

# Alacra Reference Data Alert

JANUARY 2016

## Inside the LEI—Issue VIII

Since our last report in September 2015, the LOUs have issued a little over 25,000 new LEIs, taking the total number of LEIs assigned to around 410,000. Issuance continues to be driven by a small number of LOUs, with over 80% of the LEIs issued by only 4 LOUs—GMEI (US), WM Datenservice (Germany), London Stock Exchange (UK) and UICCAA (Italy).

While we expect regulators to encourage LEI usage, currently only nine EU or G-20 regulators oversee more than 100 entities that have been assigned LEIs. 95% of the entities regulated by the Central Bank of Ireland have LEIs, closely followed by BaFin with 93% and the NFA with 91%. Only 42% of the OSFI entities, 53% of the FCA entities, and 58% of the SEC entities have LEIs. Only 55% of credit institutions covered by the European Banking Authority (EBA) have LEIs.

Similarly, NASDAQ is the only one of the world's top 10 exchanges that has more than 50% of its listings associated with an issuer with an LEI, and it is only at 51%. The OTC and pink sheet markets in the US have under 20% of entities with LEIs, the largest German and UK exchanges have only around a third of issuers with LEIs.

As we enter 2016, almost 100,000 of the LEI registrations have not been renewed—meaning that close to 24% of the total LEI universe have lapsed.

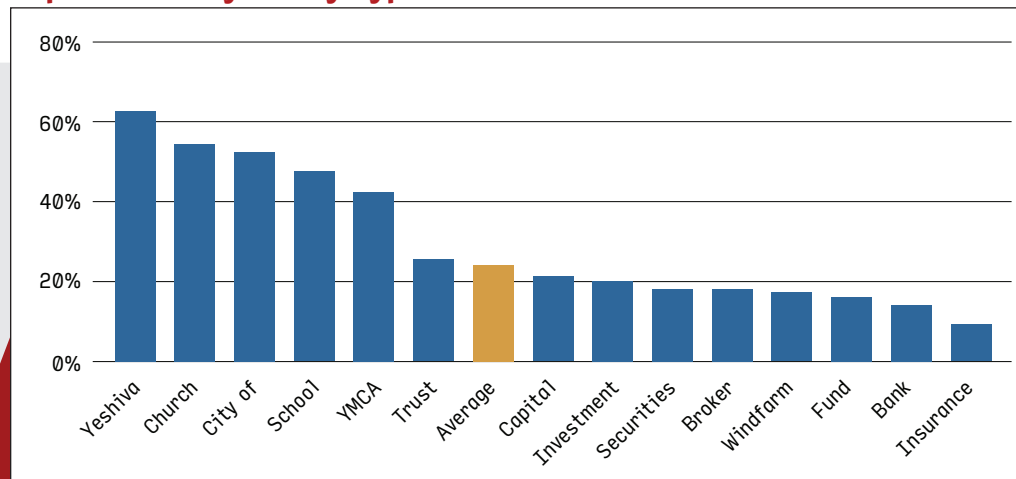
We continue to believe that some of these non-renewals can be explained by entities being issued LEIs that they subsequently found they never needed. For example, the listed, rated and regulated universe of entities with LEIs, the lapse rate is lower, at 20% (though still a high rate).

Our analysis also indicates that insurance companies, banks, funds, brokers and

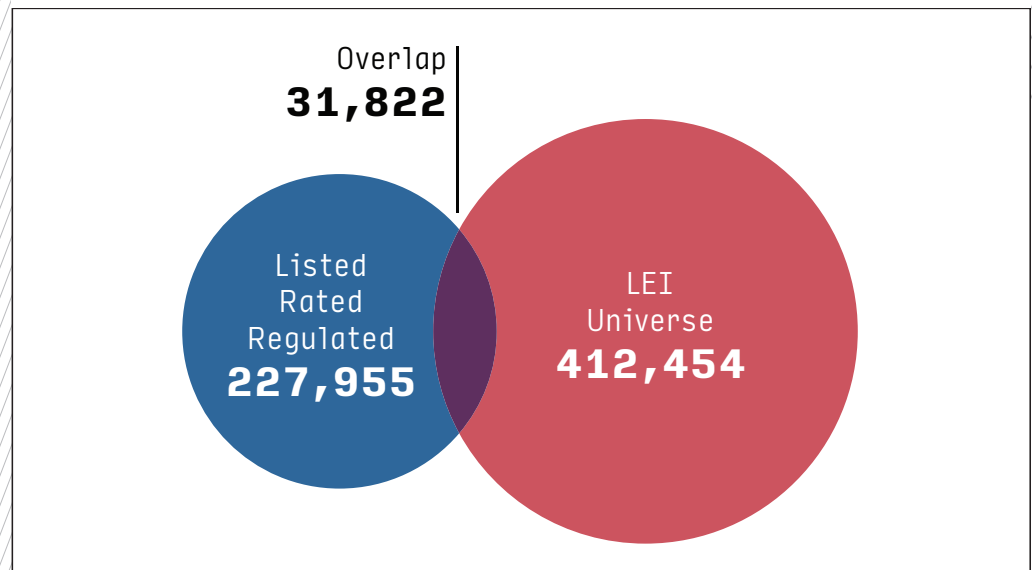
investment firms have lapse rates significantly lower than the average, while religious schools, churches, municipalities and YMCAs have significantly higher lapse rates.

