

Alacra Reference Data Alert

MARCH 2015

Inside the LEI—Issue V

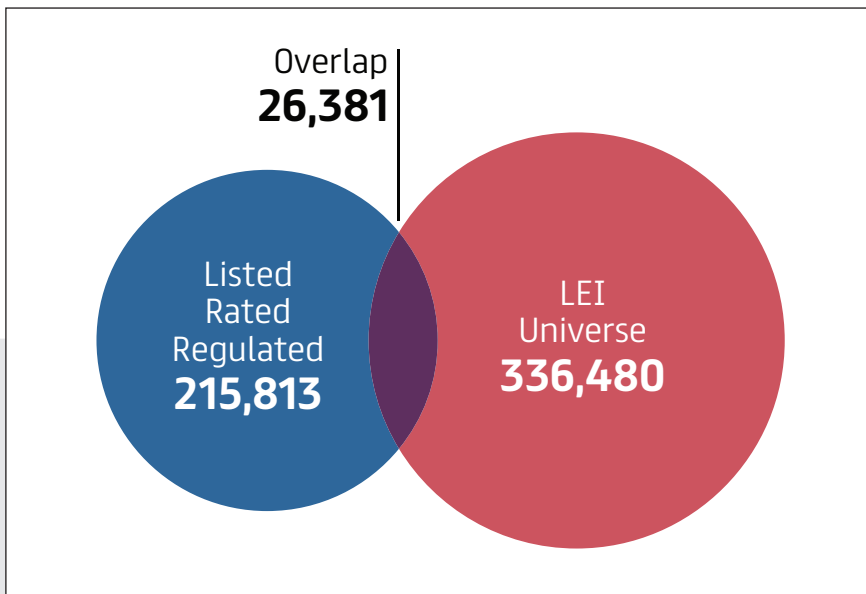
Recent conversations with executives close to the GLEIF (Global Legal Entity Identification Foundation) revealed an underlying conflict in the creation of the LEI database. The LEI registration process and data collection activities are being optimized for three constituencies: the regulators, the registrants, and the Local Operating Units (LOUs). However, a fourth constituency, equal in importance to the other three, has been ignored. These are non-regulatory data consumers who are ultimately the users of the LEI. Unless the data can be widely utilized for purposes other than transaction reporting, the vision of a ubiquitous LEI solving a broad range of financial market problems will not be realized.

Alacra’s current analysis indicates that, while the number of registered entities has increased, quality and utility issues within the database have increased as well. For example, there are now a large number (about 50,000) of lapsed entities in the database. The Tokyo-based LOU is registering entities in Japanese, which may be appropriate, but makes it difficult for many firms to consume the data as their systems do not recognize Japanese characters. And coverage of entities where there has been a regulatory mandate or recommendation is still not complete, so the

