

Minutes GLEIF Board of Directors Meeting

Meeting 34. Board of Directors Meeting

Date	2017-10-25	Time	13:00–15:00 EDT	Place	Toronto, Canada
Present	GLEIF Board of Directors Gerard Hartsink (Chair) Wolfgang König (Vice Chair) Nabil Al-Mubarak Jefferson Braswell Bo Chen Arthur Cousins Robin Doyle Daniel Goroff Hiroshi Kawagoe Paul Kennedy Alfredo Reyes Krafft Bruno Schütterle Christopher Taggart Elemér Terták Kam Keung Tse Henrique de Rezende Vergara		ROC Observers Michael Ritter Other Attendees Stephan Wolf – CEO Thomas Sprecher – Secretary of the Board Veronika Schoehl – Head of Board Secretariat Guests For item 3 – Report of the CEO Annette Booth – Head of Finance Virginia Flynn – Head of Accreditation & Audit Services Clare Rowley – Head of Business Operations		
Absent	Hyoung-Seok Lim – excused Ravi Mathur – excused Nanda Dave – excused Joseph Tracy – excused				

No	Topics
1	Opening by the Chair
	The Chair and the Board welcome the new Member of the Board of Directors, Henrique de Rezende Vergara. The Chair determines the presence of a quorum. He informs that the meeting was duly convened and that the agenda and documentation was provided to the Board prior to the meeting. The Members agree to the agenda at hand.
2	Approval of the Previous Meeting Minutes
	The Members unanimously approve the minutes of the previous meeting.
3	Topics for Information
	Report of the CEO
	Budget 2018, 3Q Forecast inclusive the GLEIF 2018 fee

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The CEO, supported by the Head of Finance and the Head of Business Operations, presents the budget for 2018 versus the third quarter forecast.

The main assumptions are presented, as follows:

- The budget 2018 is based on a mid-point projection with a GLEIF LEI fee which is reduced from 19 USD to 17 USD for the year 2018.
- LEI revenue calculations for 2018 are based on invoicing under the Master Agreement.
- Outlook for total volumes of LEI issuance in 2017 is still volatile.
- The renewal rate for the year 2019 anticipates a declining trend.

The variance for the draft budget 2018 compared to Q3 Forecast 2017 is favorable. This is due to the net effect of increased projected revenue offset by increased total cost projections including for project development and staffing. The budget 2018 includes expected revenue from LEI new issuance and renewal primarily impacted by the MiFID II/MiFIR regulation in 2018. The extended 5-years outlook highlights the objective to further reduce the yearly GLEIF fee. The cash forecast for 2018 is outlined.

The Members discuss the budget 2018 including the anticipated LEI activity as well as the GLEIF fee reduction to USD 17, patterns for LEI renewal and priority staffing in line with the approved GLEIF Strategy. The Chair of the Audit and Finance Committee (AFC), Robin Doyle, informs that the AFC reviewed the draft budget 2018 proposal and Q3 Forecast 2017 figures prior to the Board meeting and was satisfied with the proposal. Given the projected high forex risk for 2018, the AFC concluded to monitor closely the exchange rate of the USD against the Euro in the upcoming months. The main revenue of GLEIF is the LEI fee generated in USD which depreciated against the EUR in the course of 2017. The AFC was satisfied with the CEO's quarterly cash forecasts for monitoring purposes. The AFC Chair further informs the AFC was comfortable with the reduced GLEIF LEI fee of USD 17 concluding the budget 2018 and cash forecast 2018 would be sustainable. The AFC recommends approval of the presented budget for 2018 to the Board.

The Board expresses satisfaction that the foundation has enough liquid assets available regarding the presented cash forecast. The Board asks the AFC, based on the report of the CEO, to report to the Board in the first quarter 2018 on the outlook of the revenues and costs in 2018 so that the Board may take actions, as appropriate, ensuring a balanced budget. In order to implement the GLEIF Strategy (pillar 3), the Board concludes to add to the budget 2018 a position dealing with Digital Identifiers, DLT and the LEI.

The majority of Board members are comfortable with the presented budget 2018. Some Directors believe that a reduction of the GLEIF fee from USD 19 to USD 17 would be too early taking into account risks associated with the budget 2018 such as the forex rate and the lapsed rate.

Accreditation

- The CEO, supported by the Head of Accreditation and Audit Services, provides an overview on the accreditation of pre-LEI issuers and new LEI issuers.
- The Annual Accreditation Verification Process under the Master Agreement (MA) Appendix 10 is explained. According to that, LEI issuers need to confirm continued

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compliance with GLEIF requirements regarding internal controls for LEI operations which is due one year after a LEI issuer has been awarded with an accreditation certificate. This process ensures that all active, accredited LEI issuers in the Global LEI System continue to meet GLEIF's operational, technical and business process requirements to protect the functional integrity of transactions and the data quality of the LEIs. The Board supports that Management will lead this process under the MA informing the Board, as appropriate.

Internal Audit

The Head of Accreditation and Audit Services briefs the Board on current and planned internal audit activities.

Compliance

The General Counsel brings to the attention of the Board certain cases addressed by GLEIF pertaining to unfair business conduct of companies offering LEI services (LEI issuance), despite being neither an accredited or endorsed LEI issuer, nor an official registration agent.

Operations

The CEO provides an update on Operations highlighting relevant information and projects.

