



7 January 2022

## **PNI data collection and opt-outs to parent relationship reporting**

### **Revision of ROC policies related to the Level 2 parent relationship data**

The ROC has recently reviewed and revised two aspects related to the policy for reporting LEI parent relationship data (Level 2 data):<sup>1</sup> the list of acceptable reasons for legal entities to opt-out from the provision of information on direct and ultimate parent LEIs (from now on referred to as the list of opt-outs) and the request to LOUs to collect parent metadata, also known as Provisional Node Identifier (PNI) data, for parents without LEIs.<sup>2</sup>

In summary, at its June 2021 meeting the ROC has agreed to streamline the list of opt-outs, consolidating five of the existing opt-outs into one single category. It has also agreed to discontinue the PNI data collection. The ROC recommends that all the effort and resources currently dedicated to the PNI data collection should be directed to improving the collection and validation of registrants' LEI data on their parent(s) as a key component of the quality of the LEI data.

### **Consolidation of the opt-outs list**

Mindful of the inputs received from the Local Operating Units (LOUs) about existing challenges to disentangle some of the nine previously existing opt-out<sup>3</sup> reasons, and in response to the request of the [FSB Thematic Review on Implementation of the Legal Entity Identifier](#) to enhance the usability of the Level 2 data, the ROC has revised the list of opt-out reasons for an entity to decline providing information on its parents. The goal of the revision was to consolidate them in a way that facilitates the best use of the opt-outs while at the same time retaining the most valuable/most used information.

The nine previously existing opt-out reasons can be summarised in three broad categories:

- 1) Non-consolidating, whenever the accounting consolidation definition for parent relationship does not apply.

This category includes cases where the entity is controlled by a natural person(s) without any intermediate legal entity ("Natural Person(s)"); the entity is controlled by legal entities not subject to consolidation ("Non-Consolidating"); and where there is no known person(s) controlling the entity ("No Known Person" e.g. the entity is controlled by diverse shareholders).

- 2) Non-Public, whenever the relationship information is non-public and therefore creates obstacles to releasing this information.

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<sup>1</sup> ROC, 2016 [Collecting data on direct and ultimate parents of legal entities in the Global LEI System – Phase 1](#).

<sup>2</sup> Parent metadata include name, legal address, headquarters address and business registry identification (registry and registry number, if applicable) of the parent.

<sup>3</sup> Also named 'relationship exceptions' in the GLEIF Business Report.

This category includes cases where there are obstacles in the laws or regulations of a jurisdiction restricting the reporting (“Binding Legal Constraint”); the existence of other legal constraints such as articles governing the legal entity or a contract (“Legal Obstacles”); where disclosure of the information would be detrimental to the legal entity or the relevant parent (“Disclosure Detrimental” and “Detriment Not Excluded”); and where the consent to disclose the parent LEI was not obtained (“Consent Not Obtained”). An entity is not required to provide non-public relationship information in order to register or renew an LEI.

- 3) No LEI, when the parent does not consent to obtain an LEI or to authorize its “child entity” to obtain an LEI on its behalf.

According to GLEIF’s statistics, an LEI-to-LEI parent relationship was reported for 5 to 6 percent of entities with LEIs. The accounting consolidation definition for parent relationship did not apply for roughly 83 percent of entities with LEIs; the parent relationship was non-public for roughly 7 percent of entities with LEIs; and the parent did not have an LEI for roughly 4 percent of entities with LEIs.

In light of that, **the ROC agreed to**

- **Consolidate the five allowed opt-outs for the “Non-Public” category (“Binding Legal Constraint”, “Legal Obstacles”, “Disclosure Detrimental”, “Detriment Not Excluded” and “Consent Not obtained”) into one allowed opt-out called “Non-Public”.**
- **Retain the other opt-out categories (“Natural Person(s)”, “No LEI”, “No Known Person” and “Non-Consolidating”).** The ROC did not consolidate the opt-outs “Non-consolidating” and “No Known Person” because both of them account for more than a quarter of the overall opt-outs.

The new list of opt-outs is therefore the following:

New Opt-Outs	Old Opt-Outs
Natural Person(s)	• Natural Person(s)
Non-Consolidating	• Non-Consolidating
No Known Person	• No Known Person
Non-Public	• Binding Legal Constraint • Legal Obstacles • Disclosure Detrimental • Detriment Not Excluded • Consent not Obtained
No LEI	• No LEI

## **Discontinuing the PNI data collection**

Given the extended use of opt-outs in the reporting of Level 2 data, the ROC had earlier agreed with the GLEIS to conduct an extended “pilot” program of collecting information (metadata) on parents without LEIs and assigning these parent entities PNIs as identifiers to supplement the L2 data collection. This extended L2 information was strictly internal to the Global LEI System and was made available to ROC members only for evaluation purposes.

The ROC recently undertook an in-depth analysis of the usefulness of the PNI data for ROC members. The analysis showed that PNI data would roughly double the information on the parent(s) of the registrants available to regulators. However, the added value of continuing the PNI data collection would be outweighed by the cost to extensively clean the data to remove duplicates and to address other data quality issues. In light of that, **the ROC agreed to discontinue the PNI data collection.**

Rather the ROC recommends that all the efforts and resources that have been dedicated to the PNI data collection should be directed to improving the collection and validation of registrants’ LEI data on their parent(s) as a key component of the quality of the LEI data.