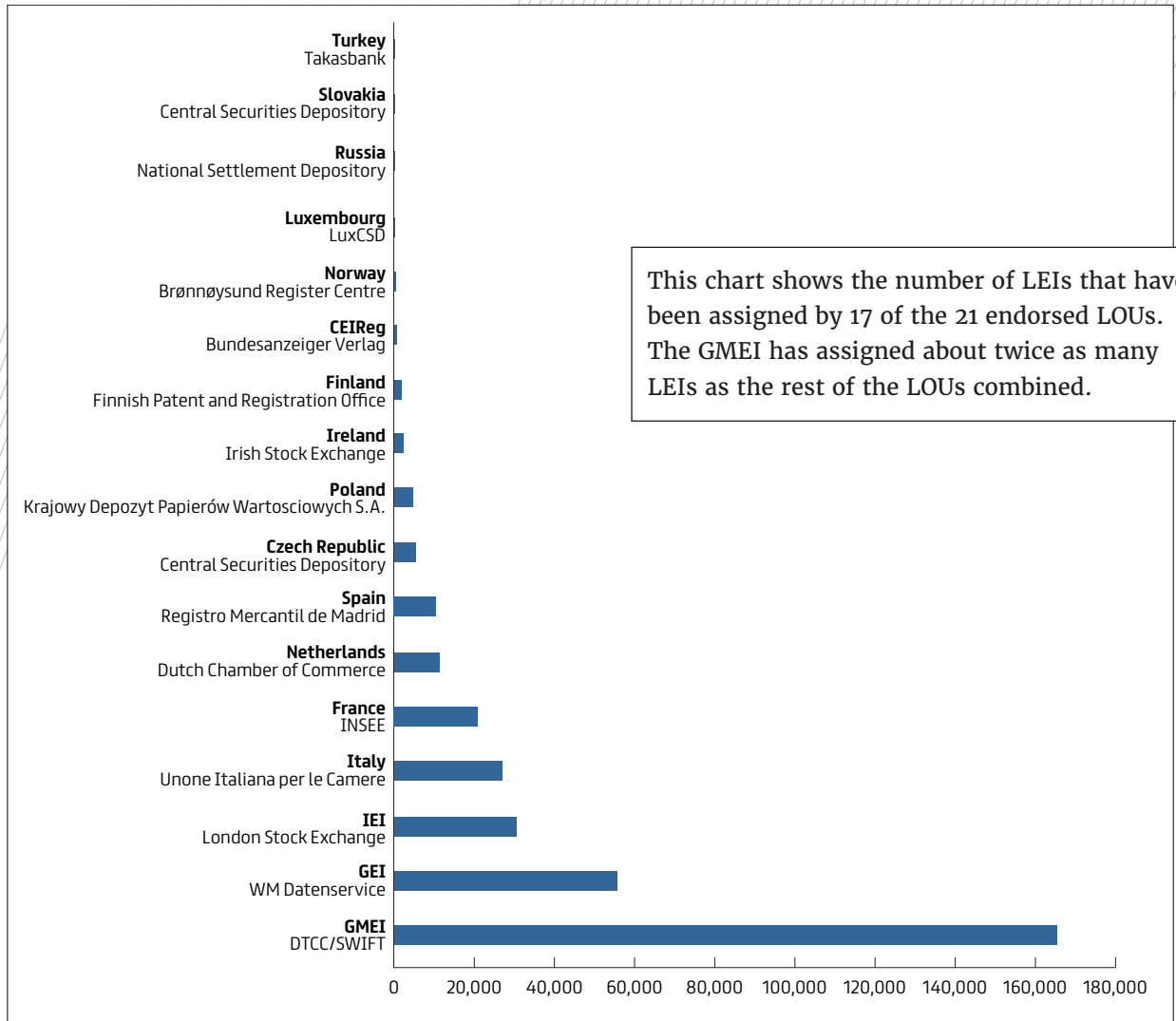
LEI universe is an eclectic set of entities. These issues (and many others) can be resolved but a stronger central presence (the GLEIF) needs to step in to insist on better process, better quality, and better coverage.

The Alacra Authority File provides reference data and entity identifier mapping on a universe of over 200,000 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 to the left shows the overlap between the rated, regulated and listed universe and the LEI universe (without the entities registered by the Japanese LOU).

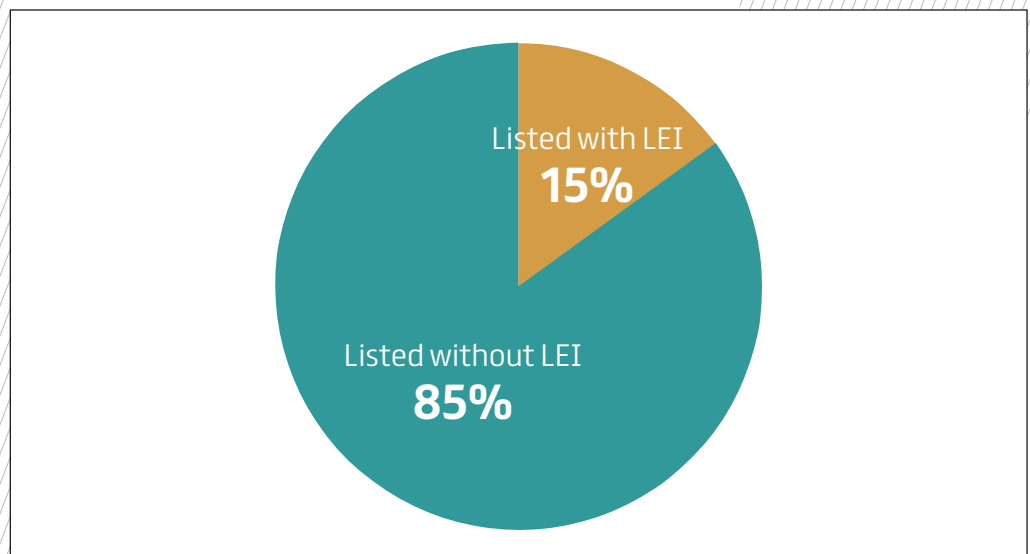
Overlap between Alacra Authority File and LEI Universe



