



**The Global LEI Initiative:
Unfinished Business and the Hail Mary Pass**
March 2021

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LEI Statistics and Comparisons

The Global Legal Entity Identification Foundation (GLEIF) has been reporting statistics on registration of the Legal Entity Identifier (LEI) since January, 2016 and on the collection of LEI's Relationship data since May, 2017. We are pleased to bring you this Research Note on annual, month-end and year-to-date LEI issuance based on [GLEIF's March 5, 2021 Global LEI Data Quality Report](#) and FIG's historical LEI database, now accumulating data into its sixth year.

Registered LEIs this month reached 1.817 million vs last month's 1.797 million. Newly issued LEIs this month was 19,491 vs. last month's 19,485, about equal to the monthly average of last year of 19,364. This month's non-renewal (lapsed) LEIs were 15,688, much lower than last month's 22,270 and somewhat lower than last year's monthly average of 18,778. An overall lapsed rate comparing total non-renewed LEIs to total issued LEIs is 32.5% this month vs. last month's 32.8%. For the first time in five months the number of newly issued LEIs has exceed non-renewed LEIs.

Relationship data is following past patterns: the recording of permitted exceptions to opt-out of identifying a LEI for either or both parents is consistently growing at approximately twice the number of monthly newly issued LEIs; and the recording of LEIs with 'complete' parent data is consistently growing at about the monthly new LEI issuance rate. The 'complete' statistic includes no LEI recorded for one or both parents plus those LEIs recorded for its parents.

LEI Issuance & Non-renewed (Lapsed) LEIs	Year - Year Comparison 2016 - 2020					Monthly Q 4 2020			Month-End 2021	
	2016 Year-end	2017 Year-End	2018 Year-end	2019 Year-end	2020 Year-end	Oct 2020 Month-end	Nov 2020 Month-end	Dec 2020 Month-end	Jan 2021 Month-end	Feb 2021 Month-end
Total LEIs issued at YE	481,522	975,741	1,337,925	1,542,037	1,777,458	1,735,040	1,756,978	1,777,458	1,797,171	1,817,082
Total Non-renewed (Lapsed) LEIs issued at YE	139,461	169,778	313,915	459,436	585,029	546,546	564,253	585,029	588,972	590,265
Non-renewed (Lapsed) rate	29.0%	17.4%	23.5%	29.8%	32.9%	31.5%	32.1%	32.9%	32.8%	32.5%
	Monthly Averages									
Newly Issued	4,976	40,237	29,987	16,652	19,364	18,109	21,676	20,448	19,485	19,491
Non-renewed (Lapsed) LEIs	6,300	7,134	16,422	19,802	18,778	20,499	25,228	26,782	22,270	15,688
Net LEI Increase/Decrease	-1,324	33,103	13,565	-3,150	586	-2,390	-3,552	6,344	-2,785	3,803
Relationship Data										
Number of Immediate & Ultimate LEI Parent Records	n/a	88,198	152,318	208,139	230,755	225,173	227,462	230,755	232,516	234,116
Number of Unique LEIs Reporting both Parent Relationships	n/a	51,944	89,826	119,637	132,096	128,878	130,164	132,096	133,025	133,471
Number of Immediate & Ultimate LEI Parent Exception Records	n/a	1,067,968	2,156,909	2,519,418	2,965,315	2,886,841	2,927,493	2,965,315	3,002,881	3,041,991
Number of LEIs with Complete Parent Information	n/a	572,818	1,146,554	1,341,015	1,563,458	1,524,235	1,544,567	1,563,458	1,580,985	1,600,106

Active LEIs, Renewed LEIs and the Lapsed Rate

GLEIF this year began reporting total Active LEs in their statistics dashboard. As of February, 2021 month, end it totaled 1,744,868. This statistic results from subtracting from total issued LEIs: retired LEIs 52,028; merged LEIs 14,452; duplicate LEIs 4,729; annulled LEIs 833; LEIs pending archives 833; and LEIs pending transfers 256. If we calculate the non-renewal rate on active LEIs, it results in a rate of 33.8% vs. 32.5% calculating it based on total issued LEIs.

With one-third of the LEIs not renewed, little impetus is present for renewing such LEIs. There are two views, it is vital and the opposite, it is inconsequential. Even the CFTC which was the first regulator to champion the LEI has made renewing LEIs mandatory for only the largest firms under their jurisdiction, 153 swaps counterparties. The answer is that both views are correct, however, it is a matter of timing.

Right now, GLEIF is attempting to maximize adoption of the LEI. Championing a broad mandate for regulators to adopt mandatory renewal would most likely impede this objective. However, at some point issues will arise, hopefully nothing of consequence, in using non-renewed data. However, users of the LEIs and those who administer to the Global LEI initiative should be aware of and make sure renewals of LEIs becomes mandatory and plan for it before it becomes consequential.

