

## Minutes GLEIF Board of Directors Meeting

### Meeting 38. Board of Directors Meeting

Date	Time	Place
2018-05-15	09:00–12:00 PDT	San Francisco, USA
<b>Present</b>	<b>GLEIF Board of Directors</b> Gerard Hartsink (Chair) Nabil Al-Mubarak Jefferson Braswell Bo Chen Arthur Cousins Robin Doyle Hiroshi Kawagoe Alfredo Reyes Krafft Paul Kennedy Bruno Schütterle Christopher Taggart Elemér Terták Kam Keung Tse Henrique Vergara	<b>LEI ROC Observers</b> Michael Ritter (LEI ROC Chair) Joseph Tracy (LEI ROC Vice Chair)
		<b>Other Attendees</b> Stephan Wolf – CEO Thomas Sprecher – Secretary of the Board Veronika Schoehl – Head of Board Secretariat
		<b>Guests</b> For item 3 – Report of the CEO Virginia Flynn – Head of Accreditation & Audit Services Clare Rowley – Head of Business Operations Sven Schumacher – General Counsel/CCO
<b>Absent</b>	Ravi Mathur (Director) – excused Daniel Goroff (Director) – excused Wolfgang König (Board Vice Chair) – excused Hyoung-Seok Lim (Director) – excused Nanda Dave (LEI ROC Vice Chair) – excused	

No	Topics
<b>1</b>	<b>Opening by the Chair</b>
	The Chair, Gerard Hartsink, 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 accept the agenda at hand.
<b>2</b>	<b>Approval of the Previous Meeting Minutes</b>
	The Members unanimously approve the minutes of the previous meeting.
<b>3</b>	<b>Topics for Information</b>
	<b>Report of the CEO</b>
	<b>Financial update</b>
	The CEO, Stephan Wolf, supported by the Head of Finance, presents the second quarter forecast 2018. The bottom line variance for the second quarter 2018 compared to the

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budget 2018 is favorable primarily due to an increase in revenue. Increased LEI activity in the fourth quarter 2017 and a slight increase in the renewal rate assumptions increase the projected 2018 revenue. Expenses show a favorable variance (excluding foreign exchange rate effect) with a slightly lower rate compared to the budget 2018. Further, a forecast for 2019 with regard to LEI activity and revenue from LEI fee is provided.

The cash forecast was updated to reflect the latest projection on LEI issuance as well as expenses, including the EUR/USD foreign exchange rate risk. Finally, a five-year outlook shows projected LEI activity and revenue until 2022 based on the assumption of further lowering the LEI fee significantly.

The AFC Chair, Robin Doyle, informs that the AFC assessed the CEO's report for the second quarter forecast in the AFC meeting on 14 May 2018. The AFC was comfortable with the cash reserves of the organization. The AFC considered to seek ways to invest cash with very low risk and the CEO will update the Board accordingly. The AFC was overall satisfied about the budget report.

### Accreditation

The CEO, supported by the Head of Accreditation and Audit Services, provides an overview on the status of accreditation and the annual accreditation verification process.

- There are 26 LEI ROC endorsed pre-LEI issuers and 26 new organizations in the accreditation process for the Global LEI System. In total, 33 organizations were granted a GLEIF accreditation certificate.
- 2 LEI ROC endorsed pre-LEI issuers and 1 new organization completed the GLEIF annual accreditation verification process.

### Operations

The CEO informs the Board on relevant operations topics, key projects and business initiatives of GLEIF.

- The business report highlights that total LEI population exceeded 1.1 million at the end of the first quarter 2018. Following the peak of almost 400,000 newly issued LEIs in the fourth quarter of 2017, the number of new LEIs decreased to 167,353 in the first quarter of 2018. The extraordinary growth in the second half of 2017 was primarily triggered by impacted market participants seeking to achieve compliance with the revised EU Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), which took effect on 3 January 2018<sup>1</sup>. The drop in LEI issuance in the first quarter, once the deadline had passed, demonstrates the success of LEI rollout leading up to MiFID II/MiFIR coming into force. MiFID II/MiFIR had some positive impact on the renewal trend in Europe. In the first quarter of 2018, the

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<sup>1</sup> The European Securities and Markets Authority (ESMA) stated on 20/12/2017 to grant firms a grace period of six months in order to "support the smooth introduction of the LEI requirements" under MiFID II/MiFIR <https://www.esma.europa.eu/press-news/esma-news/esma-issues-statement-lei-implementation-under-mifid-ii> . The development of LEI issuance can be attributed to this extended MiFID II/MiFIR implementation period.

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overall renewal rate of 66.3 percent remained essentially unchanged compared to the previous quarter, while outlooks predict a decreasing renewal rate for 2019. Several Board members agreed on the importance to keep the LEI data fresh for its users of the LEI data and to continuously promote keeping the LEI up-to-date.