Number of LEIs Assigned by LOU

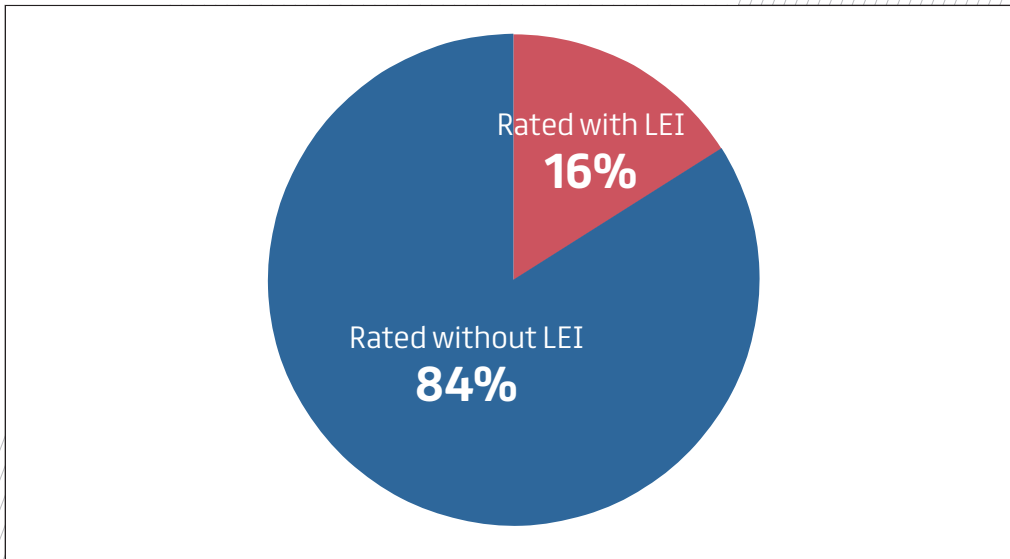


Percentage of Listed Entities Assigned an LEI



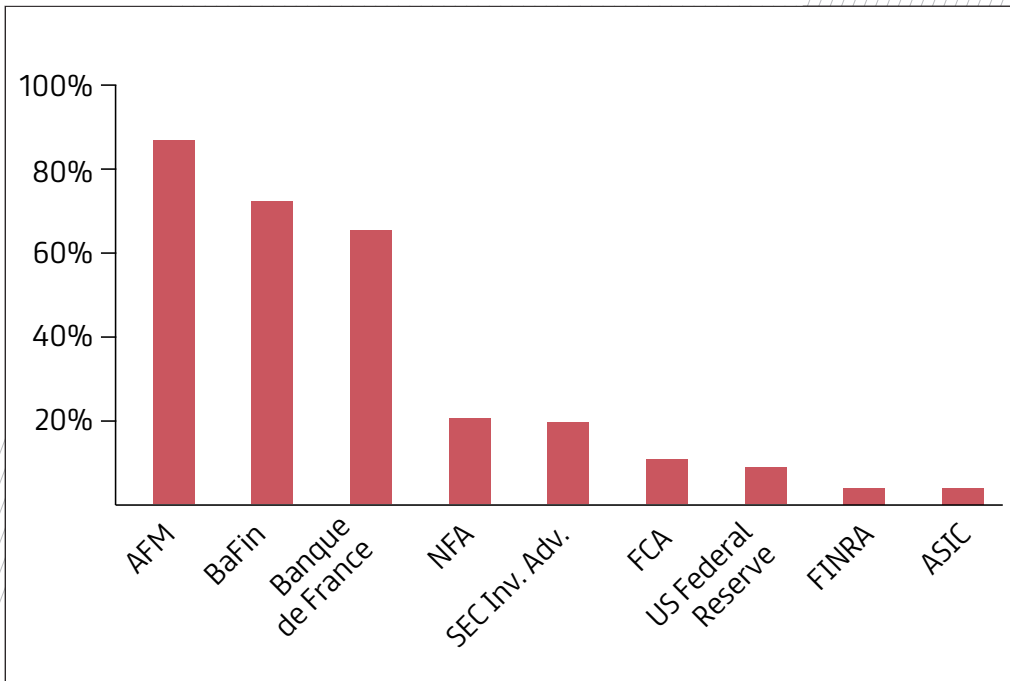
Alacra tracks all entities that have either a debt or equity listing on a global exchange. Of the 88,177 entities that are listed, only 15% have been assigned an LEI.