First, non-renewed LEIs are allowed to be used in reporting to trade repositories in the EU. This presents potential default issues should a financial firm collapse or file for bankruptcy and its legal identity or its parent identity had been changed but without updating this information in the LEI record. A second scenario is that of renewing a LEI with corporate reorganization data such as mergers or acquisitions or spinoffs (legal actions). If LEI data is to be relied upon and such information is not accurate, not timely, nor does not match up with existing LEI data that may not have been renewed, exposure to losses can result (trading in the wrong company; mistiming dividend cash flows; missed voting of rights or warrants; etc.).

A Closer Look at the Validation Agent Concept

Most recently a [Validation Agent](#) (VA), a new category of intermediaries in the global LEI initiative, was introduced to the GLEIF's Globally Important Financial Institutions (GIFI) Relationship Group. These large financial institutions are being solicited for their willingness to validate on-boarding credentials of their clients and introduce them to a LOU for obtaining an LEI. The first to step up as a VA is JPMorgan Chase & Co.

The Validation Agent is not a new concept, it was first used by Avox, a private company that maintained a legal entity data base, to build its population of legal entities. Avox had most of the larger financial institutions submitting their onboarding data to them. They would then compare

this to external second source databases. Where other financial institutions had provided data on the same entity, and there were many, it was compared it to those other submissions.

DTCC bought Avox in 2012, around the time the ground rules for the LEI were being contemplated. DTCC subsequently sold Avox to Reuters. It can now be found at Refinitiv which was acquired by the London Stock Exchange from Reuters. The “AVID” was their “LEI” identifier. It is still a major identifier in use today. There are 3.5 million issued AVIDs.

There are two major ways in which the LEI data is updated – from existing legal entities and from newly formed legal entities. The former has dominated the buildup of the 1.8 million LEIs. This has predominately been from converting existing information in financial institutions internal data bases into inputs to LOUs. The later will come to be the focus of the Validation Agents – new data from acquired clients’ account onboarding documentation. This information is reviewed by legal staff at the financial institution opening the account. This information is also reviewed by auditors at the submitting legal entity at audit time.

JPM chose to work with an existing LOU, DTCC, because if JPM themselves became an LOU their identity would be associated with the client, thus advertising to all that this entity is a JPM client. While this is true to some extent, not all clients are exclusive to only one financial institution. Many clients shop for best-in-class financial institutions using different parameters of service and cost per function or product.

There is considerable cost/time savings if a VA could complete the entire process themselves as a VA and a LOU. In fact, having the original documentation in hand would negate having to access secondary sources of this information which at the time of onboarding probably does not yet exist do to timing issues of updating these secondary sources, especially the business registries, if this is a new legal entity. Having auditors’ assurance of documentation submitted would provide a financial institution with the necessary adherence to its know-your-customer obligations.

To me this suggests multiple VA’s sponsor a LOU Utility so that anonymity of clients and cost/time savings can be realized.

The vLEI Hail Mary

The [vLEI](#) is a digitally verifiable credential containing the LEI. The vLEI service to be offered by GLEIF will enable automated identity verification between counterparties operating across all industry sectors, globally. It will be supported by a credentialing governance framework and technical support infrastructure. By embedding new and existing LEIs in verifiable credentials, the vLEI will create a cryptographically secure chain of trust. It is intended to replace today’s manual processes required to access and confirm an entity’s LEI data.

While the vLEI effort is laudable as another use case for adoption of the LEI, its extension to all industry sectors globally may deflect from the LEIs primary mission of its use for cost reduction and risk management in the financial services sector.

GLEIF is now looking to engage with the pharmaceutical, healthcare, telecom, and automotive sectors through the vLEI. The need to increase the adoption rate of LEIs is, of course, paramount but moving far afield of its mandated and exclusive focus on the financial services sector might be a stretch. This is especially the case as so much has yet to be done in the single sector of finance: increasing LEI registrations for parent hierarchical relationship data; implementing legal actions for timely maintenance of the GLEIS; onboarding government entities participating in financial transactions; implementing the Validation Agent concept; onboarding fund families; resolving the accumulating Provisional Node Identifier (PNI) codes recorded in the GLEIS for registered legal entities not registering a LEI for a known parent; and implementing a mapping service for data vendors.

By itself this is an ambitious agenda. At the same time a commitment to drive the cost of a LEI to zero is compelling the GLEIF and its direct government overseer, the Regulatory Oversight Committee (ROC), to look beyond the financial sector to other uses of the LEI, particularly with the vLEI. Both have set a 2027 goal of 20 million LEIs issued, from its current 1.8 million. That is a tenfold increase in seven years, when it took nearly a decade to reach the current total. Notwithstanding that awareness and momentum of the Global LEI initiative has built up over the past decade, this goal might be a bridge too far.

For further Information



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