Business review

- End of the third quarter, total active LEIs globally issued amounted to 565,700. New LEI issuance almost tripled in the third quarter compared to the second quarter demonstrating a 17.3% increase in the EU and a 12.7% increase globally. This constitutes the largest increase in LEI issuance in a single quarter since the first quarter 2014. The growth rate is primarily attributed to impacted market participants seeking to comply with the forthcoming MiFID II/MiFIR requirements. Also, LEI issuance in countries with no existing regulation involving LEIs increased, such as in Hong Kong which might indicate that counterparty legal entities get ready for EU financial markets participation under MiFID II/MiFIR.
- The renewal rate in the EU remained stable (69%), however, decreased in other non-EU countries, mainly in the US where the renewal rate dropped to 43%. It was highlighted by Management having a renewed and thus validated LEI would be decisive to ensure the Financial Stability Board's underlined goal to support high quality and accuracy of financial data.

Other projects

- GLEIF published the joint McKinsey & Company and GLEIF white paper in October suggesting savings, efficiencies and greater reliability in entity verification processes of a combined annual value of USD 650 million to the financial services industry.
 - GLEIF launched a Data Quality Campaign achieving remediation of outliers in city names successfully. The exercise showed high quality of data with overall 98.94% correct city names in the LEI data pool already. The GLEIF quality campaign together with the respective LEI issuers further increased the accuracy of city names to nearly 100%.
 - Two Joint ROC-GLEIF workshops on Data Quality resulted in the aforementioned first Data Quality Campaign and more are to follow. GLEIF is going to establish a
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data quality team to proactively address quality issues, e.g. via sample testing, comparing to reference sources. So far, the provided examples are considered not material in size and volume showing GLEIF's overall robust data quality system as unique feature of the Global LEI System.

- GLEIF launched its LEI 'Look-up' Application Programming Interface (API) in the third quarter allowing organizations to seamlessly integrate LEI records into their internal systems. Additional data processing improvement projects are planned.

Update on Level 2 and CDF 2.0

- 30 pre-LOUs or accredited LOUs are required to implement Level 2 data collection. In the analysis period, 87% LEI issuers have successfully implemented Level 2 requirements with undertaken testing by GLEIF Accreditation constituting 96% of managed LEIs coverage.
- All 30 operational pre-LOUs or accredited LOUs have implemented CDF 2.

LEI Mapping Programs

- The CEO briefs on current activities related to mapping of LEIs to other identifiers.

Users of the LEI data

The CEO informs the Chair of the LEI ROC CES working group on data quality and the CEO of GLEIF proposed to establish a Public Authorities User Stakeholder Group to focus on the LEI data users' needs. The Board expresses confidence about the value of this user group and endorses to present it to the LEI ROC Executive Committee during the Joint Meeting on 26 October 2017.

Report of the Chair

Promotion

The Chair and Members of the Board brief about their promotion activities including on activities undertaken together with the CEO.

Appointment of Director to Committee

The Governance Committee (GC) concluded in its meeting to recommend appointing the newly appointed Member of the Board to the GC. The GC thus completed its membership with in total six members.

Self-Assessment

The GC Chair, Paul Kennedy, informs the Board on the conclusions of the GC regarding the self-assessment of the Board and its Committees to make the Board more efficient and effective. The GC also discussed the conduction of an external assessment via an independent auditor of the governance of GLEIF. The GC will evaluate priority and cost estimates.

4 Reports of the Committee Chairs

- **Audit and Finance**
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The AFC Chair, Robin Doyle, highlighted the main outcomes of the AFC under item 3, Report of the CEO, regarding the budget 2018.

- **Governance**

The GC Chair, Paul Kennedy, briefed under item 3, Report of the Chair. He adds that the GC will prepare an adaption for the code of conduct for approval by the Board. The GC also discussed the focus of the GLEIF ambassador role of the Directors of the Board in their jurisdiction and/or industry.

- **Technology and Operations Standards**

The TOPS Chair, Jefferson Braswell, informs on the outcomes of the TOPS meeting. The Chair explains a new video conferencing tool for the Board.

- **Business Development**

The BDC Chair, Kam Keung Tse, informs the BDC focused its discussion on the LEI adoption with regards to MiFID II/MiFIR regulation and response from the market, the use of the LEI for KYC and promotion activities including of the ambassadors of GLEIF.

- **Competition**

The CC Chair, Elemér Terták, informs on the focus on scenarios for competition of the committee.

5 Resolutions taken by the Board

- **Budget 2018**

The Board approves the Budget 2018 inclusive the GLEIF 2018 fee of USD 17 and an additional position as mentioned under 3, Report of the CEO.

(14 in favor, 4 objections, 0 abstention)

- **Appointment of Member to Committee**

The Board Chair asks the new voting Member, Henrique de Rezende Vergara, to leave the room. The Board appoints Henrique de Rezende Vergara to the Governance Committee. The Member returns to the room. He accepts the appointment.

- **Self-Assessment**

The Board unanimously approves the methodology and the proposals for the self-assessment to increase efficiency and effectiveness of the Board.

- **Recording of resolutions by mail vote**

The Board unanimously approves that the following circular letters will be added to the minutes.

Step 1 of the Accreditation process: Recommendation to sign the Master Agreement

- Finnish Patent and Registration Office (PRH) (unanimously approved)

Step 2 of Accreditation process: Recommendation for the issuance of an accreditation certificate

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- EQS Group AG (unanimously approved)
- Korea Securities Depository (KSD) (unanimously approved)
- London Stock Exchange LEI Limited (17 in favor, 1 objection, 0 abstentions)
- Saudi Credit Bureau (15 in favor, 2 abstentions, 0 objections)

6 AOB

The Members discuss topics related to the next LEI ROC Plenary in Riyadh, Saudi Arabia and the Meet the Market event.

One Director proposes to reflect if retired Directors could continue to serve as ambassadors for GLEIF. The Chairman of the Board and Chairman of the Governance Committee will prepare a proposal for the Board.

13 December 2017

Gerard Hartsink
Chairman of the Board

Veronika Schoehl
Secretary of the Meeting