Percentage of Rated Entities Assigned an LEI



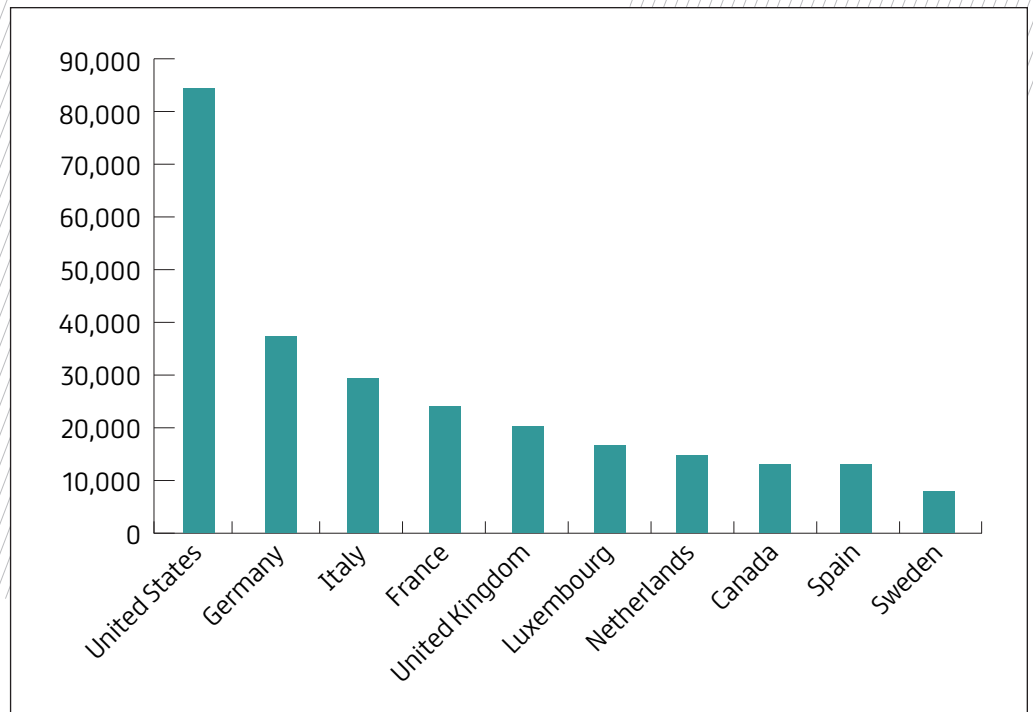
The rated universe Alacra covers includes those entities/issuers rated by A.M. Best, Fitch, Moody's, and S&P. This totals around 70,000 entities globally. About 16% of these entities have been assigned an LEI, a slight increase from November 2014.

