



The Global LEI Initiative – More Transparency Needed

July, 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's half-year mark has the new LEI issuance rate continuing at a consistent monthly range of 19,000 – 20,000. Registered LEIs in total reached 2,160,543.

The overall lapsed (non-renewal) rate comparing total non-renewed LEIs to total issued LEIs was 35.2% this month and a recent metric, the lapsed rate based upon comparison to active LEIs, stands at 36.8%. Both continue showing monthly steady increases throughout the year.

Relationship data, the recording of registrants having reported LEIs for one or both ultimate or intermediate parent, was 350,565 this month, representing 124,965 unique LEIs. These relationships are critical to performing risk analysis as such analysis requires aggregating transaction data up through the hierarchies of control and ownership of parent and child LEIs.

Relationship data also records exceptions for opting-out of identifying a parent LEI. This month, there was a total of 3,700,038. This number has been relatively stable over time, increasing at 2 X monthly issuance. This indicates parents are either non-existent or are opting out of registering parents under permitted accounting consolidation 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 July 7, 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	Jun 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	2,160,543
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	2,067,636
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	761,029
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%	35.2%
Non-renewed rate – active LEIs						35.3%	35.8%	36.1%	36.2%	36.5%	36.7%	36.8%
Newly Issued	4,976	40,237	29,987	16,652	19,364	30,777	21,767	20,243	20,963	19,137	18,471	19,632
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	350,565
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	124,965
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	3,700,038
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	1,953,881

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.

GLEIF Board Governance Transparency Needs to be Continued

After nearly 7 years of publishing GLEIF Board Minutes every few months, from 5 to 13 times annually, the Board abruptly stopped publishing their deliberations. The last Board Minutes was posted on December 8, 2021. We can only speculate that with new Chairmen at both the Regulatory Oversight Committee (ROC) and the Global LEI Foundation (GLEIF), a decision was made to discontinue publishing Board Minutes on such a regular basis.

The ROC has the status of the first government sponsored global data standards governance body and the GLEIF, overseen by the ROC, as the first public/private Standards Setting Body. Their unique status and fundamental role in underpinning the global financial system's infrastructure is a compelling reason to require Board deliberations to continue to be made public on a recurring and frequent basis. Remember, the LEI was supposed to bring transparency to financial market participants conducting financial transactions. Its global supervisors should, likewise, bring transparency to its activities.

New Metrics Needed for New LEI Initiatives

Two most important recent initiatives, the vLEI and the Validation Agent concept, has yet to demonstrate success, the kind of success measured in number of newly registered LEIs. These two initiatives have, as their objectives, to accelerate the registration of new LEIs. Shouldn't the GLEIF be reporting such data on an ongoing basis?

Earlier initiatives also need its own set of metrics to measure success and make adjustments when necessary. Such initiatives include: number of branches registered with LEIs; the inclusion of the effective date of legal events affecting LEI changes (mergers; acquisitions, et al); the gap of time between effective date and posting to the GLEIS; number of LEIs registered for government entities; and number of mandates for renewing LEIs.

Finally, in the FSB's recent expansive announcement, that the [FSB explores options to promote broader adoption of the Legal Entity Identifier \(LEI\) in cross-border payments](#), this new initiative presents a further opportunity for measuring and monitoring success of registering LEIs. The FSB itself has stated it will review progress in implementing the recommendations and publish a progress report by end-2024, together with a review of progress in implementing earlier recommendations of the 2019 [LEI peer review](#).

With an accumulation of so many new initiatives it seems important to improve upon the set of metrics already published by GLEIF, metrics that was established early on in the LEIs creation. It's time for an update as all the metrics to-date are flashing 'all is good' (99.89% average quality score) when so much more has been accomplished (and learned) since the LEIs inception. Such metrics can provide the FSB with meaningful additional input to their stated year-end 2024 report on the LEI's progress.

A Renewed Initiative Needed for Registering Parent LEIs

In the paper [Relationship Data: The Missing Link of the Current Financial Infrastructure](#) (Jenkins, Leonova, 2014) the authors argue that the problem of determining ownership of legal entities within a business structure stems from attempting to force a definition of ownership when there are many different definitions. These authors had great influence in steering the FSB's LEI initiative as they were the lead representatives of the FSB in establishing the agenda and guiding the private/public sector expert group.

They and the LEI's Private Sector Expert Group they led, recognized that the most expedient way to drive standardization of relationship data is via agreement by regulatory agencies to use the same basic definitions and relationship concepts across all regulatory reporting requirements. However, getting regulators to adhere to a standard for risk management reporting was deemed as difficult as getting industry members to agree on data standards. If a set of global financial industry data standards was considered a collective action problem, for sure it would be the same for regulators to agree on a standard for regulatory reporting of risk. For risk management reporting requirements, data granularity should be similar for both internal risk management and regulatory risk oversight.

So, rather than take on the responsibility of standardizing regulators relationship data for risk analysis, the regulators placed the burden on industry members, starting with the private sectors 30 largest, globally systemically important banks (G-SIBs).

These relationship concepts were reinforced in BCBS 239 (BIS, 2013) [Principles for effective risk data aggregation and risk reporting](#), the Basel Committee on Banking Supervision's attempt to reinforce standard methods for aggregating data for risk analysis. While this guidance initially only applies to the 30 globally systemic banks, which is still not implemented after nearly a decade of trying, it was expected it would eventually be applied to all banks and other financial institutions.

Many banks lacked the ability to aggregate risk exposures and identify concentrations quickly and accurately at the bank group level, across business lines and between legal entities. Some banks were unable to manage their risks properly because of weak risk data aggregation capabilities and risk reporting practices. This had severe consequences to the banks themselves and to the stability of the financial system as a whole.

It is critical that these private sector efforts succeed in implementing common relationship data standards. Without them it is doubtful regulators would be able to see the contagion of systemic risk as it builds up. It is such systemic risk analysis that motivated the G20, its FSB, and other regulators and Standards Setting Bodies to commission the global LEI initiative. It would be of great interest to see how this relationship data issue is addressed in the FSB's LEI progress report slated for year-end 2024.

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
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