





STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

*To kindle interest in economic affairs...
To empower the student community...*

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Student's corner
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MARCH 2018

Theme 316

“LEGAL ENTITY IDENTIFIER”

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Theme No: 316: **“Legal Entity Identifier”**

A well informed customer will make the policy makers as well as organizations which produce goods and render services more responsive to the customer needs. This will also result in healthy competition among organizations and improve the quality of its products.

The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly meeting of the “Forum”. This month the topic for discussion is “Legal Entity Identifier”

1. What do you mean by LEI (Legal Entity Identifier) code and why is it required?

The (LEI) is a global reference number (a 20-character unique identity code) that identifies every legal entity or structure that is party to a financial transaction, in any jurisdiction. The Global LEI System (GLEIS) has been set up by regulatory authorities post global financial crisis to address the quality and accuracy of financial data systems for better risk management. It is required for the following purpose:

- a) A proof of identity for a financial entity.
- b) To abide by regulatory requirements.
- c) Facilitate transaction reporting to Trade Repositories.
- d) To improve the monitoring of systemic risk and support more cost-effective compliance with regulatory reporting requirements.

2. Who will provide LEI code and to whom is it applicable?

In India LEI code to be obtained from Legal Entity Identifier India Ltd (LEIL) a subsidiary of Clearing Corporation of India, which has been recognized by RBI under the Payment and Settlement Systems Act, 2007. The LEIL is accredited by the GLEIF (Global Legal Entity Identifier Foundation) as a Local Operation Unit (LOU) for issuance and management of LEI in India.

An entity registered in India needs to apply for LEI code from time to time. The entities eligible to apply for LEI codes are Sole Proprietorships, Limited Liability Partnerships, Partnership Firms, Trusts, Private Limited Companies, Public Limited Companies, Government Companies, One Person Company, Insurance Companies, Housing Finance Companies, Non-Banking Finance Companies, Nonprofit companies, Special Purpose Vehicles – Trusts, Special Purpose Vehicles – Companies,

SPV - Partnership Firms, SPV – Co-operative Societies or Multistate Co-operative Societies Mutual Fund, Mutual Funds-Sub Scheme, Alternative Investment Fund (AIF), AIF- Sub Scheme, Nationalized Banks, Scheduled Urban Cooperative Bank, Banking Companies – Others, Stand Alone Primary Dealers, Public Financial Institutions, Unlimited Companies, Cooperative Societies or Multistate Cooperative Societies, Government Organizations, Companies Limited by Guarantee etc. Other entities as specified from time to time.

Natural persons are not required to have LEI code.

3. Who is an authorized person to apply for the LEI?

Authorized persons include:

- a) Main user or primary user who is submitting the online application form for issuance of LEI code.
- b) Authorized user – Name and email id of authorized officials named in the LEI code online application form.
- c) Secondary user – Name and email id of Secondary authorized officials named in the LEI code online application form.

A duly authorized person

- 1. For companies, is the one authorized by the Board Resolution.
- 2. For Trusts, is the one authorized by the Board of Trustees Resolution.
- 3. For Societies, is the one authorized by the Resolution of the Committee of Members.
- 4. For sole proprietorship concerns, is the proprietor himself or a duly authorized person appointed through a power of attorney.
- 5. For partnership firms and limited liability partnerships, is the partner themselves or an authorized person appointed through a power of attorney.

4. What is the time frame for implementing the LEI code in different entity?

Time Frame for implementation of LEI code by the participants of the OTC derivative.

Sl No.	Entities	Date by which the LEI code is to be obtained
1	Entities regulated by RBI / SEBI / IRDA / PFRDA and Corporates With Net Worth above ₹ 1000 Crore (₹ 10000 million)	August 1, 2017
2	Corporates With Net Worth between Rs 200 Crore (₹ 2000 million) and ₹ 1000 Crore (₹ 10000 million)	October 1, 2017
3	Corporates With Net Worth between Rs 70 Crore (₹ 700 mn) and ₹ 200 Crore (₹ 2000 million)	December 1, 2017
4	Corporates With Net Worth between ₹ 70 Crore (₹ 700 million) and below	March 31, 2018

Time frame stipulated by RBI for corporates enjoying credit facility with Scheduled Commercial Banks.