Percentage of Regulated Entities Assigned an LEI



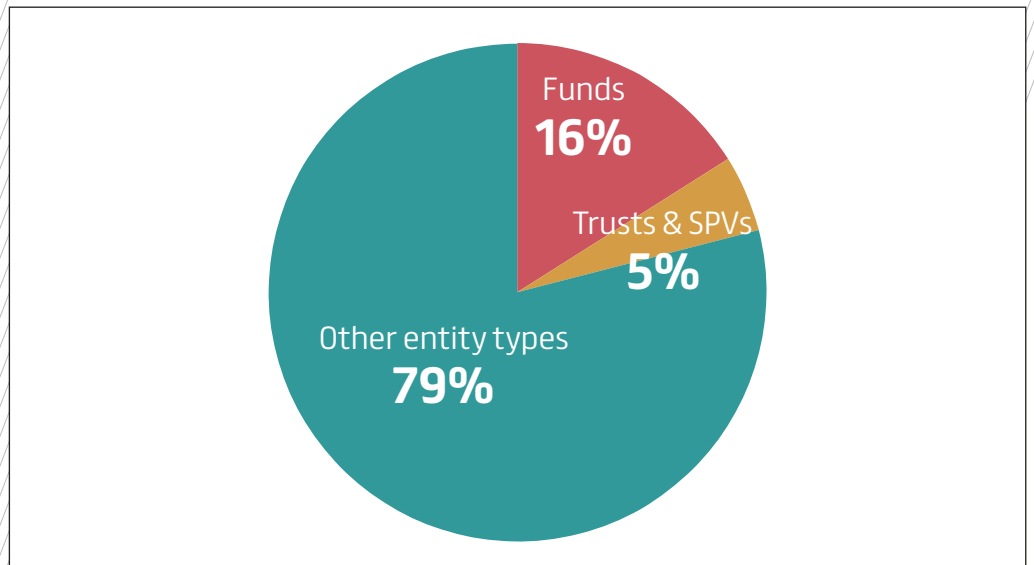
Alacra tracks the regulatory status of legal entities around the world. We monitor over 50 global financial market regulators that are currently regulating about 85,000 entities. Ideally all regulated entities worldwide would have an LEI, replacing the entity identifiers currently used by regulatory bodies.

Top 10 Registration Domiciles for LEIs



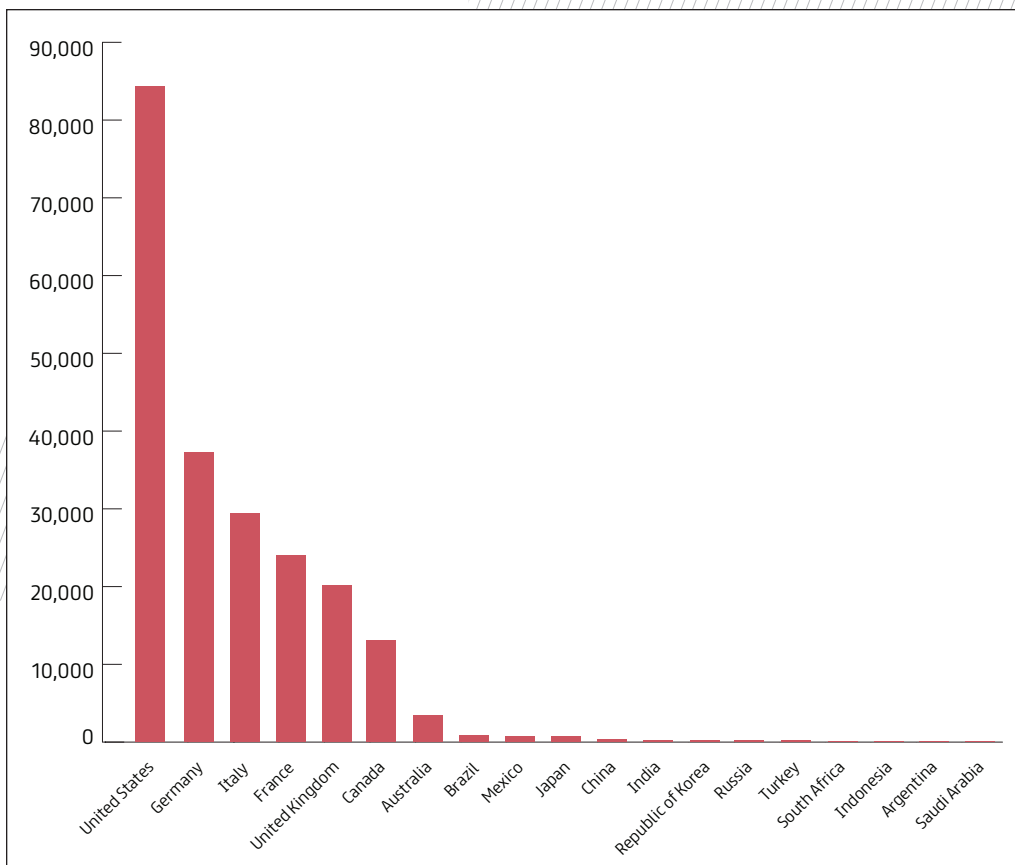
The United States continues to be the country with the largest number of LEI entities. The top 4 countries—the US, Germany, Italy and France—are the domicile for about 50% of the entities that have received an LEI.

