

Minutes GLEIF Board of Directors Meeting

Meeting 41. Board of Directors Meeting

Date	2018-10-25	Time	9:00–12:30 SAST	Place	Cape Town, South Africa
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Present

GLEIF Board of Directors

Gerard Hartsink (Chair)
 Nabil Al-Mubarak
 Jefferson Braswell
 Bo Chen
 Changmin Chun
 Robin Doyle
 Daniel Goroff
 Wolfgang König
 Alfredo Reyes Krafft
 Ravi Mathur
 Hiroshi Nakatake
 Bruno Schütterle
 Christopher Taggart
 Elemér Terták
 Kam Keung Tse
 Henrique Vergara

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
 Clare Rowley – Head of Business
 Operations

Absent Monica Singer (Director) - excused

No	Topics
1	Opening by the Chair
	The Chair, Gerard Hartsink, determines the presence of a quorum. He informs that the meeting was duly convened and the agenda and documentation was provided to the Board prior to the meeting. The Members accept 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
	Update on Strategy
	The CEO, Stephan Wolf, provides an update on the GLEIF strategy. Targets reached and progress made with regard to the implementation of the LEI in key market segments of

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GLEIF - the derivatives markets, capital and money markets, banking services, supply chain management and the digital economy - are explained. An outlook of the adjusted business objectives for the year 2022 and associated business projects are provided. Relevant regulations requiring or requesting the use of the LEI are outlined as well as impacts for global LEI population growth.

The CEO outlines the white paper on individuals acting in a business capacity to the Board which was developed upon request of the LEI ROC based on the LEI ROC's statement on individuals acting in a business capacity of 2015. The CEO proposes to implement a research project for individuals acting in a business capacity using Distributed Ledger Technology. Besides, GLEIF plans a consultation process on GLEIS 2.0.

Both initiatives were discussed and supported in the Joint meeting of the Business Development Committee (BDC) and Technology and Operations Standards Committee (TOPS Committee) subject to endorsement by the Board. The Board Members discussed different aspects of the GLEIF strategy.

Budget 2019 inclusive the GLEIF fee

The CEO, supported by Head of Finance, presents the draft budget 2019 inclusive the GLEIF fee and the fourth quarter forecast 2018 versus the third quarter 2018 forecast.

Variance of the fourth quarter forecast 2018 and third quarter forecast 2018

- The bottom line variance for fourth quarter forecast 2018 compared to third quarter forecast 2018 is favorable. New LEI Issuance has been stronger than expected in the second quarter 2018 and the third quarter 2018 so the forecast for the fourth quarter 2018 has been increased accordingly.
- Revenue fourth quarter forecast 2018 shows a favorable variance against the third quarter forecast 2018 (new LEI issuance increased in in the fourth quarter forecast 2018).
- Expenses: Overall fourth quarter forecast 2018 shows a favorable variance compared to third quarter forecast 2018 (labor expenses lower than forecast, non-labor costs lower than forecast primarily due to postponement of certain projects to 2019).
- Unfavorable impact of the FX rate change on year-to-date 2018 expenses is lower than third quarter forecast.

Main assumptions and conclusions

- The draft budget 2019 includes a reduced GLEIF fee of USD 11 for LEI issuance and renewal in 2019 (2018: USD 17). This reduced overall revenue in 2019. In the draft budget 2019 a lower LEI activity is predicted for 2019. Postponed recruitment from the year 2018 to 2019 and new projects planned in 2019 (in both categories, "Run the Firm" and "Change the Firm") overall increase the budget 2019 compared to the fourth quarter 2018 forecast.
- A reduction of the LEI fee from USD 17 to USD 11 is proposed to the Board. This means that USD 11 will be applicable for all new issued and renewed LEIs in 2019.
- The Members discuss the budget 2019 including the anticipated LEI activity based on the changed GLEIF fee. The Chair of the Audit and Finance Committee (AFC), Robin Doyle,

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informs that the AFC views the presented budget 2019 inclusive the GLEIF fee of 11 USD as sustainable and recommends approval to the Board.

Accreditation

The CEO provides an overview on the status of accreditation and the annual accreditation verification process.

- To date, in total 33 organizations were granted a GLEIF accreditation certificate.
- 4 LEI ROC endorsed pre-LEI issuers and 3 new organizations completed the GLEIF annual accreditation verification process. 5 pre-LEI issuers and 1 new organization are enrolled in the accreditation annual verification process and accreditation audits with 3 pre-LEI issuers are currently undertaken.

