

Introduction of Legal Entity Identifier for Cross-border Transactions

The **Legal Entity Identifier (LEI)** is a 20-digit number used to uniquely identify parties to financial transactions worldwide to improve the quality and accuracy of financial data systems. Global Legal Entity Identifier Foundation (GLEIF) handles the global database for LEI.

Global Legal Entity Identifier Foundation (GLEIF).

Established by the Financial Stability Board in June 2014, the Global Legal Entity Identifier Foundation (GLEIF) is tasked to support the implementation and use of the Legal Entity Identifier (LEI). GLEIF is a supra-national not-for-profit organization headquartered in Basel, Switzerland.

GLEIF makes available the Global LEI Index; i.e. the only global online source that provides open, standardized and high quality legal entity reference data. By doing so, GLEIF enables people and businesses to make smarter, less costly and more reliable decisions about who to do business with.

Important FAQs fro RBI website:

1. Should an Authorised Dealers (AD) bank obtain a valid LEI for transactions less than INR 50 crore even if the customer has not done any transaction of INR 50 crore or above on or after October 1, 2022?

Ans. An AD bank must record valid LEI for cross border transactions of INR b50 crore and more undertaken through it on or after October 01, 2022. Post this, the AD bank must report the valid LEI for all cross border transactions, irrespective of the value of the transactions. However, if the AD bank already has a valid LEI of the entity, it must report it for all transactions irrespective of whether the entity has undertaken a transaction of INR 50 crore or above through it.

2. Is it mandatory to obtain LEI in case of transactions to and from a non-resident's account with an AD bank in India?

Ans. Any debit from or credit to a non-resident's account in India as a result of a transaction with a resident will attract the provisions of Foreign Exchange Management Act, 1999 (FEMA) and hence, the provisions contained in the circular shall apply.

3. Does the responsibility to obtain LEI lie with an AD bank acting in the capacity of a correspondent bank?

Ans. The correspondent bank shall be responsible for the LEI of the non-resident counterpart.

4. Is there any specific field in the SWIFT message where LEI needs to be captured?

Ans. The circular does not prescribe any instructions with respect to SWIFT message formats.

5. In case of non-fund facilities such as Letter of Credit, guarantee, etc., should the LEI validation be done at the issuance stage itself?

Ans. In case of non-fund facilities, the AD banks need to ensure compliance with LEI requirements at the issuance stage itself.

MCQ for practice:

1. The headquarters for Global Legal Entity Identifier Foundation (GLEIF) is at__

- A. New York
- B. Basel
- C. Berlin
- D. Geneva
- E. Rome

2. What is the minimum transaction for which legal entity identifier is mandatory?

- A. 10 crore
- B. 15 Crore
- C. 20 Crore
- D. 25 Crore
- E. 50 crore

Ans

1-b, 2-e