As issuance of LEIs to entities that are active in the financial markets grows (as evidenced by them being rated, regulated and/or listed) we expect the LEI lapse rate to decrease as the LEI becomes increasingly important within this universe.

## Lapse Rates by Entity Type

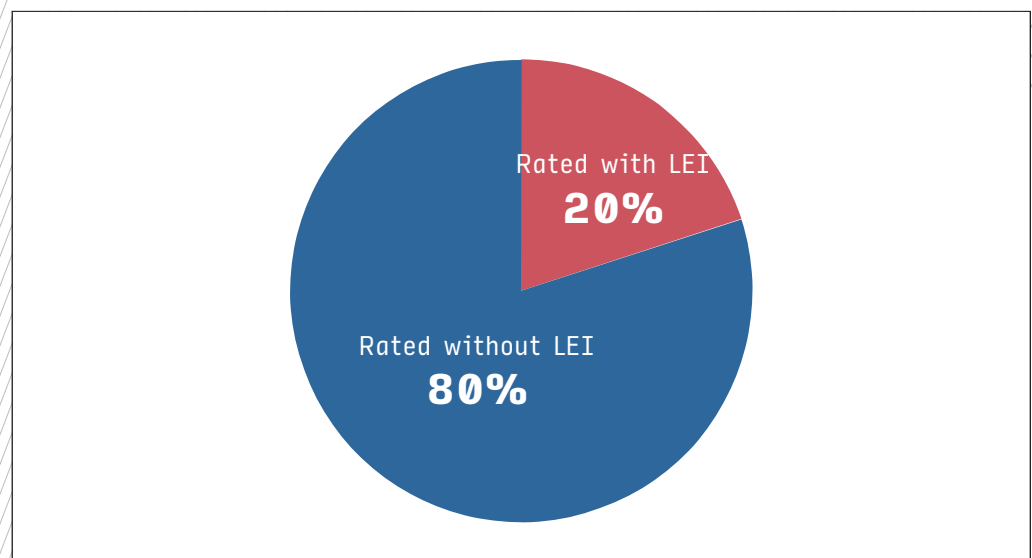


## Overlap Between AAF and LEI Universe



The Alacra Authority File provides reference data and entity identifier mapping on a universe of almost 230,000 entities that are either rated, regulated or listed. This dataset contains most of the common customers and counterparties of large, global financial institutions. The chart above shows that only 14% of the rated, regulated and listed universe have LEIs.

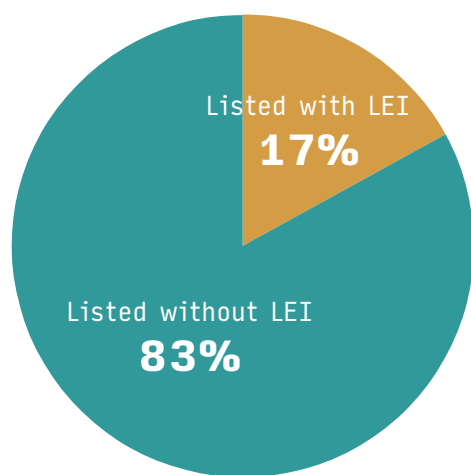
## Percentage of Rated Entities Assigned an LEI



The rated universe Alacra covers includes those entities/issuers rated by A.M. Best, Fitch, Moody's and S&P. This totals around 72,000 entities globally. About 20% of these entities have been assigned an LEI, which is in line with September 2015.

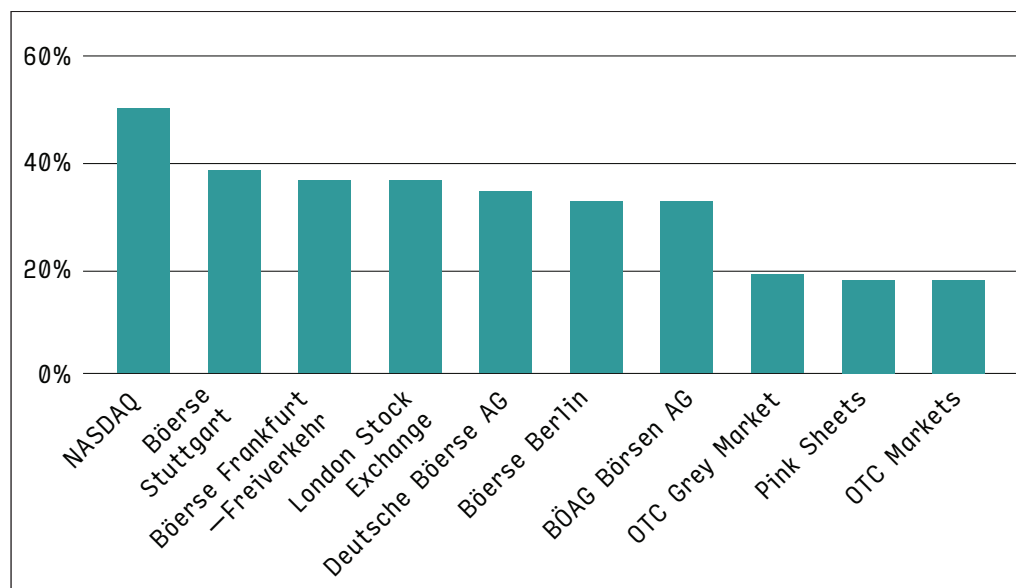
## Percentage of Listed Entities Assigned an LEI

