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Annual Accreditation Verification Requirements

Appendix 10

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Annually, the LOU must confirm the continued compliance with GLEIF requirements regarding current status of certain internal controls within its LEI operations as set out and agreed in the Accreditation Documentation (**Appendix 04**), and as amended in the event under the Accreditation Change Process. The confirmation can be done with reports of any source received by the LOU that shows its continued compliance e.g. (Independent) Audit Report.

Annual Verification will comprise, as a rule, the following steps.

The following reporting is required for submission on or before the date of the issuance of the LOU's Accreditation Certificate annually:

1. Reconfirmation of the accuracy and completeness of the Accreditation Documentation

The LOU must formally annually reconfirm that its internal controls for the previous twelve months based upon the accreditation certificate anniversary continues to conform to the Accreditation Documentation (**Appendix 04**), as amended.

2. Confirmation of reporting year cost recovery compliance

As established in the Master Agreement and Accreditation Documentation (**Appendix 04**), the LOU will be required annually to confirm and demonstrate its compliance with the cost recovery model.

During Annual Accreditation Verification (AAV) i.e. one year after the Accreditation Certificate Anniversary Date, the LOU has to confirm and demonstrate its compliance with the cost recovery model by providing the data mentioned in 2.1 to 2.3 that is independently validated.

GLEIF will accept either one of the following time frames as reporting year for the verification of cost recovery compliance:

- **The LOU's last operating year**, i.e., previous 12 months of operations based on the LOU's accreditation certificate anniversary date. Example: If the LOU became accredited on 20 July 2021, for its first AAV, the LOU will need to report compliance with cost recovery from 20 July 2021 to 19 July 2022, for its second AAV from 20 July 2022 to 19 July 2023, etc.
- **The LOU's last audited financial year**. Example: If the LOU became accredited on 20 July 2021 and its financial year is from January to December, for its first AAV, the LOU will need to report compliance with cost recovery for the most recent audited financial year, which in this case would be the year ending to 2021, i.e., from August 2021 to December 2021.
- **Last calendar year**. Example: If the LOU became accredited on 20 July 2021, for its first AAV, the LOU will need to report cost recovery for the calendar year ending to 2021, i.e., from August to December 2021.



The LOU will be required to report consistently cost recovery compliance; switching reporting timeframes from one Annual Accreditation Verification to the other Annual Accreditation Verification shall be avoided and has to be mutually agreed between GLEIF and the LOU.

2.1 Total previous year LEI fee revenues

2.2 Total previous year annual Direct Cost (as defined in the Master Agreement) associated with its core duties as set out in Chapter IV such as salaries and cost of IT and as documented by the LOU in its Accreditation Documentation (Appendix 04);

2.3 LOU adds to the Direct Cost calculated as per above Section 2.2 amounts to cover overhead and determines its annual total costs estimate as follows:

- i. The LOU determines the components of its Direct Cost calculated as per above Section 2.2 that are either (a) inter-company transfer fees with margin or (b) third-party service fees
- ii. The LOU subtracts from annual Direct Cost (a) and (b) as defined in 2.3(i) and adds 100%
- iii. The LOU adds 25% to (a) and (b) as defined in 2.3(i)
- iv. The LOU determines its annual total costs estimate by adding 2.3(ii) and 2.3(iii)

Confirmation of the previous reporting year cost recovery compliance must be reviewed and confirmed in writing by the LOU's independent auditors or by some other third party as agreed in the Accreditation Documentation (**Appendix 04**).



3. Next Year's Expected Fee Schedule:

The LOU will be required annually to forecast its cost recovery model estimations and its expected LEI fee schedule for the next reporting year (1 January to 31 December) as follows:

- 3.1 the LOU's generates its forward-looking 3-year estimate of annual average Direct Cost associated with its core duties as set out in Chapter XI such as salaries and cost of IT, as documented in the Accreditation Documentation (**Appendix 04**);
- 3.2 LOU adds to the Direct Cost calculated as per above Section 3.1 amounts to cover overhead and determines its annual total costs estimate as follows
 - i. The LOU determines the components of its annual average Direct Cost calculated as per above Section 3.1 that are either (a) inter-company transfer fees with margin or (b) third-party service fees
 - ii. The LOU subtracts from annual average Direct Cost (a) and (b) as defined in 3.2.(i) and adds 100%
 - iii. The LOU adds 25% to (a) and (b) as defined in 3.2.(i)
 - iv. The LOU determines its annual average annual total costs estimate by adding 3.2.(ii) and 3.2.(iii).
- 3.3 the LOU estimates how many LEIs it likely will issue plus renewals for the upcoming year;
- 3.4 the average fee schedule requested for the issuance or renewal of an LEI by the LOU cannot exceed the result of 3.2.(iv) divided by the estimated number of LEIs $((3.1 + 3.2) / 3.3)$

Materially overestimated fees collected, as identified in the LOU annual quantitative analysis required pursuant to Chapter V of the Master Agreement, shall be included the above calculation, so that on a rolling average over three years the maximum fee limit requirements are met, as agreed in the Accreditation Documentation (**Appendix 04**).