Operations

The CEO, supported by his management team, provides a business update and informs on relevant operations topics and key projects.

- **Business trends:** At the end of the third quarter of 2018, the total LEI population exceeded 1.2 million. Approximately 56,800 LEIs were issued in the third quarter of 2018 compared to approximately 71,300 in the second quarter. This represents a quarterly growth rate of 4.8% in the third quarter (second quarter: 6.3%). Since the second quarter 2018, daily LEI issuance has been steady around 700. The overall renewal rate slightly increased in the third quarter 2018 to 63.1% from 61.9% in the second quarter 2018. There was a small increase in renewal rates for both EU and non-EU regions.
- **Service Management:** For the targeted implementation of ISO 20000, several required services have been implemented, such as Control Processes “Configuration Management” and “Change Management”, Release Process “Release Management”, Service Delivery Process “Service Level Management” including “Service Catalog Management” and “Capacity Management” and the Project Management process “Management of new or changed Services”.
- **Data Quality:** September is the second reporting period based on the new data quality rule setting. Three new data quality criteria and 18 new data quality checks were introduced. Total Data Quality Score remains stable above 99%. Data quality projects are in implementation such as the data quality gate introducing a new API-facility which LOUs will use to evaluate the data quality on LEIs before issuance, renewal or edits.
- GLEIF currently updates the LEI search with several new functions to increase user friendliness.
- In the area of standardization, GLEIF works on developing semantically correct models of the LEI and its reference data to ensure use of consistent models of the LEI within several standards.

The Members discuss different aspects of the CEO report.

Report of the Chair

Appointment of Members to the Board Committees

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The Board Chair, Gerard Hartsink and the Vice Chair of the Governance Committee (GC), Robin Doyle, inform the Board of the GC's proposed appointments of Directors to the TOPS Committee and the GC.

Board Member candidate from Australia

The Board Chair, Gerard Hartsink, and the Vice Chair of the GC, Robin Doyle, inform on successful results achieved from an open call for applications for a search of a candidate Board Member from Australia. Two rounds of interviews were conducted with in total four shortlisted candidates, all with strong profiles. The GC presents the most suitable candidate to the Board based on the criteria outlined in article 13 of the Statutes.

Succession

The Board Chair, Gerard Hartsink, and the GC Vice Chair, Robin Doyle, inform on the deliberations on the succession planning of the Board undertaken by the GC. The Board approved on 30 August 2018 staggering the rotation of eight retiring Directors in June 2019 and to ask at minimum three Directors to serve for an additional year from June 2019 to June 2020. As per Board request, the GC analyzed the answers of Directors on a respectively conducted succession questionnaire. The GC was supported for this matter by the former Member of the Board, Arthur Cousins, to ensure neutrality in the preparation of the voting process.

The GC concluded, based on the recommendations of all Directors, to recommend to the Board that four retiring Directors will be asked to serve for an additional year from June 2019 to June 2020. Based on the recommendations of all Directors, the GC recommends to the Board that the four Directors, with the most recommendations of all Directors, will be asked to serve for an additional year. The names of the four candidates, who will be asked to serve for an additional year, will only be disclosed after the vote on four Directors with the most recommendations of all Directors. This ensures that all Directors can be included in the voting process.

Term of office and Organizational Regulations

The Board Chair, Gerard Hartsink, informs that the Swiss Supervisory Authority for Foundations endorsed the amendments of article 17 and 20 of the GLEIF Statutes effective as of 7 August 2018 and that a formal letter will be expected shortly. The GC prepared in its meeting the application of the new term limit of 3x3 years for Directors. Based on the new Statutes, the term limit was amended accordingly in the Organizational Regulations (Org Regs) subject to resolution of the Board.

Board Alumni Network Charter

The Board Members discussed the Board Alumni Network Charter in more detail in order to allow clarifying all open points. Based on the contributions received by Directors, the GC delivered an amended version for resolution of the Board.

Promotion

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

4 Reports of the Committee Chairs

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- **Governance**

The GC Vice Chair, Robin Doyle, adds some of the main discussion points of the Governance Committee to the “Report of the Chair” with regard to succession planning and next steps.

- **Audit and Finance**

The AFC Chair, Robin Doyle, has no further remarks to add to the “Report of the CEO”.