Alacra tracks all entities that have either a debt or equity listing on a global exchange. Of the approximately 90,000 entities that are listed, only 17% have been assigned an LEI. This is a slight increase over the 16% assignment level from September 2015.

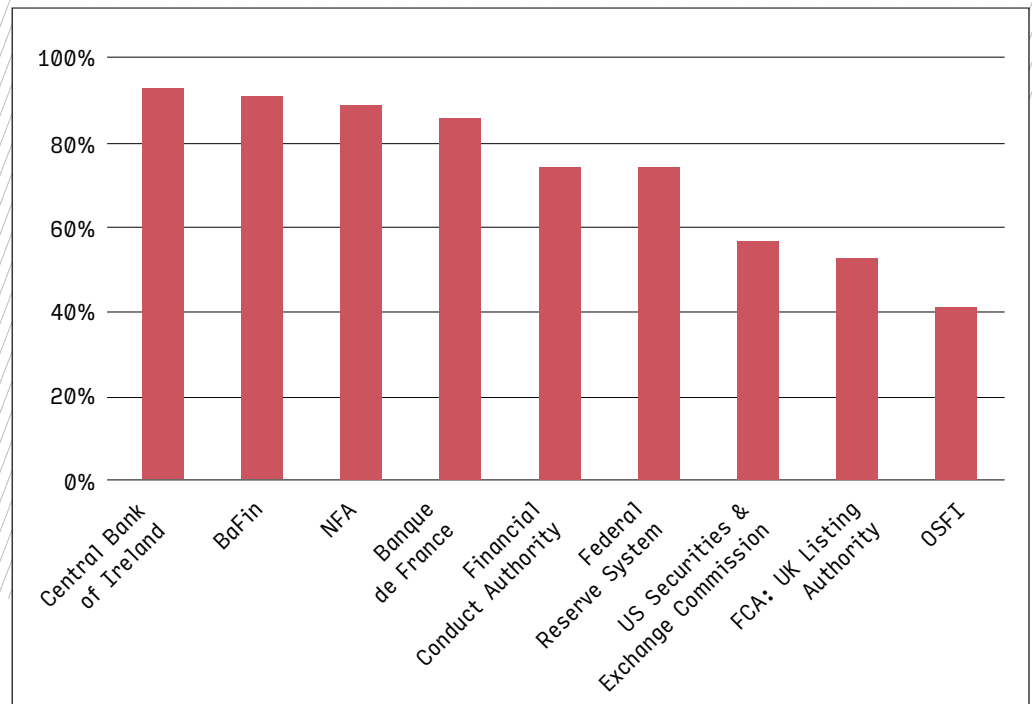


It is interesting to note the percentage of entities with LEIs across specific exchanges. Of the world's top 10 exchanges (by number of listings), only one has more than 50% of the listings associated with an issuer with an LEI. That is the US NASDAQ, and it is only at 51%. The OTC and pink sheet markets in the US have under 20% of entities with LEIs, the largest German and UK exchanges have only around a third of issuers with LEIs.

At the point where the LEI becomes established as a global standard, we would expect far more of the entities coming to the financial markets for capital to have an LEI.



## Percentage of Regulated Entities Assigned an LEI



Alacra tracks the regulatory status of legal entities around the world. We monitor over 65 financial market regulators that are currently regulating almost 100,000 entities. Ideally all regulated entities worldwide would have an LEI, replacing the entity identifiers currently used by regulatory bodies.

Only nine of the regulators in the EU or G-20 regulate more than 100 entities that have been assigned LEIs.

95% of the entities regulated by Central Bank of Ireland have LEIs, closely followed by BaFin, the German regulator with 93% and the NFA in the US with 91%.

However, only 42% of the OSFI entities in Canada, 53% of the FCA entities in the UK, and 58% of the US SEC regulated entities have LEIs.

