



The Global LEI Initiative

An Update on LEI Issuance, Renewals and Recording of Parent LEIs

September 2020

The Global Legal Entity Identification Foundation (GLEIF) has been reporting statistics on the Legal Entity Identifier (LEI) since January, 2016 and on the 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 September, 2020 Global LEI Data Quality Report** and FIG's historical LEI database. The LEI statistics are followed by our Commentary.

Summary of LEI Statistics

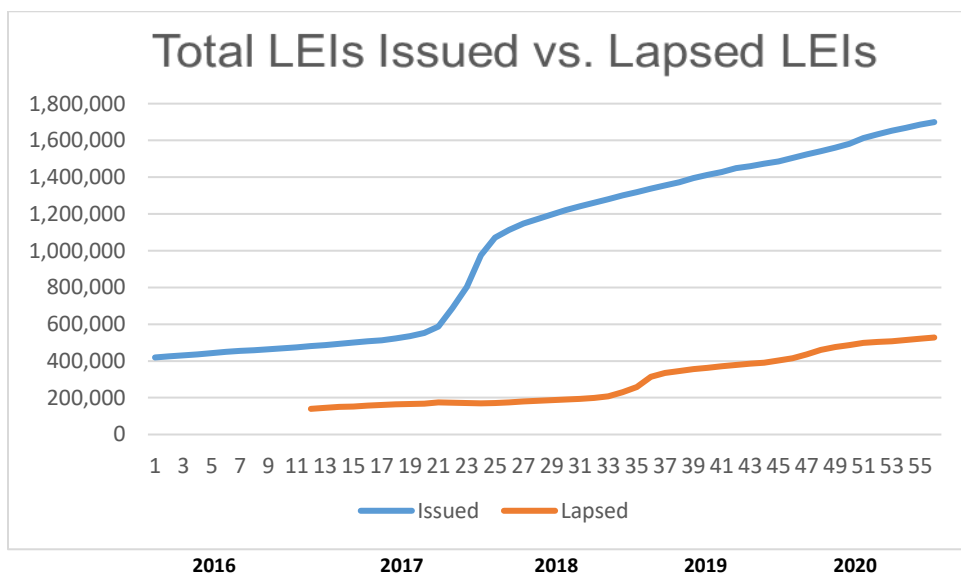
The five + years of accumulated statistics presented in the charts and tables that follows show data that is grown to around 1.7 million registered LEIs (this month's year-to-date count is 1,699,629 vs. last month's 1,685,721 LEIs). The average new LEIs per month this year is 19,412 (this month it is 13,800 vs. last month's 16,511). Also, a fairly stable non-renewal (lapsed) rate around its historical high of nearly 31% has been the norm this year (this month it is 31.0 vs. last month's 30.9%).