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



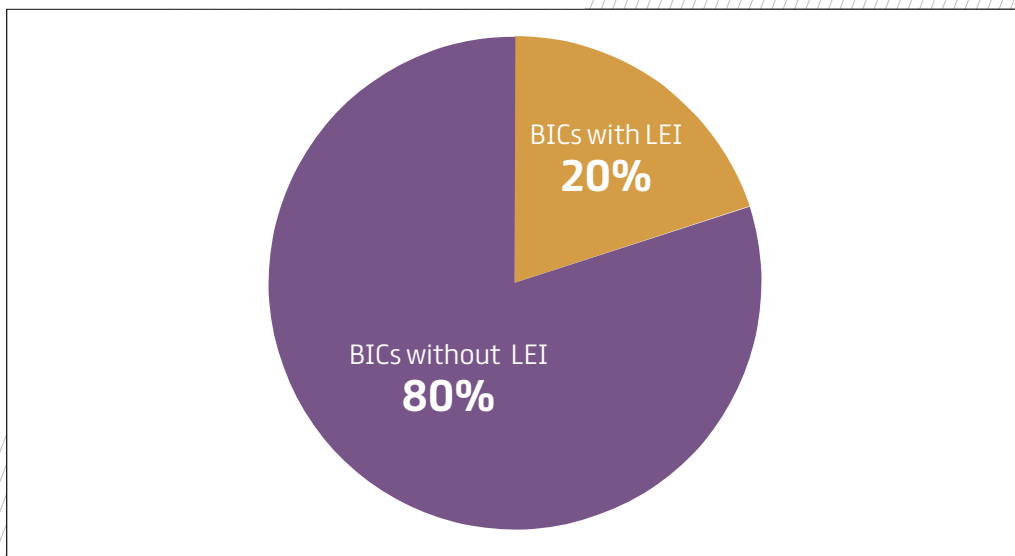
Similar to our analysis in November 2014, about 21% of all the entities that have been assigned an LEI are either a fund, a trust, or an SPV.

LEI Registrations in the G20



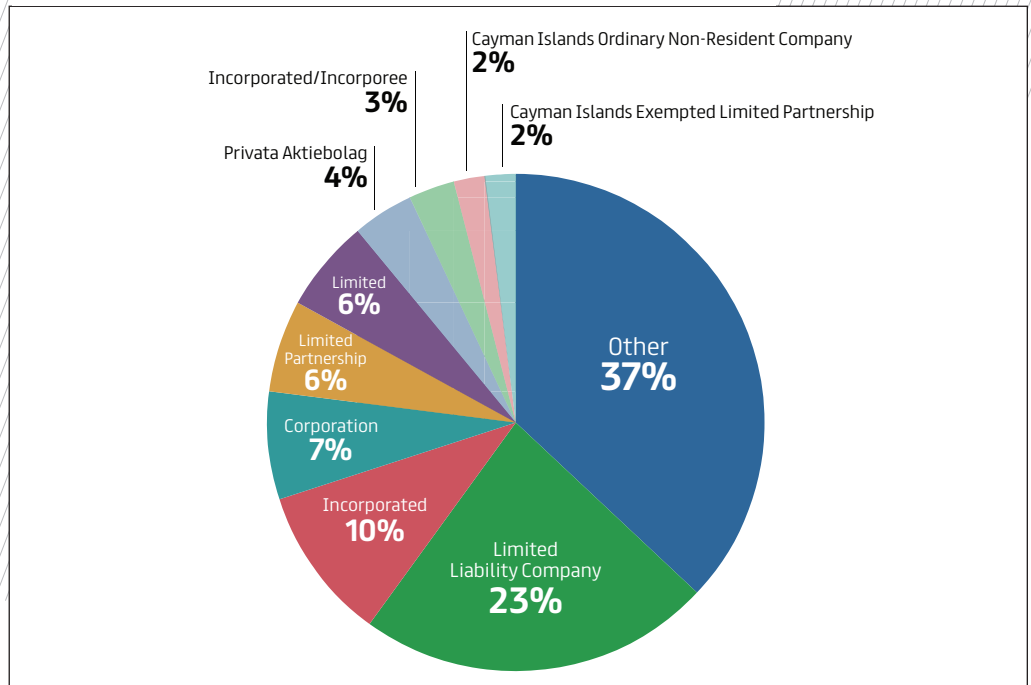
In June 2015 it will be 3 years since the G20 endorsed the establishment of the LEI registration system. In most G20 countries adoption has been modest.