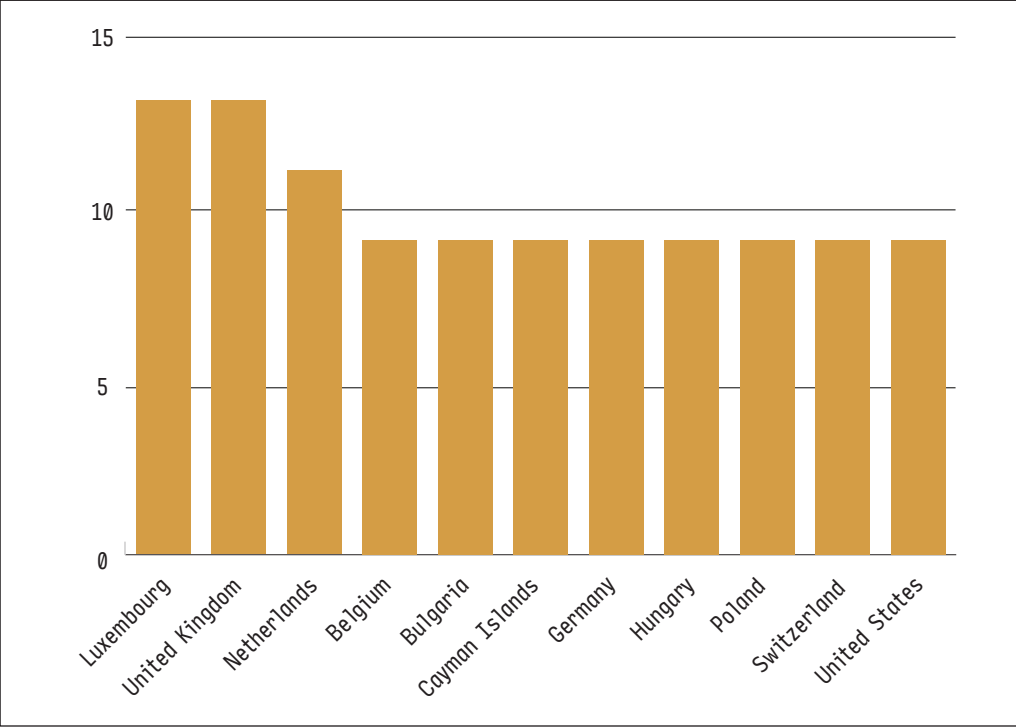
If the proliferation and expansion of LEI issuance is to really take hold, these regulators must do more to encourage and/or expect that entities they regulate have an LEI.

# LOU Global Penetration

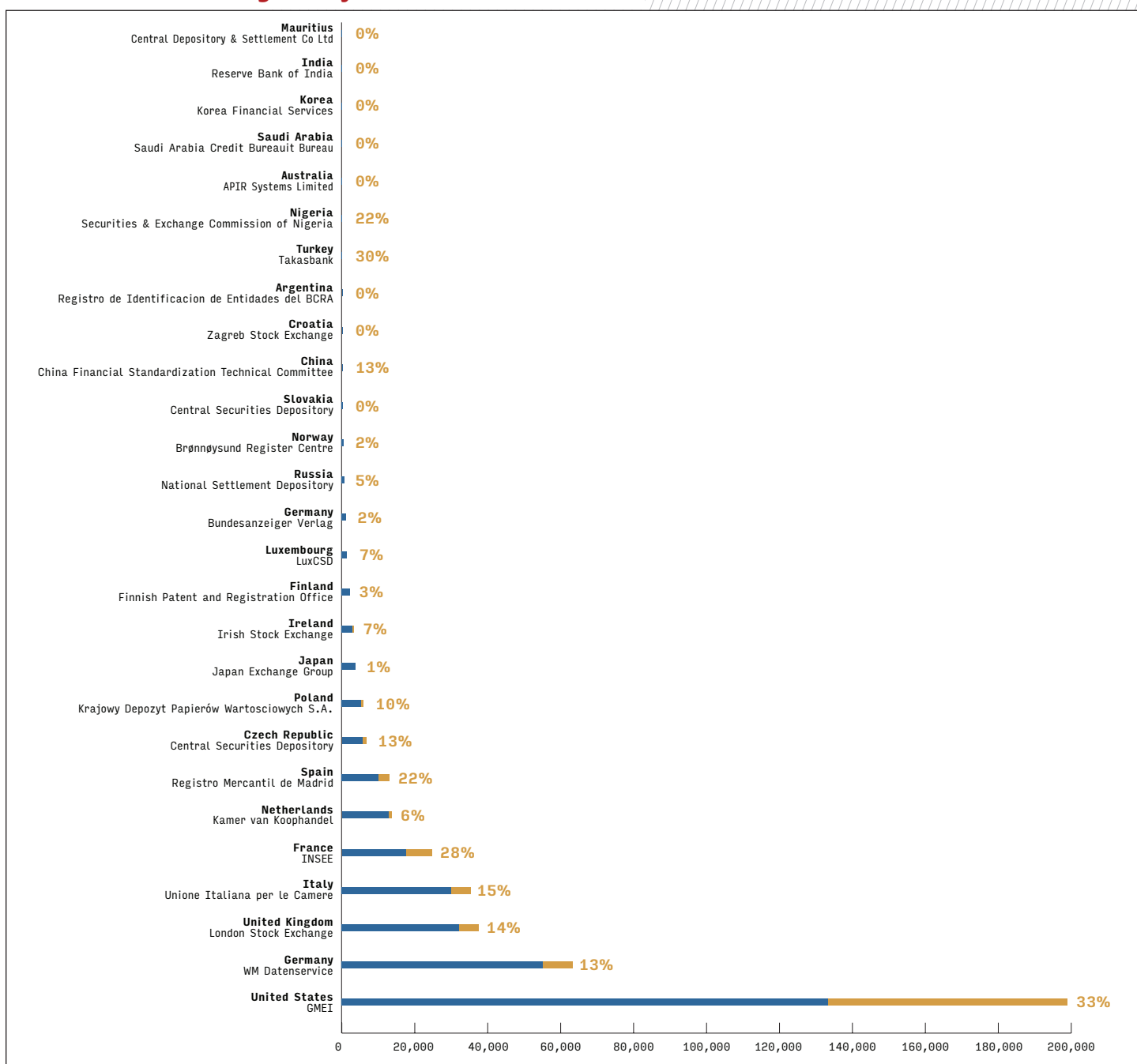
When obtaining an LEI, an entity can work with any LOU, irrespective of the location of the entity, or of the LOU. A number of LOUs have grown their global business operations to assign LEIs across multiple countries.