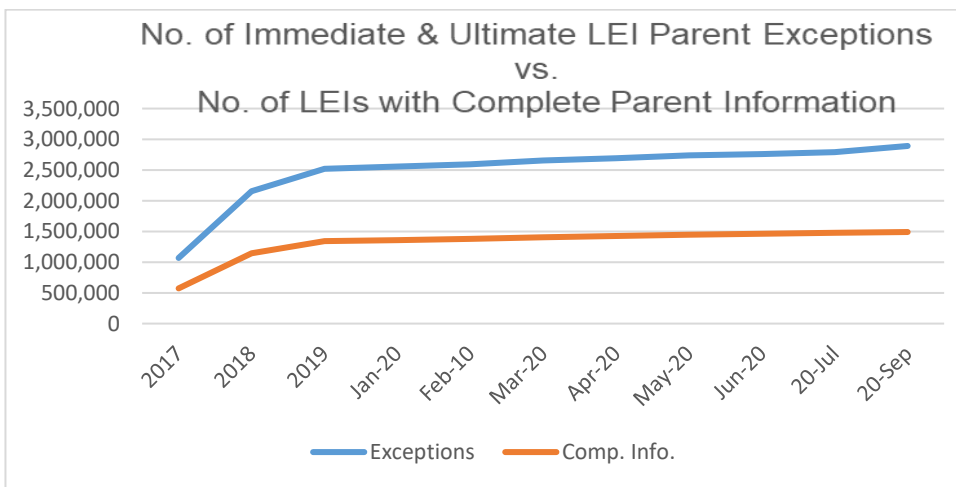
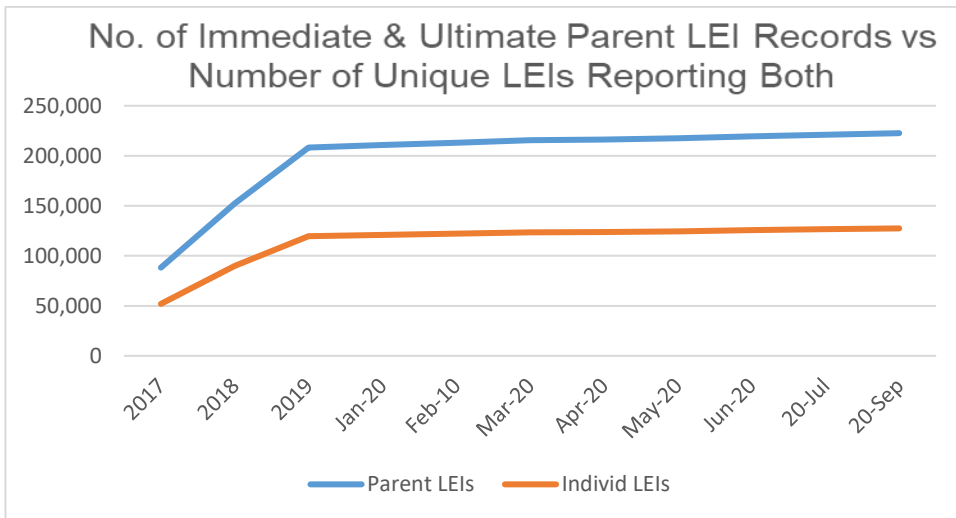
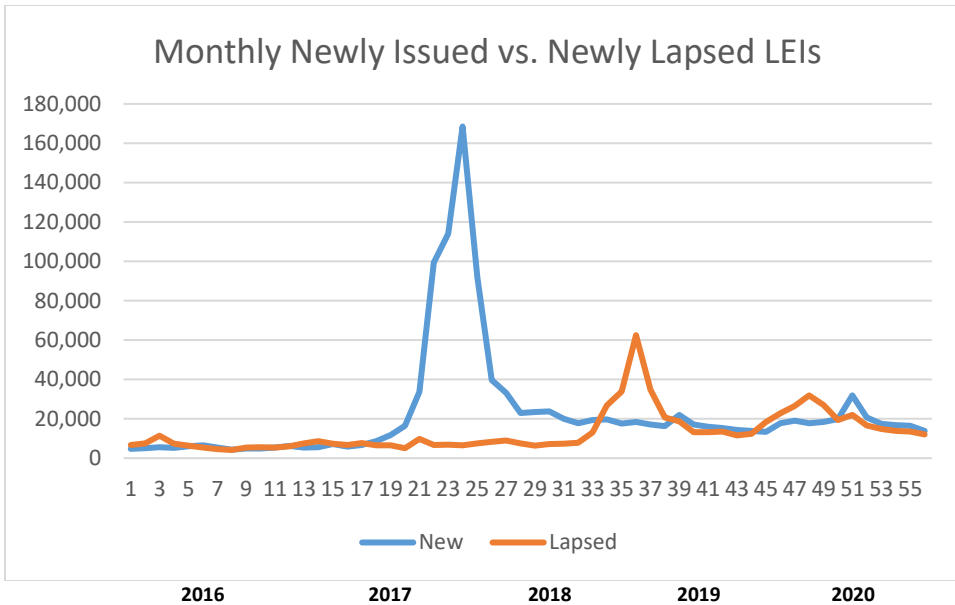
LEI registration for parent relationships (the sum of ultimate and immediate parent LEIs registered) increased, now at 222,577 vs. last month's 221,11, representing a total of 127,403 individual LEIs vs. last month's 126,554. Exceptions for not obtaining a LEI are stabilizing, although reaching another all-time high of 2,819,191 vs. last month's 2,761,054. The reported number of LEIs with "Complete Parent Information" is 1,490,407 vs. last month's 1,477,032. This number is the sum of all ultimate parent/intermediate parent LEIs and the number of opt-out exceptions for one or more ultimate and intermediate parents.

