



**The Global LEI Initiative:  
Moving Forward with Use of LEI for Risk Management  
July 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 Summary

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 July 7, 2021 Global LEI Data Quality Report](#), [GLEIF's July 20, 2021 Business System's Report Q2 2021](#) and FIG's historical LEI database.

Registered LEIs this month reached 1.897 million vs last month's 1.876 million. Newly issued LEIs this month was 20,540 vs. last month's 18,596, and somewhat above the monthly average of last year of 19,364. This month's non-renewal (lapsed) LEIs were not recorded in the GLEIF's Data Quality Report. Instead, total Lapsed LEIs of 619,579 was substituted for the previously reported monthly Lapsed LEI statistic.

An overall lapsed rate comparing total non-renewed LEIs to total issued LEIs remained consistent for the last four (4) months at 32.7%, approximately the same ratio over the last year and a half. This rate has stubbornly persisted at one-third of all issued LEIs 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.

Relationship data which records permitted exceptions for opting-out of identifying a LEI for either or both parents presented an anomaly last month of falling below the past month after following a long-established pattern of consistently growing at approximately twice the number of monthly newly issued LEIs. However, this has corrected itself this month, with a total of 3,200,632 exceptions vs. last month's 3,106,747 a rise of 93,885 exceptions. This in contrast to the prior month's decline of 18,336.

The reporting of unique LEIs of both parents presented an anomaly of having declined 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 123,043 vs. last month's 134,575. This represented a decline of 11,532 vs. last month's increase of 541 and the prior month's decline of 575.

While these anomalies may be a reporting or recording error, it is more likely 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. For example, in this month's GLEIF's Data Quality Report a statistical category 'LEIs with LEI parent relationships' was changed to 'LEIs with relationships'.

Non-corroborated relationship data has improved in the latest quarterly report (2021 Q2). Relationship data reported exclusively by the registrant without corroboration by an independent source is reported as 50.8% for their direct parent's and 41.9% for ultimate parents. The prior quarter's direct parents that had not been non-corroborated stood at 54.1% and

ultimate parents at 45.4%. This represents a 3.3 percentage point gain in corroborating direct parents and a 3.5 percentage point gain in corroborating ultimate parents, a significant step in assuring that LEI relationship data will be of the highest quality for aggregating financial transactions for risk management.

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 Statistics Comparisons

LEI Issuance & Non-renewed (Lapsed) LEIs	Year - Year 2016-2020					Monthly Q1 2021			Monthly Q2 2021		
	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
Total LEIs issued at Year/Month-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
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
Non-renewed (Lapsed) rate	29.0%	17.4%	23.5%	29.8%	32.9%	32.8%	32.5%	32.7%	32.7%	32.7%	32.7%
	<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
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
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
<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
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
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
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

## **Text of Financial Transparency Act as reintroduced in 117<sup>th</sup> US Congress has been published**

The current 117<sup>th</sup> Congress has introduced [H.R.2989](#) – A reintroduction of the Financial Transparency Act (FTA) first introduced during the past 116<sup>th</sup> Congress.

The text of the reintroduced legislation repeats the earlier Financial Transparency Act (H.R.4476 - Financial Transparency Act of 2019) call for “a common nonproprietary legal entity identifier” but makes no reference to GLEIF’s LEI.

The LEI is such a legal entity identifier sponsored by the G20, its Financial Stability Board and regulators around the world. This omission, not even a footnote ‘suggesting’ its use for regulatory reporting is a second lost opportunity, the first being its omission in the Dodd-Frank legislation that initiated such a standard and which this legislation purports to correct.

It should be noted that in the Basel Committee’s Banking Supervisor consultancy of 2013 on Principles for effective risk data aggregation and risk reporting (aka [BCBS 239](#)) it made specific reference to the LEI:

*The LEI system will identify unique parties to financial transactions across the globe and is designed to be a key building block for improvements in the quality of financial data across the globe.*

A lobbying campaign/letter writing effort by US financial industry trade associations, those same entities that pushed for the LEI at its initiation, should be taken up immediately before the FTA is considered for a vote.

### **A GLEIF mystery**

The GLEIF has set an ambitious goal in initiating a digitally encrypted version of the LEI (the vLEI) for use beyond financial market participants. We wondered in prior Research Notes and articles (see [LEIs for use in risk management of financial market participants](#)) why such an effort was undertaken when the mission set out by the G20 was to solely focus on financial markets and, specifically, risk reporting was not yet accomplished.

It would appear that both the GLEIF and ROC Chairmen who had attended the [GLEIF Board of Directors Meeting on Feb. 24, 2021](#) have put this effort on a short lease by agreeing to review the vLEI initiative to evaluate its efficacy.

**GLEIF Chairman** *“Assess our progress on the Verifiable Credential Strategy and determine if any midcourse corrections are required”*

**ROC Chairman** *“the ROC ... will further assess the new initiative on verifiable LEIs (vLEIs)”*

## For further Information



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