



**The Global LEI Initiative – Opposition arises to proposed US legislation on data standards while China fulfills LEI registration pledge**

November, 2022

*The LEI is but a small step in the global data standards landscape yet a giant leap forward for financial transparency.*

**TABLE OF CONTENTS**

<b>China meets LEI registration goals but not on who owns each of these legal entities. ....</b>	<b>2</b>
<b>US meets with both support and obstacles in final push on legal entity identification and other data standards .....</b>	<b>2</b>
<b>Statistics on LEI Issuance, Renewals and Parent LEIs.....</b>	<b>3</b>
<b>GLEIF’s Highest Quality Most Up-to-date Data Base of Legal Entity Information .....</b>	<b>4</b>
<b>For further Information .....</b>	<b>5</b>

[www.financialintergroup.com](http://www.financialintergroup.com)

Copyright © 2022 Financial InterGroup.

All rights reserved

## **China meets LEI registration goals but not on who owns each of these legal entities.**

China's [Roadmap to Implement Legal Entity Identifier](#), a part of its "One Belt One Road" initiative, had a goal to increase LEI issuance by year-end 2022 to 100,000, a goal reached this month. China's LOU (the Beijing National Institute of Financial Standardization Co., Ltd) reported 24,461 newly issued LEIs this month topping their goal (105,059 as of month-end October vs 80,589 as of month-end September). It should be noted that almost all of the LEIs issued are reported without either an immediate or ultimate parent, claiming 208,054 exemptions to reporting this information. This equates to nearly one each of the two parents that may exist for each of the LEIs registered. This mirrors many other jurisdictions that do not provide 'who owns who' information under exemptions permitted by GLEIF.

One can only wonder how such undefined ownership information could be useful for aggregating each legal entity up to its controlling entity for aggregating each enterprises' risk, let alone for aggregating data for systemic risk across multiple financial enterprises. Toward this end, Matthew Reed, the former first Chairman of the LEI's Regulatory Oversight Committee (ROC), commented in an interview that "We expect that we will view the LEI file as complete only when certain corporate information is revealed with respect to hierarchy information."

## **US meets with both support and obstacles in final push on legal entity identification and other data standards**

The US House's [Financial Transparency Act](#), and the US Senate's [Financial Data Transparency Act](#) are legislative initiatives which, when reconciled, passed and implemented, would require all financial institutions to use the same financial transaction data standards for all reporting requirements to all financial regulators.

Various trade associations are speaking out. The [Data Coalition](#), along with a number of their supporters, have written to US Senator's sponsors supporting the legislation. So far, conspicuous by their lack of comments, are financial industry trade associations, including individual financial institutions, that have to this point, been silent on their support.

However, the [National Association of Counties](#) is opposed to this "unfunded and federally mandated financial reporting standards". They cite existing reporting requirements that counties are already obliged to adhere to in reporting on their bond issuance and accounting requirements. Individual state associations, including the [Maryland Association of Counties](#), are stepping up to support their national association. Echoing these same sentiments, the [National League of Cities](#) is also opposed to this legislation.

## Statistics on LEI Issuance, Renewals and Parent LEIs

The increase in LEI registration this month was 42,021. Of this, 24,461 is accounted for by a single Local Operating Unit (LOU), the Beijing National Institute of Financial Standardization Co., Ltd. The remaining 38 LOUs reported a total of 17,560 newly registered LEIs, more in line with historical monthly averages.

In order to meet long term registration goals for the LEI (20 million by 2027), monthly LEI registrations would have to be increased ten-fold. The steadily increasing lapsed rate, now the second month at the highest rate of 35.7% , is troubling. It is a critical metric as it signals potential for deteriorating quality of the LEI data that is not renewed. The Lapsed rate would have been higher if not for the China registration spurt this month. Also, there are no new solutions that have been proposed to solve deteriorating LEI renewals and no push to make LEI renewals mandatory.

The charts on the following page summarizes progress of LEI Data initiatives based on [GLEIF's Nov. 10, 2022 Global LEI Data Quality Report](#) and FIG's historical LEI database

