of systemic risk building up.

With this granular data, risk analysis can be performed across a corporate or institutional counterparty, identified by its LEI and its associated parent LEI; across a financial institution as a parent of multiple counterparties identified by multiple LEIs, one for each legal entity; across a financial institution doing business with multiple counterparties as its clients; and across multiple financial institutions.

It is the many legal entities (subsidiaries, affiliates, joint ventures, et al) controlled and represented by associated LEIs that individually and collectively pose risk to the whole of an enterprise as defined by its parent LEIs. Individual LEIs associated with parent LEIs are maintained in the LEI project's consolidated database for aggregating transaction data reported with these LEIs.

Other, parallel data standards projects for identifying critical data elements for securities products have been in the works for decades. These projects are supported by SWIFT's ISO data standard (ISO 20022) and by ANNA's (Association of National Numbering Agencies) ISIN and CFI (Classification of Financial Instruments) code standards. Looked at in total, all these initiatives when completed will permit transaction data of all legal entities and all their associated financial transactions to be reported to Trade Repositories where they can be accessed and aggregated for systemic risk analysis.

This granular approach to systemic risk analysis has a long implementation period; spans multiple coordinated implementations; and requires determination and perseverance by regulators and industry members alike. This and only this approach will solve the issues uncovered by the Lehman failure. Observing the contagion of systemic risk requires granular transaction data, observed in near real-time. Fortunately, the technology is available, the political will to sustain these projects is what is the unknown factor.

For further Information



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