



The Global LEI Initiative

LEI issuance steadies while rate of increase in Lapsed LEIs declines.
Relationship data collection increases but its use still a work in progress.

**A Research Note by
Financial InterGroup**
March 2019

In this Issue:

LEI ISSUANCE and NON-RENEWALS (Lapsed LEIs)

New LEI registration continues to level off while reaching another all-time high of 1,372,009. Although declining in absolute terms, lapsed LEIs continue exceeding monthly issuance, now by 4,404. Lapsed LEIs are at another all-time high of 345,544 and continue rising in relation to percent of all LEIs issued. Lapsed LEIs now represent 25.2% of all registered LEIs

RELATIONSHIP DATA COLLECTION

LEI registration for parent relationships increases, now at 162,852 while exceptions for not obtaining an LEI are stabilizing, reaching another all-time high of 2,215,647

CLOSING COMMENT



www.financialintergroup.com

The Global Legal Entity Identification Foundation (GLEIF) has been reporting statistics on Legal Entity Identifier (LEI) data since January, 2016. We are pleased to bring you this Research Note on the GLEIF’s February, 2019 month-end and year-to-date reporting of LEI issuance¹; on the progress of Relationship Data collection; and our Commentary.

LEI ISSUANCE

February, 2019 was the eighth month of a steadying of issuance of LEIs, settling in this month at 16,250 close to the average of 17,949 per month over the previous eight months. February was also the fifth month of the resumption of lapsed LEIs exceeding issued LEIs. The net increase of issued LEIs exceeding lapsed LEIs was positive over the first three quarters, progressively decreasing over the entire previous year and then turning negative in the last quarter. We anticipate a continuing rise in the lapsed rate (now at 25.2% vs. last month’s 24.7% and the prior month’s 23.5%) until renewing LEIs becomes required by regulation or some other means of compulsion surfaces.

If left unchecked, lapsed LEIs can significantly impact GLEIS data quality and the GLEIF’s ability to fund itself from renewal revenues. The ROC, GLEIF and most regulators are focused on registering LEIs but less on renewing them. This is important as the GLEIF considers the LEI as the industry quality identifier standard because it is the only one required to be renewed annually.

Year-to-Year & Month-by-Month Comparison

LEI Issuance and Lapsed LEIs – Year-to-Year & Month- by-Month Comparison	Year-end Comparison			Last Month	Current Month	Month-to-Month Comparison Quarter 4 – 2018		
	2016 Year-end	2017 Year-end	2018 Year-end	Jan. 2019 Month- end & YTD	Feb. 2019 Month-end & YTD	Oct. 2018 Month- end & YTD	Nov.2018 Month- end & YTD	Dec.2018 Month- end & YTD
Total LEIs issued at Year-end	481,522	975,741	1,337,925	1,355,375	1,372,009	1,300,832	1,319,120	1,337,925
Year-to-Year Averages/ Month-by-Month Comparisons						Oct. 2018 Month- end	Nov.2018 Month- end	Dec.2018 Month- end
Newly Issued	5,334	40,237	29,016	17,092	16,250	19,700	17,616	18,454
Lapsed	6,300	7,134	15,894	34,796	20,654	26,853	33,853	62,473
Net Increase/ decrease	-996	33,103	13,122	-17,677	-4,404	-7,153	-16,237	-44,019
Lapsed rate	29.0%	17.4%	23.5%	24.7%	25.2%	17.7%	19.5%	23.5%
Total Lapsed LEIs	139,461	169,778	313,915	334,503	345,544	230,679	257,678	313,915

¹ GLEIF Data Quality Report – February, 2019, <https://www.gleif.org/en/lei-data/gleif-data-quality-management/about-the-data-quality-reports/download-data-quality-reports/download-global-lei-data-quality-report-february-2019#>, March 7, 2019

RELATIONSHIP DATA COLLECTION

Relationship data collection, the collection of information on the immediate parent and ultimate parent of each LEI (Level 2 Relationship Data) began in May, 2017. February 2019 is the twenty-first month of GLEIF reporting on the number of immediate and ultimate parent records recorded in the GLEIS (see the first column 1 in the chart below). Of these, GLEIF also reports on how many of each unique LEI registrants reported both a parent and immediate parent (see column 3 in the same chart below).