While some LOUs are merely “filling the gap” by being a source of LEIs for neighboring countries without their own LOU, we continue to see LOUs actively assigning LEIs in jurisdictions who have their own indigenous LOUs.

## Countries With Most Multi-LOU Activity



## Number of LEIs Assigned by LOU

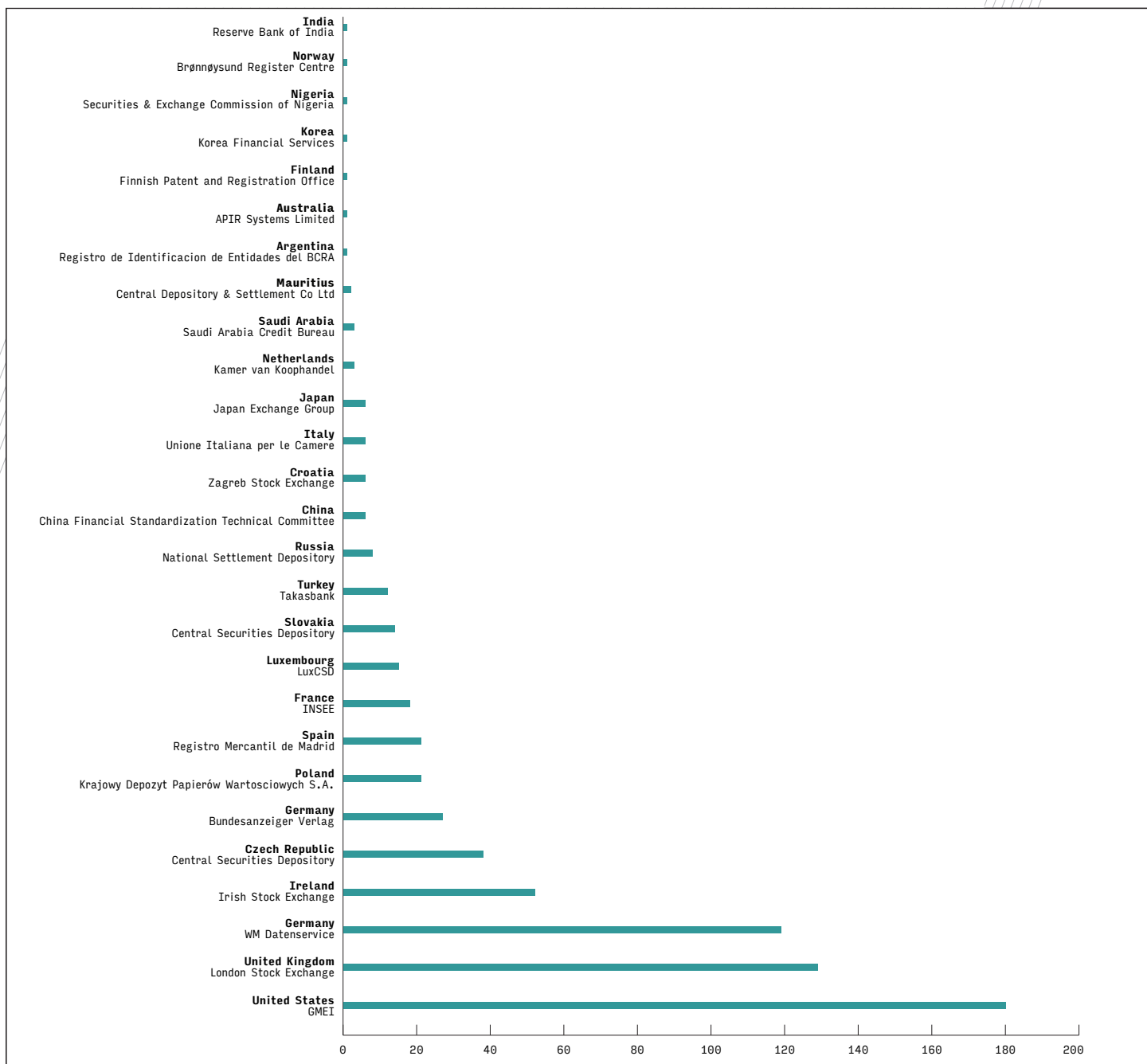


This chart shows the number of LEIs that have been assigned by the LOUs. The gold bars represent LEIs that have been assigned but have since lapsed, i.e., they have not been renewed by the entity since first being registered. The percentage of lapsed LEIs is shown next to each LOU's bar.