- i) Corporates having exposure totaling ₹ 1,000 crore and above to scheduled commercial banks (SCBs) are required to obtain LEI by March 31, 2018.
- ii) Corporates having exposure of between ₹ 500 crore and ₹ 1,000 crore, and between ₹ 100 crore and ₹ 500 crore to SCBs are required to obtain LEI by June 30, 2018, and March 31, 2019, respectively.
- iii) Corporates having exposure of between ₹ 50 crore and ₹ 100 crore to SCBs are required to obtain LEI by December 31, 2019.

Roadmap for borrower having exposure between ₹ 5 crore and up to ₹ 50 crore will be issued in due course.

All borrowers having aggregate fund-based and non-fund based exposure of ₹ 5 crore and above from any bank are required to obtain LEI registration and bank to capture the same in the Central Repository of Information on Large Credits (CRILC) for better monitoring of the financial profile of an entity/group.

5. How the exposure is determined for the corporate borrower?

The credit exposure comprises of all types of fund and non-fund based limits with all banks (which is not limited to loans, cash credit facility, Bank Guarantee, letter of credit but include Commercial paper / corporate bonds outstanding, forex / derivatives exposure limits). Exposure includes credit exposure (fund based and non-fund based credit limit) and investment exposure (including underwriting). The sanctioned limits, or outstanding, whichever is higher, shall be reckoned for arriving at the exposure limit.

6. What are the documents required to be submitted to Local Operation Unit (LOU) for processing the LEI applications?

The legal entity has to submit the following documents:-

- a) Certificate of Incorporation/Registration Certificate
- b) PAN Card proof
- c) Undertaking –cum-Indemnity
- d) Audited Financial Statements
- e) Board Resolution.
- f) Power of Attorney.
- g) Statutory Auditor's Certificate.

7. What is the validity period of an LEI Code?

LEI code is valid for a term of one year after assignment or renewal. It shall be the duty of the entity to apply for renewal of LEI code before expiry of the validity. The status of LEI code will change to 'LAPSED' on the expiry of the validity date.

8. In case of change in Constitution or Merger & Acquisition whether a new LEI code has to be applied.

In case of formation of a new legal entity due to new incorporation, merger or

amalgamation or any other form of corporate restructuring, a new LEI code is to be applied. Legal entities surviving as a result of merger, acquisition, amalgamation, split or demerger will be required to have an LEI code or shall continue using their existing LEIs code. In case of a change in the legal form of entity, it has to be taken up with LEIL along with the requisite document and the newly formed legal entity will have to request for a new LEI code.

9. In case of change in place of headquarters, whether a new LEI code is required?

No. An issued LEI code is valid even if the entity moves into the area of responsibility of a different issuing agency as long as the legal entity remains the same.

10. Briefly explain the LEI application in case of Sub-Schemes of Mutual Fund.

Each scheme of Mutual Fund has to apply for LEI code. When applying for a sub-scheme under an umbrella, the legal entity name is to be submitted in the following manner: Mutual Fund – Scheme Name.

For example, ABC Capital Protection Fund Series 200 of ABC Mutual Fund, the Mutual Fund Scheme is to be entered as “ABC Mutual Fund – Capital Protection Fund Series 200”. Business registration name and Business registration ID for scheme should be same as that Mutual Fund itself.

11. How to verify the registration status of LEI code?

The following types of registration status are noticed.

- a) PENDING: An application is being processed and validated.
- b) ISSUED: A unique LEI code has been issued to applicant entity.
- c) LAPSED: An LEI registration that has not been renewed.
- d) MERGED: An LEI registration for an entity that has been merged into another legal entity such that this legal entity no longer exists as an operating entity.
- e) RETIRED: A company that held the LEI code no longer exist.
- f) TRANSFERRED: An LEI registration that has been transferred to a different LOU (Local Operation Unit) as the managing LOU.
- g) PENDING_TRANSFER: An LEI registration that has been requested to be transferred to another LOU.
- h) PENDING_ARCHIVAL: It serves to inform recipients of LOU-provided data files that an LEI record will be removed from that LOU’s published file after the transfer is complete.

12. What is the charge for registering an LEI code?

The LEI issuance fee is ₹ 7000 plus GST, i.e., ₹ 8260. The annual fee for maintenance and renewal is ₹ 3,650 plus GST, i.e., ₹ 4,307.



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