- **Business Development and Technology and Operations Standards**

The BDC Chair, Wolfgang König, and the TOPS Chair, Jeff Braswell, add remarks on the deliberations and conclusions of the Joint BDC/TOPS meeting held in Cape Town with regard to business objectives and strategic initiatives.

5 Board Resolutions

2019 Budget inclusive the GLEIF fee

Upon recommendation of the Audit and Finance Committee (AFC), the Board approves the 2019 Budget inclusive the 2019 GLEIF fee of 11 USD.

(15 in favour, 1 abstention, 0 objection)

Strategy alignment for 2022

Based on the recommendation of the Business Development Committee (BDC) and the Technology and Operations Standards Committee (TOPS Committee), the Board unanimously approves the 2022 adjusted strategic business objectives. All other objectives from the 2016 strategy decision remain valid.

(16 in favour, 0 abstention, 0 objection)

Business initiatives

Based on the recommendation of the BDC and the TOPS Committee, the Board to approves the engagement with Consulting firms in an RFP for the development and public discussion of GLEIS 2.0. Estimated costs in 2019 will be between 0.5 and 1,5 million USD. These costs would be an additional “change the firm” investment, not covered by the budget 2019 proposal.

The Board unanimously approves to launch a pilot project as proof of concept in the area of individuals acting in a business capacity based on the management white paper.

(16 in favour, 0 abstention, 0 objection)

Appointment of Directors to Board Committees

Upon recommendation of the Governance Committee (GC), the Board approves the appointment of the Members, Hiroshi Nakatake and Changmin Chun to the TOPS Committee (while the two Members abstain from voting on their appointment):

Hiroshi Nakatake and Changmin Chun accept their appointment.

(14 in favor, 2 abstentions, 0 objection)

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Upon recommendation of the GC, the Board approves the appointment of Henrique de Rezende Vergara as Chair of the Governance Committee (while the Member abstains from voting on his appointment).

Henrique de Rezende Vergara accepts his appointment.

(15 in favor, 1 abstention, 0 objection)

Appointment of new Director from Australia to the Board

Upon recommendation of the GC, the Board approves to appoint Sandra Boswell (Australia) to the Board and the profile as approved by the Board that was included in the Call for Applications.

(15 in favor, 1 abstention, 0 objection)

Resignation of Board Member

The Board acknowledges the resignation of the Board Member and former GC Chair, Paul Kennedy, per 9 October 2018, compliant with the requirement of article 21 of the Statutes.

Succession

Upon recommendation of the GC, the Board unanimously approves that four retiring Directors will be asked to serve for an additional year from June 2019 to June 2020.

Based on the conclusions of the GC and based on the recommendations of all Directors, the Board approves that the following four Directors, who received the most recommendations of all Directors, are appointed to serve for an additional term of one year from June 2019 to June 2020.

- Jefferson Braswell (Chair of the TOPS Committee)
- Robin Doyle (Chair of the AFC)
- Gerard Hartsink (Chair of the Board)
- Wolfgang König (Vice Chair of the Board and Chair of the BDC)

The Members accept their appointment.

(15 in favor, 1 abstention, 0 objection)

Term of office based on the amended Statutes

The Board acknowledges that the Swiss Supervisory Board for Foundations endorsed the request of the Board to amend the term of office to 2x3 years mentioned in article 17 and article 20 of the Statutes from 7 August 2018. The term of all Directors, except for the Directors planned to retire in June 2019 and June 2020, is moved to 3 years.

(16 in favor, 0 abstention, 0 objection)

Organizational Regulations (Org Regs)

Upon recommendation of the GC, the Board unanimously approves the new version of the Org Regs.

(16 in favor, 0 abstention, 0 objection)

Board Alumni Network Charter

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Upon recommendation of the Governance Committee, the Board unanimously approves the Board Alumni Network Charter.

(16 in favor, 0 abstention, 0 objection)

Recording of Circular Resolutions

The Board confirms the following decisions taken by the Board by circular resolution which are added to these minutes:

- Engagement Letter 2019 of the External Auditor EY (unanimous approval)
- Accreditation Certification (step 2) | Depozitarul Central SA (Romania) (unanimous approval)

6 AOB

No comments are raised.

12 December 2018

Gerard Hartsink
Chairman of the Board

Veronika Schoehl
Secretary of the Meeting