The US-based GMEI continues to lead the way having assigned almost as many LEIs as the rest of the LOUs combined. However, it also has the greatest percentage of lapsed LEIs at 33% (though closely trailed by TSB, the Turkish LOU at 30%, then by INSEE, the French LOU, at 28% and RMM, the Spanish LOU, at 22%).

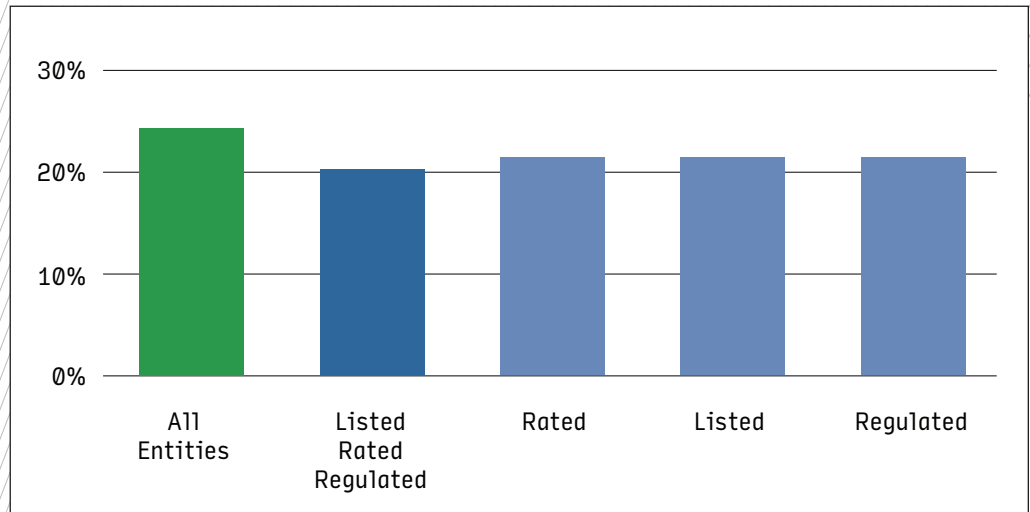
Overall, around 98,000 LEIs have lapsed, representing almost 24% of the total LEI universe. This represents an increase of 13,000 LEIs since September 2015 pushing the overall lapse rate up from 22%.

## LOU Presence in Multiple Countries – Rise of the Super-LOU

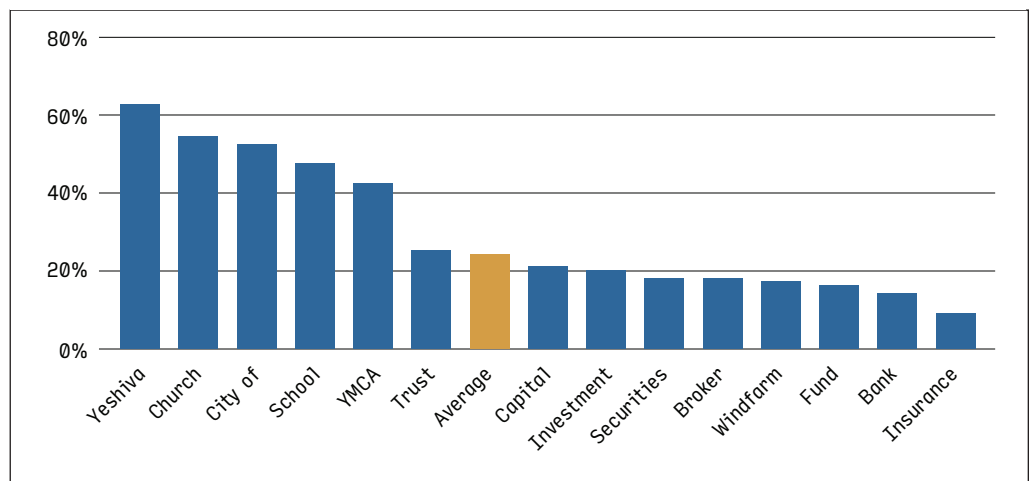


We continue to see the rise of the “super-LOU” where three of the major LOUs are each assigning LEIs across over 100 countries. These “super-LOUs” are actively marketing their services and, in some cases, competing with each other.

## LEI Lapse Rates by Entity Type



While the overall lapse rate is 24%, looking more deeply into the breakdown of those numbers suggests that many non-renewals were due to entities being assigned an LEI they never needed. Entities that are regulated, rated or listed—and thus make up the most prominent and active participants in financial markets—all have lower lapse rates.