Percentage of BICs Assigned an LEI



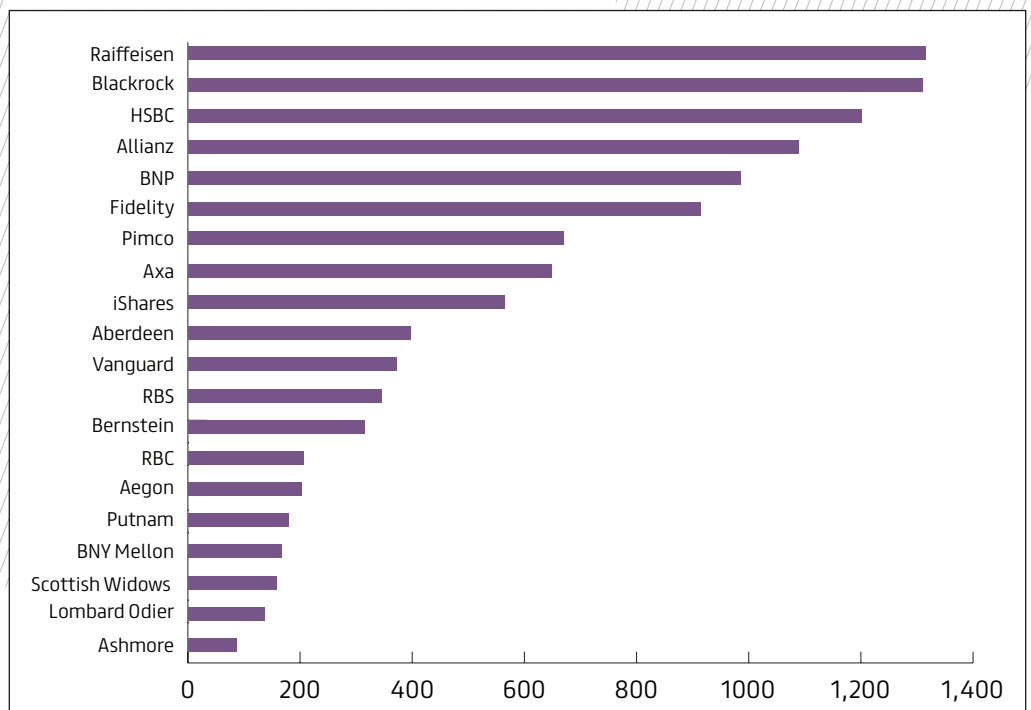
There are about 34,000 top-level BIC entities. (A BIC is a business identifier code for financial and non-financial institutions used for addressing messages, routing business transactions and identifying business parties. SWIFT is the registration authority for BICs.) About 20% of entities that have been assigned a BIC have also been assigned an LEI, a slight increase since 2014.

Top 10 Legal Forms for GMEI Registered Entities



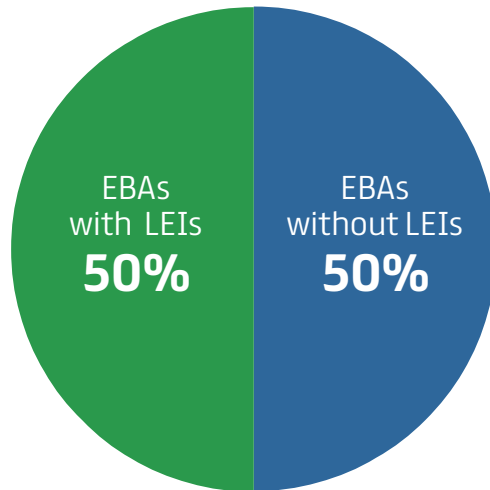
The GMEI utility, which has assigned about half the total number of LEIs, allows a registrant to submit its legal form during the registration process. Currently over 200 different legal forms have been submitted, but the most common legal form, making up over one-third of the total, is “Other.”

