



**The Global LEI Initiative –
Can the Promise of Cost Reduction and Risk Management Benefits in Financial
Institutions be Kept?**

September, 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

Rebranding the LEI Mission – Part II	2
Summary of this year’s Monthly Issued, Renewed and Relationship Data; and Prior Years’ Annual Data	2
Statistics on LEI Issuance, Renewals and Parent LEIs	3
Exploring the Data Quality Index	4
Exploring the Complete Parent Information Metric	4
For further Information	5

www.financialintergroup.com

Copyright © 2022 Financial InterGroup.

All rights reserved

Rebranding the LEI Mission – Part II

Last month, the Global Legal Entity Identifier Foundation (GLEIF) announced a rebranding of its mission, from identifying financial market participants exclusively to identifying participants in digital commerce universally. In widening its mission, GLEIF has diverted attention from the yet unfulfilled promises made to the financial community to dramatically reduce infrastructure costs; to provide a path to better enterprise risk management; and to provide a way to observe the contagion of systemic risk building up across the global financial system. GLEIF appears to have lost focus, giving up in frustration to the lack of regulatory compulsion that was supposed to compel global adoption of the LEI.

A glaring example of apathy amongst financial regulators, state actors and industry members can be observed in the US. A leading US congressional representative, the US being the first country to embrace the LEI, had sponsored [HR2989](#), a final piece of legislation that would finally get LEIs legitimized and registered for financial market participants in all US financial markets. Rep. Maloney is no longer in Congress. She leaves this legislation on the table with no real hope of getting it through any time soon.

The legislation, when passed and implemented, would have correct misunderstandings of earlier legislation, legislation that was not informed how the LEI needed to be implemented. Earlier legislation did not require all US regulators to report data with LEIs, just those that reported swaps transactions that financial institutions were mandated to use. HR2989 requires all financial institutions to use LEIs for all reporting requirements to all financial regulators.

In addition, at a global level, no new solutions have been proposed to solve the deteriorating quality of LEI renewals of reference data and no push to make LEI renewals mandatory. No progress at all has been made in resolving the conceptually incorrect way in which hierarchical organizational relationships of LEI are entered into the LEI data base.

Summary of this year's Monthly Issued, Renewed and Relationship Data; and Prior Years' Annual Data

This month mark's the two-thirds completion of the seventh-year of monthly issuance reporting. Newly issued LEI's have entered a downward trend over the past two months, with 14,933 newly issued LEIs. This falls far short of the prior month and longer-term average monthly LEI issuance rate at 19,907. The overall lapsed (non-renewal) rate this month moved up as well, to 35.4% vs. last month's 35.2%. A recent metric, the lapsed rate based upon comparison to active LEIs, also moved up and now stands at 37.1% vs. last month's 36.8%. Registered LEIs in total reached 2,178,013

Relationship data, the recording of registrants having reported LEIs for one or both ultimate or intermediate parent, was 369,167 this month vs. 359,702 last month, representing 125,842 unique LEIs vs. last month's 125,534. Relationship data also records exceptions for opting-out of identifying a parent LEI. This month, there was a total of 3,763.817 vs. last month's 3,735,325. This number has been relatively stable over time, increasing at 2 X monthly issuance. These exception statistics indicate parents are either non-existent (solo legal entities with no parent) or

have parents but are opting out of registering parents under permitted accounting consolidation exceptions.

Relationship data is 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. The increasing lapsed rate, now over one-third of total issued LEIs, is also a critical metric as it signals deteriorating quality of the LEI data that is not renewed.

Statistics on LEI Issuance, Renewals and Parent LEIs

These charts summarize progress of LEI issuance and its corresponding Relationship Data initiative based on [GLEIF's September 8, 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
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
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
Total Lapsed (non-renewed) LEIs	690,397	706,066	719,726	729,095	740,759	751,507	761,029	767,140	777,296
Non-renewed rate – issued LEIs	33.9%	34.3%	34.6%	34.7%	34.9%	35.1%	35.2%	35.3%	35.4%
Non-renewed rate – active LEIs	35.3%	35.8%	36.1%	36.2%	36.5%	36.7%	36.8%	36.8%	37.1%
Newly Issued	30,777	21,767	20,243	20,963	19,137	18,471	19,632	17,482	14,933
Relationship Data									
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
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
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
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

Yearly Comparison LEI Issuance & Non-renewed (Lapsed) LEIs	2016 Year-end	2017 Year-End	2018 Year-end	2019 Year-end	2020 Year-end	2021 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% .9%
Non-renewed rate /active LEIs						35.3%
Newly Issued	4,976	40,237	29,987	16,652	19,364	30,777
Relationship Data						
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

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.

Exploring the Data Quality Index

GLEIF reports that the August 2022 quality assessment shows a further increase in the Total Data Quality Score, reaching an average of 99.93%. However, this score, consistently over 99%, tells a tale of data base integrity and consistency, not quality of the data content itself. Critical quality measures, all of which are available in GLEIS, are missing in the Data Quality Index calculation. Incorporating them would paint a very different picture as to the quality of the data.

Missing in the calculation is any metric associated with non-renewed (lapsed) LEIs; time lapse between the effective date of a corporate event and when it is entered into the GLEIS; number and average days to resolve a duplicate; and the number of uncorroborated parent relationships.

Exploring the Complete Parent Information Metric

This metric is somewhat of a misnomer. The use of the wording 'complete' suggests that a significant number of total legal entities (this month 1,986,779 at of 2,192,958 registered LEIs) is complete as in 'accurate, highest quality, etc.'. However, it connotes only that the registrant has complied with all input standards, including the right to exert its privilege to exempt certain reference information from being included.

This exemption is invoked when parent information is left out because its immediate or ultimate parent has no LEI because it is under no regulatory mandate to register for a LEI. Particularly egregious is when parent information is left out because it is exempt from providing it. This occurs when the parent is not obliged to consolidate its accounts with the registered subordinate legal entity. Here the rules for consolidation are based upon accountant's financial reporting account consolidation standards (principally GARP and IFRS accounting standards).

According to [GLEIF's statistics](#), an LEI-to-LEI parent relationship (either (immediate or ultimate parent) was reported for 5 – 6% of entities with LEIs. The No-accounting consolidation requirement definition for parent relationship was invoked by approximately 83% of entities with LEIs; the non-public exemption for parent relationships was invoked by approximately 7% of entities with LEIs; and the No-parent with an LEI invoked 4% of entities with LEIs.

These consolidation standards allow 3,763,817 LEIs to be exempt from reporting to the GLEIS and thus thwarts the ability to use the LEI hierarchies for risk management consolidations. Risk management consolidation rules are different then accountant's consolidation rules.

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

Copyright © 2022 Financial InterGroup.

All rights reserved