

Legal Entity Identifier Code

Over the course of last two years, the Reserve Bank of India (RBI) vide various circulars has issued regulatory directives to introduce the Legal Entity Identifier (LEI) code as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. The concept of LEI is prevalent in many countries and is being mandated all over the world in a phased manner for ease of financial transactions domestically and internationally.

The Legal Entity Identifier (LEI) is a 20-digit alpha numeric code based on standard developed by the International Organization for Standardization (ISO), to identify parties to financial transactions worldwide. The LEI is assigned on application from the legal entity after due validation of data. Each LEI contains information about an entity's ownership structure. LEI has been created to enhance transparency in the global marketplace. RBI has authorized Legal Entity Identifier India Limited (LEIL) to issue the LEI to various participants.

LEI is applicable for 3 types of entities (participants):

1. Legal Entity Identifier for OTC derivative markets
2. Legal Entity Identifier for large corporate borrowers
3. Legal Entity Identifier Code for participation in non-derivative markets

The circulars used by RBI for registration of LEI by various participants are mentioned below:

1. **Circular no. RBI/2016-17/314 FMRD.FMID No.14/11.01.007/2016-17** dated 1st June 2017 requires all participants in the Over the Counter (OTC) markets for Rupee Interest Rate derivatives, foreign currency derivatives and credit derivatives to obtain LEI.
2. **Circular no. RBI/2017-18/82 DBR.No.BP.BC.92/21.04.048/2017-18** dated 2nd November 2017 requires the banks to make it mandatory for corporate borrowers having aggregate fund-based and non-fund based exposure of 5 crore and above from any bank to obtain Legal Entity Identifier (LEI) registration and capture the same in the Central Repository of Information on Large Credits (CRILC). Schedule for implementation of LEI under this circular for applicable participants is as follows:

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

3. **Circular no. RBI/2018-19/83 FMRD.FMID.No.10/11.01.007/2018-19** dated 29th November 2018 requires participants in non-derivative markets to also take LEI registration besides participants in derivatives market like Derivative deals and Forward deals.

In case of non-derivative forex transactions, LEI code would be required for transactions involving an amount equivalent to or exceeding USD one million or equivalent thereof in other currencies. All participants, other than individuals, undertaking transactions in the markets

regulated by RBI are mandated to obtain LEI. A non – exhaustive list of the transactions is mentioned below:

1. Buying/selling of government securities
2. Money markets products (markets for any instrument with a maturity of one year or less)
3. All derivative transactions including options, interest rate swaps, currency swaps, forward rate agreements
4. Forex trades (including forwards and transactions that settle on or before the spot date)
5. Non-derivative forex transactions involving an amount equivalent to or exceeding USD one million or equivalent thereof in other currencies.
6. Fund based and non-fund-based facilities.

Schedule for implementation of LEI under this circular for applicable participants is as follows:

Phase	Net Worth of Entities	Proposed deadline
Phase I	above INR 10000 million	April 30, 2019
Phase II	between INR 2000 million and INR 10000 million	August 31, 2019
Phase III	up to INR 2000 million	March 31, 2020

The link of the circulars are as follows:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10988&Mode=0>

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11154

https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=11424