LEIs Assigned to Large Fund Families



In all our previous issues of Inside the LEI, Blackrock was the fund family with the largest number of entities having an LEI. Raiffeisen has now taken the lead with about 1,300 funds registered.

EBA Entities that have been Assigned an LEI



In January 2014 the European Banking Authority published a recommendation on the use LEIs as a unique identification code for supervisory purposes. To date, about 50% of EBA-supervised banks have registered for an LEI.

Some Interesting Counts

| | |
|---|--------|
| Number of entities with <i>LLC</i> in the name | 29,572 |
| Number of entities with <i>L.L.C.</i> in the name | 2,913 |
| Number of entities with <i>LP</i> in the name | 7,975 |
| Number of entities with <i>L.P.</i> in the name | 6,356 |
| Number of entities with <i>Trust</i> in the name | 11,976 |
| Number of entities with <i>Limited Partnership</i> in the name | 1,310 |
| Number of entities with <i>CDO</i> in the name | 438 |
| Number of entities with <i>LLLP</i> in the name | 117 |
| Number of entities with <i>Vineyard</i> in the name | 61 |
| Number of entities with <i>Pizza</i> in the name | 42 |
| Number of entities with <i>ETF</i> in the name | 2,382 |
| Number of entities with <i>SICAV</i> in the name | 6,283 |
| Number of entities with <i>YMCA</i> in the name | 22 |
| Number of entities with <i>Country Club</i> in the name | 118 |
| Number of entities with <i>Segregated Portfolio</i> in the name | 787 |

A Look at Hierarchies

On a recent webinar, representatives of the GLEIF announced that work would begin on adding hierarchy data to the LEI dataset this year. Hierarchies are critical for identifying systemic financial risk and to solve for the Lehman problem in the event of another market meltdown. (At the time of the financial crisis Lehman had over 7,000 legal entities in more than 40 countries. These relationships proved difficult to untangle.)

In the US, companies are required to attach Exhibit 21 to their annual financial statement (10-K) which lists their subsidiaries. The Alacra research team looked at the 2013 Morgan Stanley Exhibit 21 and found 883 subsidiaries. Of these, only 345 or 39% had an LEI assigned to it. To effectively incorporate hierarchies into the LEI system a much greater percentage of financial institutions' subsidiaries need to have LEIs and the update cycle would need to be more frequent than annual (as it is today). These are among a number of other challenges that exist before hierarchies can provide value to consumers of LEI data. A sample of the Morgan Stanley hierarchy from December 31, 2013 can be seen below.

| NAME | COUNTRY NAME | REGION | LEI |
|--|----------------|--------|----------------------|
| Morgan Stanley | United States | DE | IGJSJL3JD5P30I6NJZ34 |
| Bayfine DE Inc. | United States | DE | |
| Bayfine UK3 | United Kingdom | ENW | |
| Bayfine DE LLC | United States | DE | |
| Belmondo LLC | United States | DE | 549300U76MV4PBGZUE31 |
| Cauca LLC | United States | DE | 54930061FM3STX1F7868 |
| Cournot Holdings Inc. | United States | DE | |
| Dean Witter Capital Corporation | United States | DE | |
| Dean Witter Realty Inc. | United States | DE | |
| Dean Witter Holding Corporation | United States | DE | |
| Civic Center Leasing Corporation | United States | DE | |
| Dean Witter Leasing Corporation | United States | DE | |
| Realty Management Services Inc. | United States | DE | |
| Dean Witter Reynolds Venture Equities Inc. | United States | DE | |
| Early Adopter Fund Manager Inc. | United States | DE | |
| Fuegos LLC | United States | DE | 549300J73P3R1UCNKX05 |
| Fundlogic (Jersey) Limited | Jersey | n/a | |
| FV-I, Inc. | United States | DE | |
| Bellevue Towers Condominiums, LLC | United States | DE | |
| Japan Core Funding, Inc. | United States | DE | 549300ZM5ARC5JXSW343 |
| Morgan Stanley Biscay LLC | United States | DE | 549300IM3EO445XMHM97 |

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