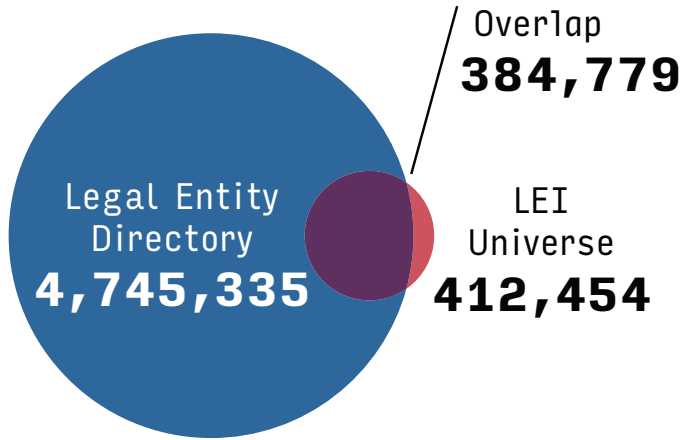


We also looked at the “business type” of each entity that had an LEI. While this data is not readily available, we used a proxy by searching for a specific word in the name. For example, if the word “bank” appeared in the name, it was highly likely that the entity was a bank. Similarly, if the word “school” appeared in the name, we felt comfortable assuming that the entity was a school. Based on this analysis, we found that entities that were likely insurance companies, banks, funds, brokers or investment firms had lapse rates lower than the average. On the other hand, entities that were likely religious schools, churches, municipalities or YMCAs had significantly higher lapse rates.

As new issuance of LEIs is calibrated better with need, we would expect the overall lapse rate to decrease.

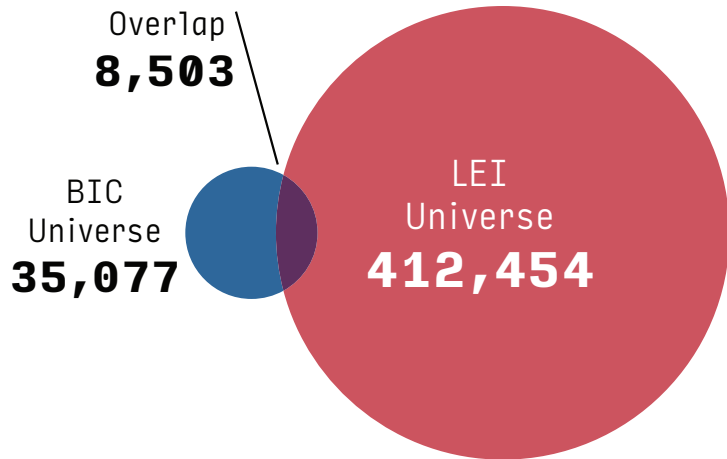


## Overlap Between LEI and the Alacra Legal Entity Directory



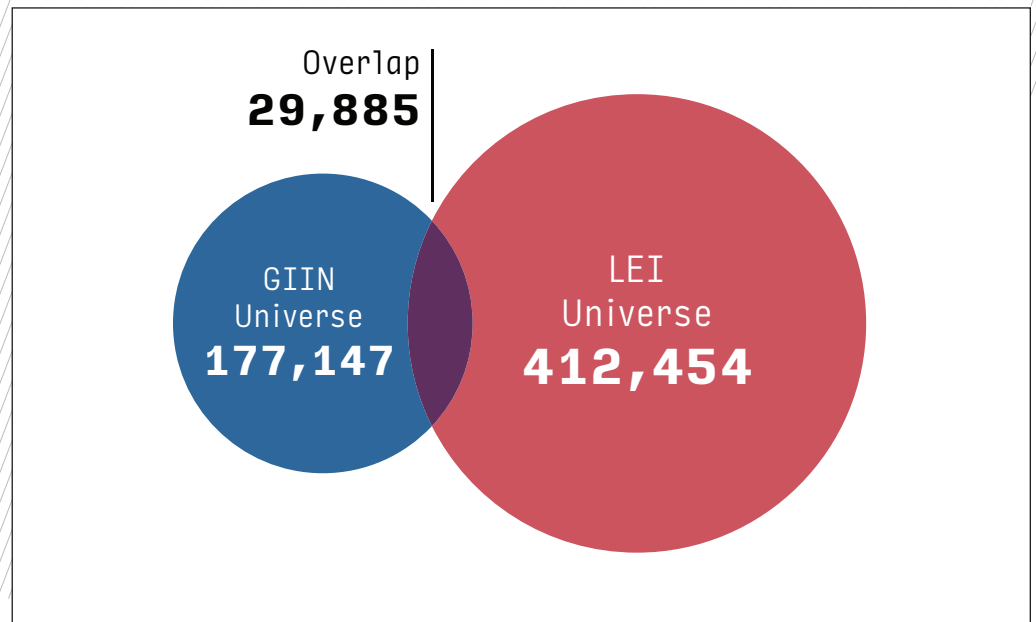
On a daily basis, Alacra's Legal Entity Directory tracks a superset of almost 5 million unique legal entities maintained by the major data vendors. Where an entity has an LEI, it will typically be covered by a major data vendor, but millions of entities in their universes do not yet have an LEI assigned.