LEI Statistics in Charts and Graphs

LEI Issuance and Lapsed LEIs – Year-to-Year Comparison	2016 Year-end	2017 Year-End	2018 Year-end	2019 Year-end
Total LEIs issued at Year-end	481,522	975,741	1,337,925	1,542,037
Total Lapsed LEIs issued at Year-end	139,461	169,778	313,915	459,436
Lapsed rate	29.0%	17.4%	23.5%	29.8%
Year-to-Year Monthly Average Comparisons				
Newly Issued	4,976	40,237	29,987	16,652
Lapsed	6,300	7,134	16,422	19,802
Net LEI Increase/Decrease	-1,324	33,103	13,565	-3,150
Year-to-Year Relationship Data				
Number of Immediate & Ultimate LEI Parent Records	n/a	88,198	152,318	208,139
Number of Unique LEI s Reporting both Parent Relationships	n/a	51,944	89,826	119,637
Number of Immediate & Ultimate LEI Parent Exception Records	n/a	1,067,968	2,156,909	2,519,418
Number of LEIs with Complete Parent Information	n/a	572,818	1,146,554	1,341,015

January – Aug 2020 Month-end LEI Issuance and Renewal (Lapsed) Data	Jan 2020 Month-end	Feb 2020 Month-end	Mar 2020 Month-end	Apr 2020 Month-end	May 2020 Month-end	June 2020 Month-end	July 2020 Month-end	Aug 2020 Month-end
Total LEIs issued at month-end	1,560,689	1,580,862	1,613,119	1,634,150	1,652,111	1,668,996	1,685,721	1,699,629
Total Lapsed LEIs issued at month-end	476,637	486,546	498,917	503,522	507,993	514,724	520,459	527,626
Lapsed rate	30.5%	30.8%	30.9%	30.8%	30.7%	30.8%	30.9%	31.0%
Monthly Average Comparisons								
Newly Issued	18,447	19,864	31,839	20,655	17,383	16,798	16,511	13,800
Lapsed	27,045	19,365	21,996	16,636	14,746	13,752	13,584	12,099
Net LEI Increase/decrease	-8,598	499	9,843	4,019	2,637	3,046	2,927	1,701
January – Aug 2020 Month-end Relationship Data	Jan 2020 Month-end	Feb 2020 Month-end	Mar 2020 Month-end	Apr 2020 Month-end	May 2020 Month-end	June 2020 Month-end	July 2020 Month-end	Aug 2020 Month-end
Number of Immediate & Ultimate LEI Parent Records	210,886	212,877	215,655	216,185	217,548	219,369	221,011	222,577
Number of Unique LEI s Reporting both Parent Relationships	120,961	122,046	123,529	123,803	124,558	125,587	126,554	127,403
Number of Immediate & Ultimate LEI Parent Exception Records	2,553,656	2,592,289	2,653,260	2,693,406	2,739,020	2,761,054	2,792,972	2,819,191
Number of LEIs with Complete Parent Information	1,357,419	1,376,589	1,407,147	1,426,894	1,444,800	1,461,023	1,477,032	1,490,407





Commentary

Lapsed LEIs

We have been reporting on Lapsed (non-renewed LEIs) throughout all of our Research Notes. Lapsed LEIs are a significant barometer of the well-being of the LEI initiative. They remain stubbornly high near one-third of all issued LEIs over the entire period. An exception was in 2017 - 2018 when an influx of LEI registrations brought about by the EU's MiFid II "no LEI, no trade" rules went into effect, tripling the total number of LEIs. As renewals were only required after one-year, the influx of new LEI registrations increased the numerator significantly without a corresponding increase in the denominator.

