

## Large Entity Identifier (LEI)

### Background

LEI, a 20-digit unique code for identifying parties to financial transactions worldwide.

It is conceived as a key measure to improve risk management post the Global Financial Crisis.

LEI is issued by the [Global Legal Entity Identifier Foundation \(GLEIF\)](#) directly or via its accredited agency. [Legal Entity Identifier India Ltd \(LEIIL\)](#), a subsidiary of the Clearing Corporation of India Limited (CCIL) is such accredited agency which is also recognised by the Reserve Bank for this purpose.

LEI was implemented in India by RBI for OTC derivatives market in June 2017.

### Development

[RBI circular dated 2.11.2017](#) now implements it to all corporate borrowers with total exposures of 50 crore and above in a phased manner as follows:

Total Exposure to SCBs 1000 crore and above	To be completed by 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
Between ` 5 crore and ` 50 crore	To be announced

No renewal/ enhancement to borrowers not observing the above.

LEI to be obtained for parent entity and all subsidiaries and associates.

LEI to be captured in the Central Repository of Information on Large Credits (CRILC) maintained by RBI.

### Observations & Comments

LEIs create value in two ways:

1. Reducing transactional and operational friction in the identification of transaction counterparties.
2. Making important information about the background of a legal entity in a particular transaction more accessible and traceable.

These benefits reduce the time spent on identifying counterparties and improve the reliability of information.

Thus, besides being a regulatory requirement, LEI would be a great measure in credit dispensation.

To know more about LEI, please see attached a recent McKinsey Report.

[www.banklaw.in](http://www.banklaw.in)

Note dated- 2.11.2017