## Overlap Between BIC Entities and the LEI Universe



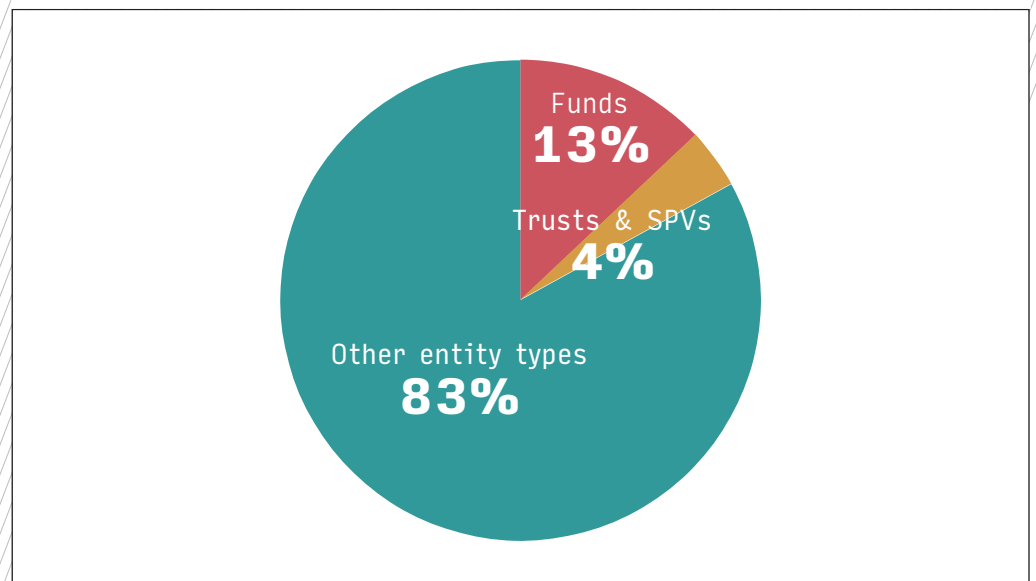
SWIFT (The Society for Worldwide Interbank Financial Telecommunication) supplies secure messaging and payment instruction services to financial entities. The Bank Identifier Code (BIC) is a unique identification code for a particular financial institution and is used when transferring money between banks, particularly for international wire transfers. The chart above shows how many top level entities in the BIC universe also have an LEI.

## Overlap Between the GIIN Universe and the LEI Universe



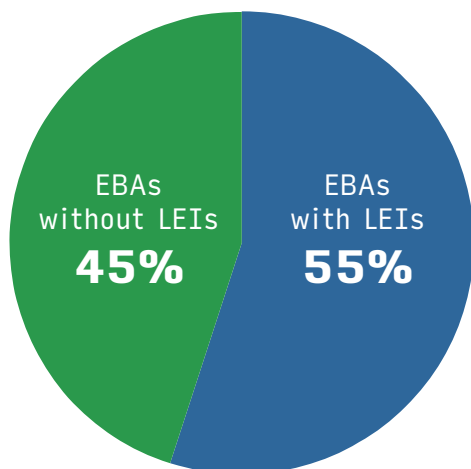
The GIIN (Global Intermediary Identifier Number) is issued by the IRS to foreign financial institutions (FFIs) as part of the Foreign Account Tax Compliance Act (FATCA). The goal of FATCA is to reduce US tax evasion by requiring FFIs such as banks, funds, trusts, asset managers and insurance companies to report certain information to the IRS about their US accounts. The chart above shows how many FFIs in the GIIN universe also have an LEI.

## Percentage of LEI Entities that are Either Funds, Trusts or SPVs



Slightly down from our analysis in September 2015, about 17% of all the entities that have been assigned an LEI are either a fund, a trust, or an SPV.

## Overlap Between the EBA and the LEI Universe



The European Banking Authority (EBA) is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its main task is to contribute to a single set of rules for financial institutions throughout the EU.

The chart above shows that there are still 45% of the EBA Credit Institutions that do not have LEIs. As regulators mandate and/or encourage the use of LEIs we expect this percentage to decrease.

*Need LEIs or GIINs mapped to  
your clients and counterparties?*

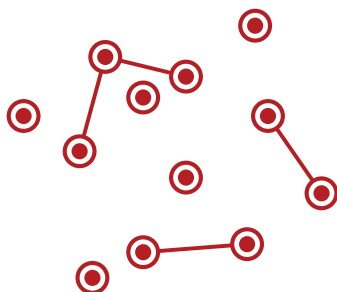
# **Introducing Alacra Resolve**

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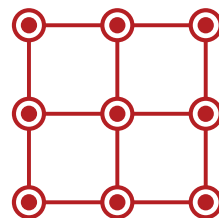
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