Why is it significant? First, the GLEIF had declared the LEI data base as the highest quality legal entity identifier because the reference data has to be renewed or verified at least once a year. The LEI database is now described by the GLEIF as the only legal entity data base that is identified with a date of when it was last renewed. It is high quality, but it is not the 99% measure for quality consistently reported by the GLEIF. Items important to users of the data like rate of Lapsed LEIs and time lapse of Financial Event updates to the reference data are not included in data quality measures- see [GLEIF Global LEI Data Quality Report Dictionary](#).

Also, the lack of renewal revenue for 31% of the LEIs (currently 527,626 out of the total of 1,699,629 LEIs), with the Lapsed rate increasing at 1/10th % per month, does not bode well for keeping the overall price of LEI registration low, notwithstanding that the GLEIF has an objective of bringing the costs of registering a LEI down to zero. This does not consider the pressure that will be felt by the LOUs to step up their game of validating parent/ultimate parent LEIs, where around 50% of these LEIs are not validated. Improving this rate may cause LOUs to acquire new data feeds and/or hire accountants to do the work, thus putting pressure on pricing.

Relationship Data

The Number of Unique LEIs Reporting both Parent Relationships (Immediate and Ultimate) has been consistent, leveling off at about 1000 per month. The total Number of Immediate & Ultimate LEI Parent Records is consistently about 30,000 more than twice that of Unique LEIs reporting both. Intuitively they should be equal as each LEI is to report the Ultimate LEI and the Immediate LEI, and if they have just one parent then they are required to report the Ultimate LEI as the Immediate Parent as well. The difference is an indication of branches that are only required to report their ultimate (headquarters) parent and 2. some LOUs are not rejecting (or checking) for completeness of both relationship LEI fields when registering or renewing LEIs.

The total number of exceptions to reporting either a parent or an immediate parent LEI is currently a total of 2,819,191 LEIs. 85% of the exceptions are either identified as non-consolidating, no known person or natural persons, categories that will have to be resolved before relationship data is useful. Complete relationship data of each legal entity will be required before aggregation of financial transaction data can be accomplished for systemic risk analysis, the main objective for the Global LEI initiative.

Regulatory Compulsion Update

LEI regulatory initiatives are on-going. A promising initiative is the mandating of financial report filings in Inline XBRL format sponsored by the EU which must include the LEI of the filer. It is required for all financial reports starting January 1, 2020.

Also, while stalled in the US Congress, the House has offered up another bite at the data standards apple introducing H.R.1530 - 115th Congress (2017-2018): Financial Transparency Act. Its purpose is “to amend securities, commodities, and banking laws to make the information reported to financial regulatory agencies electronically searchable, to enable RegTech applications, and for other purposes.”

The Financial transparency Act empowers the Secretary of the Treasury to “promulgate data standards for the information reported to member agencies by financial entities. Those member agencies include the SEC, CFTC, FDIC, Federal Reserve, OCC, CFPB, NCUA and FHFA.

The data standards include common identifiers for information reported to member agencies or collected on behalf of the FSOC. This includes a common legal entity identifier for all entities required to report to member agencies; and common data formats for information reported to member agencies or collected on behalf of the FSOC. The data standards must render information fully searchable and machine-readable; be nonproprietary; incorporate standards developed and maintained by voluntary consensus standards bodies; and be consistent with and implement applicable accounting and reporting principles.

The language calls for “a common legal entity identifier” but the LEI is not the only legal entity identifier that vies to be anointed as the common legal identifier. Neither XBRL nor the LEI is specifically referenced in the legislation.

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