Monthly LEI Issuance & Non-renewed (Lapsed) LEIs	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	Jul 2022 Mo-end	Aug 2022 Mo-end	Sep 2022 Mo-end	Oct 2022 Mo-end
Total LEIs issued at Year/Mo-end	2,038,661	2,050,428	2,080,671	2,102,303	2,122,684	2,140,911	2,160,543	2,178,013	2,192,958	2,210,965	2,252,986
Total Active LEIs at Year/Mo-end	1,954,190	1,973,745	1,992,796	2,012,137	2,031,394	2,048,905	2,067,636	2,084,134	2,097,901	2,114,480	2,155,295
Total Lapsed (non-renewed) LEIs	690,397	706,066	719,726	729,095	740,759	751,507	761,029	767,140	777,296	788,240	804,649
Non-renewed rate – issued LEIs	33.9%	34.3%	34.6%	34.7%	34.9%	35.1%	35.2%	35.3%	35.4%	35.7%	35.7%
Non-renewed rate – active LEIs	35.3%	35.8%	36.1%	36.2%	36.5%	36.7%	36.8%	36.8%	37.1%	37.3%	37.3%
Newly Issued	30,777	21,767	20,243	20,963	19,137	18,471	19,632	17,482	14,933	18,007	42,021
<b>Relationship Data</b>											
Number of Immediate & Ultimate LEI Parent Records	264,013	266,408	268,297	320,093	333,405	342,956	350,565	359,702	369,167	380,750	389,945
Number of Unique LEIs Reporting both Parent Relationships	123,079	123,438	123,786	123,798	123,923	125,509	124,965	125,534	125,842	126,972	128,002
Number of Immediate & Ultimate LEI Parent Exception Records	3,468,286	3,508,031	3,546,379	3,585,611	3,625,804	3,662,597	3,700,038	3,735,325	3,763,817	3,796,982	3,878,688
Number of LEIs with Complete Parent Information (includes those reporting exceptions)	1,786,117	1,863,483	1,874,328	1,895,012	1,915,565	1,934,544	1,953,881	1,972,415	1,986,779	2,011,867	2,053,680

Yearly Comparison LEI Issuance & Non-renewed (Lapsed) LEIs	2016	2017	2018	2019	2020	2021
	Year-end	Year-End	Year-end	Year-end	Year-end	Year-end
Total LEIs issued	481,522	975,741	1,337,925	1,542,037	1,777,458	2,038,661
Total Active LEIs						1,954,190
Total Lapsed (non-renewed) LEIs	139,461	169,778	313,915	459,436	585,029	690,397
Non-renewed rate /issued LEIs	29.0%	17.4%	23.5%	29.8%	32.9%	33.9%
Non-renewed rate /active LEIs						35.3%
Newly Issued	4,976	40,237	29,987	16,652	19,364	30,777
<b>Relationship Data</b>						
Number of Immediate & Ultimate LEI Parent Records	n/a	88,198	152,318	208,139	230,755	264,013
Number of Unique LEIs Reporting both Parent Relationships	n/a	51,944	89,826	119,637	132,096	123,079
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
Number of LEIs with Complete Parent Information (includes those reporting exceptions)	n/a	572,818	1,146,554	1,341,015	1,563,458	1,786,117

## **GLEIF’s Highest Quality Most Up-to-date Data Base of Legal Entity Information**

GLEIF has always believed the above statement but has never forcefully stood behind that statement, witness its [Disclaimer of Warranties and Waiver of Liability](#):

“To the fullest extent permitted by applicable law, we disclaim regarding LEIs and LE-RD (LEI Reference Data) all warranties, express or implied, and liability, including, but not limited to, implied warranties of merchantability and fitness for a particular purpose. We will not be liable for any damages of any kind (including, but not limited to direct, indirect, incidental, punitive and consequential damages) arising from the use of the access service or the leis and le-rd.”

One of the most significant requests of market participants in the past was for vendors to ‘guarantee’ their data and they, in turn, would embrace it over others as the single source of truth, the “Golden Copy” long anticipated but never realized. Multiple efforts to develop a Golden Copy by commercial vendors could not meet this test. The result is multiple data vendors supplying their own sourced reference data; proprietary identifiers mapped to each other; and, lately, mapping of these identifiers to the LEI where an LEI exists. The multiple data feeds and their reconciliation causes delays in processing, and causes costly errors and duplicate and excessive costs.

Now the LEI database has the potential to be this single source of truth.

One of our long-standing recommendations is to use a notary or certification agent, a ‘super Registration Agent’ that would provide assurances of professional vetting at the source of the creation and registration of the data that goes into the LEI data base. This would be akin to an audit function by credentialed professionals, the Big 4 audit firms would be a natural for this role.

The Big 4’s liability would be magnitudes less than the legal exposure they now have in traditional audits. Auditors’ liability is qualified by their reliance on representations by the management of the firm’s they audit. In the case of reviewing enabling documentation to ‘certify’ a legal entity, they would similarly be reliant on managements representations. However, with singular documents to review and a world-wide network of credentialed professionals available through their global partnerships, verifying details of a legal entities founding documents, or verifying organizational ownership and physical addresses, or verifying executive representatives, et al would be made much easier, enabled by technology, with any liability much less consequential.

With such Big 4 assurances, GLEIF’s disclaimer could be modified to respect a ‘certification’ by this super Registration Agent, while maintaining a ‘default fund’ with waterfall levels of liability much like Central Counterparties have. Policy makers and regulators would be less reluctant to mandate the use of the LEI when such a super Registration Agent is vetting the data. It would ultimately lead to financial institutions abandoning their own internal legal entity data bases and proprietary identifiers in favor of accessing this single source Golden Copy. Monumental savings would be available.

## For further Information



**Allan D. Grody**

Financial InterGroup - USA

New York, New York USA

Tele. +1 917 414 3608

Email [agrody@financialintergroup.com](mailto:agrody@financialintergroup.com)

[www.financialintergroup.com](http://www.financialintergroup.com)

Copyright © 2022 Financial InterGroup.

All rights reserved