- By the end of the first quarter of 2018, about 838,000 LEI registrants representing 75 percent of the total LEI population reported information on direct and ultimate parents (previous quarter: 61 percent).
- The transition of the Level 1 data format has been successfully completed. The new Level 1 LEI-Common Data File (CDF) Concatenated File contains Level 1 data for the complete LEI population based on version 2.1 of the LEI-CDF format.
- The International Standards Organization's Technical Committee (ISO/TC 68 SC 8), subcommittee for reference data for financial services, approved to revise the ISO 17442:2012 standard for financial services, the Legal Entity Identifier (LEI). The respective working group will meet with GLEIF in June 2018.
- LEI issuers' SLA non-compliance according to Master Agreement and mitigation plans are outlined by GLEIF and discussed with the Board.
- The data quality road map through the first quarter 2019 is presented setting new initiatives following the hiring of a new Head of Data Quality Management at GLEIF.
- LEI in KYC: The newly published eBook of GLEIF entitled "A New Future for Legal Entity Identification" provides research from a survey of salespeople in the banking sector. The findings support GLEIF's view that replacing disjointed information with a globally accepted approach based on broad adoption of LEI would remove complexity from business transactions and deliver quantifiable value to financial services firms.
- GLEIF facilitated first voluntary adoption for a larger global non-profit organization with 840 member organizations requiring the LEI for its information processing.
- GLEIF established a formal procedure for the certification of mapping partners. The project is launched on 15 May 2018.

### Report of the Chair

#### Board Composition

The Chair of the Governance Committee (GC), Paul Kennedy, and the Chair of the Board, Gerard Hartsink, update on the current search process of new Directors for the GLEIF Board. The GC reviewed the results of interviews with relevant candidates. Keeping diversity high, as laid out in article 13 of the Statutes, and the seniority of candidates, were considered most important in this process.

The GC concluded in its meeting on 11 April 2018 to recommend three candidates for appointment to the Board for a two-year term from June 2018 based on the requirements agreed by the Board in January 2018. The Board Chair asked the ROC Chair for a "no-objection declaration" for the candidates from Japan and South Africa. For the reappointment of the candidate from Saudi Arabia, no such declaration was required.

The GC recommended the candidate from Saudi Arabia, who is a current Member of the Board, to serve for an "exceptional additional term of two years" as possible option laid out in article 17 of the Statutes. The GC will specify the conditions for an "exceptional additional

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term” and reflect this option of article 17 in the Organizational Regulations for Board approval.

The GC recommended to extend the search for a candidate from South Korea or Singapore.

Further, the GC recommended to the Board to reappoint four Directors, whose term expires in June 2018, for a second term from June 2018 in accordance with article 17 of the Statutes. One Director is not available for a second term.

The GC also discussed one vacant position in the Board due to a retiring Director from the region Central and South America, Africa, Oceania, and the Middle East (CSA-A-O-ME region) who is no longer available from June 2018 onwards.

### **Self-Assessment**

The GC reviewed the results of the self-assessment of the Board and Board Committees and will prepare some recommendations for approval in the planned Board meeting on 25 June 2018.

### **Organizational regulations**

The GC recommended some smaller amendments with regard to the GLEIF Organizational Chart and to include a provision on the specification for an exceptional additional term as outlined above under “Board composition”).

### **Promotion**

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

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## **4 Reports of the Committee Chairs**

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### **▪ Governance**

The GC Chair, Paul Kennedy, adds to item 3) Report of the Chair, that the GC currently makes a needs assessment for an external governance review. An RFP has been circulated accordingly.

### **▪ Audit and Finance**

The AFC Chair, Robin Doyle, has no additional comments to item 3) Report of the CEO.

### **▪ Technology and Operations Standards**

The TOPS Chair, Jeff Braswell, briefed on the main topics of the TOPS Committee meeting with regard to technology updates. He informs that he will support the succession of the TOPS Committee Chair position for 2019.

### **▪ Business Development**

The BDC Chair, Kam Keung Tse, informs about the main outcomes of the BDC meeting focusing on LEI application for KYC and digital certificates.

### **▪ Competition**

The Chair of the Board, Gerard Hartsink, informs that one of the Directors will review the draft report on competition for presentation to the Board in June 2018.

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### 5 Board Resolutions

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#### Succession

The Board approves a second term of two years for the following four Directors (the respective Director leaves the room during his respective voting process):

- Kam Keung Tse, Hong Kong
- Daniel Goroff, USA
- Alfredo Reyes Krafft, Mexico
- Elemer Tertak, Hungary

The Board unanimously confirms the appointment of Hiroshi Nakatake from Japan as Director of the Board for a term from June 2018 until June 2020.

The Board unanimously approves the appointment of Monica Singer from South Africa as Director of the Board for a term from June 2018 until June 2020.

The Board unanimously approves to start a call for candidates from Australia of the CSA-A-O-ME region from the not-for-profit sector.

#### Recording of mail vote recommendations

The Board adds the following circular resolutions to these minutes:

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

- AJPES (unanimous approval)
- Ubisecure Oy (16 in favor, 2 abstentions, 0 objections)

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### 6 AOB

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No additional remarks are made.

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25 June 2018

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Gerard Hartsink  
Chairman of the Board

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Veronika Schoehl  
Secretary of the Meeting