

A close-up photograph of a hand pointing towards the bottom left. The hand is in sharp focus, with the index finger extended. The background is a blurred office setting with blue and white tones. A dark blue trapezoidal graphic with an orange border is overlaid on the top left, containing white text.

REGULATORY UPDATE

About Legal Entity Identifier

LEGAL ENTITY IDENTIFIER (LEI) - CONCEPT, INTRODUCTION, BENEFITS & REGULATIONS

What is Legal Entity Identifier (LEI)?

The Legal Entity Identifier (LEI) is a global reference number that uniquely identifies every legal entity or structure that is party to a financial transaction, in any jurisdiction. It is a 20-digit unique code to identify parties to transaction worldwide. It provides basic information like name, address, and the type of the entity. It is used to locate entities on the global database and make it easier to conduct global business. It has become a legal requirement for many companies in global trade.

The Legal Entity Identifier (LEI) code is conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis.

How to obtain LEI?

In India, LEI is issued by Legal Entity Identifier India Limited (LEIL), wholly-owned subsidiary of Clearing Corporation of India (CCI), LEIL has been recognized by the Reserve Bank of India as an “Issuer” of Legal Entity Identifiers under the Payment and Settlement Systems Act 2007 (as amended in 2015).” LEIL has been accredited by the Global Legal Entity Identifier Foundation (GLEIF) as a Local Operation Unit (LOU) for issuance and management of LEI.

The LEI will be assigned on application from the legal entity and after due validation of data.

Why Legal Entity Identifier?

The LEI is an effective tool to enhance quality and accuracy of financial data systems and:

- Serve as a proof of identity for a financial entity world-wide;
- Help to abide by regulatory requirements;
- Facilitate transaction reporting to Trade Repositories

Introduction of LEI in India

1. The Reserve Bank of India vide its notification dated June 1, 2017 made LEI system **mandatory for all Over-the-Counter markets** for Rupee Interest Rate derivatives, foreign currency derivatives and credit derivatives in India, in a phased manner. Non-adherence of the said timelines for obtaining LEI makes the Entities ineligible for participating in the OTC derivative markets.

Schedule for Implementation of LEI for various entities:

Phase	Entities	Date by which the LEI code was to be obtained
Phase I	Entities regulated by RBI / SEBI / IRDA / PFRDA and Corporates With Net Worth above Rs 1000 crore	Aug 1, 2017
Phase II	Corporates With Net Worth between Rs 200 crore and Rs 1000 crore	Oct 1, 2017
Phase III	Corporates With Net Worth between Rs 70 crore and Rs 200 crore	Dec 1, 2017
Phase IV	Corporates With Net Worth between Rs 70 crore and below	Mar 31, 2018

2. The Apex Bank in a subsequent notification dated November 2, 2017 extended the applicability of LEI system to include larger corporate borrowers of all Scheduled Commercial Banks (excluding Regional Rural Banks), all financial institutes, local area banks, small finance banks. Accordingly, the Banks were directed to advise the large corporate borrowers having total exposures of 50 crores and above to obtain LEI as per the schedule given in the Annex. The Borrowers who do not obtain LEI as per the schedule are not to be granted renewal / enhancement of credit facilities.

A separate roadmap for borrowers having exposure between 5 crore and upto 50 crores is being considered additionally. It was also decided that's banks should encourage large borrowers to obtain LEI for their parent entity as well as all subsidiaries and associates.

Schedule for implementation of LEI for Large Corporate Borrowers:

Total Exposure to SCBs	To be completed by
1000 crore and above	Mar 31, 2018
Between 500 crore and 1000 crore	Jun 30, 2018
Between 100 crore and 500 crore	Mar 31, 2019
Between 50 crore and 100 crore	Dec 31, 2019

3. With the global acceptance of LEI and implementation of the mechanism in areas **other than derivatives markets**, LEI mechanism was being used in banking, securities market, credit rating, market supervision, etc. In the Statement on Developmental and Regulatory Policies, dated April 05, 2018, it was proposed to implement the LEI mechanism for all financial market transactions undertaken by non-individuals in interest rate, currency or credit markets regulated by RBI. The Directions were issued under section 45W, read with section 45U, of the Reserve Bank of India Act, 1934.

Schedule for Implementation of LEI in the Money market, G-sec market and Forex market:

Phase	Net Worth of Entities	Old deadline	Proposed deadline	Extended Proposed deadline
Phase I	Above Rs.1000 crores	April 30, 2019		December 31, 2019*
Phase II	Between Rs.200 crores and Rs 1000 crores	August 31, 2019		December 31, 2019*
Phase III	up to Rs.200 crores	March 31, 2020		September 30, 2020**

*Extended deadline was issued by RBI in **Notification FMRD.FMID.No.15/11.01.007/2018-19**, dated April 26, 2019

Extended deadline was issued by RBI in **Notification FMRD.FMID.No.24/11.01.007/2019-20, dated March 27, 2020

Conclusion

Legal Entity identifier will help banks and credit providers in monitoring the exposure of corporate borrowers. It will prevent banks from issuing multiple loans against the same collateral. Companies can order LEI from any Local Operating Unit or use the help of service providers such as Registration Agents.

In the world of information and data, Legal Entity Identifier mechanism has provided the much needed record of financial transactions over the globe. LEI has not only made a transactional repository possible but also had helped authorities to keep track of transaction. It caters to both the regulatory and analytical benefits.

For further details, please refer to following links:

1. <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10988&Mode=0>
2. https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11154
3. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT8365250BB4E43B466BBDCA941515498FBB.PDF>
4. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOT11770EA1DB41CD8A4567BBC6E71114F7E5BE.PDF>
5. <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOT185246CB2BC78DA4F7188740B5528CA73D2.PDF>

DISCLAIMER:

The information contained herein is based on the information issued by RBI from time to time regarding implementation of LEI in Indian marketplace. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.