Level 2 Relationship Data	Number of Immediate & Ultimate LEI Parent Records (1)	Month-to-Month Change (2)	Number of Unique LEIs Reporting both Parent Relationships (3)	% Month-to-Month Change (4)
Year-end 2017	88,198	-	51,944	-
Year-end 2018	152,318	2,523	89,826	1.7%
Month-end Jan 2019	157,131	4,813	92,373	1.0%
Month-end Feb 2019	162,852	5,721	95,379	3.3%

As can be seen from the Month-to-Month Change Column (column 2) in the chart above, the monthly reporting of the number of registered LEIs with parent relationships shows signs of increasing month-over-month whereas in 2018 it had shown signs of leveling off in monthly comparisons. Over the past year the number of LEIs with parent relationships had increased by 78% from year-end 2017. A similar pattern has emerged for the number of LEIs reporting both parents (column 3 above), with the percent increase (column 4 above) showing signs of increasing month-to-month while also increasing 78% over the past year from year-end 2017.

The GLEIF also reports on LEIs that have recorded Level 2 reporting exceptions (column 1 in chart below) and how many of each unique LEI registrant reported either a parent and/or immediate parent or provided an exception reason for opting out of not providing either or both (see column 3 in chart below).

Level 2 Reporting Exceptions	Number of Immediate & Ultimate LEI Parent Exception Records (1)	Month-to-Month Change (2)	Number of LEIs with Complete Parent Information (3)	% Month-to-Month Change (4)
Year-end 2017	1,067,968	-	572,818	-
Year-end 2018	2,156,909	38,952	1,146,554	1.7%
Month-end Jan 2019	2,187,337	30,428	1,163,111	1.4%
Month-end Feb 2019	2,215,647	28,310	1,179,625	1.4%

The ROC had offered already existing LEI registrants and potential new registrants the ability to record legitimate reasons for opting out and they have. Thus the column referenced as 'Number of LEIs with Complete Parent Information' - column (3) is a bit of a misnomer. Complete in this context means the registered LEI entity gave one of the following reasons that they either did provide, or could not provide nor register an immediate and/or ultimate parent LEI for one of the following reasons: that the LEI registrant is controlled by natural person(s) without any intermediate legal entity; that it is controlled by legal entities not subject to preparing consolidated financial statements; that either the immediate or ultimate parent has diversified stakeholders controlling the entity; where legal obstacles prevent providing or publishing this information; and where this information would be detrimental to the legal entity or the relevant parent.

It still remains to be understood how such permitted exceptions will affect the FSB's and the BIS's (Bank for International Settlements) long term objective of aggregating financial transaction data for risk management at the enterprise level (the BIS's concern) and systemic risk analysis (the FSB's concern).

The GLEIF has retained the names or other identifying information for these opted-out parent entities in a separate database, assigned a PNI (Provisional Node Identifier) and kept that information confidential to this point. What use will be made of this data remains to be seen, to be sorted out by the ROC in collaboration with the GLEIF and, perhaps, industry members.

CLOSING COMMENT

How the LEI will support the stated risk management mission of the FSB and BIS is still a work in progress. While successfully creating a global network and government/private sector governance structure for issuing LEIs there remains significant hurdles. Of significance is renewing LEI reference data (mainly name, address and entity classification data); and completing the hierarchical relationships amongst LEI's for determining ownership and control particularly of multi-registered LEIs of a single entity structure. This later point is critical to the capability to aggregate transactional data for performing risk analysis.

A review of the LEI now underway by the FSB and the follow up on the ROC's consultation on fund relationships are both promised to be concluded in 2019. The recommendations that result, along with the remaining follow up on the ROC's 'Legal Entity Events (Corporate Actions) and Data History in the Global LEI System' consultation, should shed more light on how close regulators and the industry will get to meeting the risk management objectives pledged to the G20. That pledge encouraged the G20 to support the "global adoption of the LEI to support authorities and market participants in identifying and managing financial risks".

A final comment - we are preparing a Special Report on Industry Responses to the FSB's Thematic Review of the Legal Entity Identifier (LEI). It will be distributed shortly in advance of the FSB's own report scheduled for release in May 2019.

For further Information Contact



Allan D. Grody

Financial InterGroup - USA

169 East 69th Street - 18th floor

New York, New York 10021 USA

Mobile +1 917 414 3608

Email agrody@financialintergroup.com

www.financialintergroup.com

Copyright © 2018 Financial InterGroup. All rights reserved.