

**De Jure**  
January 21, 2022

# RBI Mandate: LEI for High Value Transaction





*LEI is G20 endorsed, globally verifiable unique identity code.*

*LEI has far reaching benefits - increasing transparency, identifying transacting parties worldwide, KYC processes, onboarding clients, prevention of money laundering.*

After the global financial crisis between the years 2007 and 2009, leaders operating through the G-20 and Financial Stability Board (FSB) agreed to develop a solution to establish a global entity identification system, in order to quickly and accurately assess the financial risk exposures of the transacting entities worldwide. The coordinated efforts led to introduction of Legal Entity Identifier (LEI) System and obtaining LEI Code (a unique 20 digit code) by the transacting entities worldwide.

LEI allows each entity to be identified on a global database of entities searchable by number, as many entities may have similar or the same name.

---

Many countries like United States, United Kingdom, Canada and Australia have mandated obtaining LEI in order to transact in financial markets activities (like securities trading, borrowing, or derivatives).

In India, the Reserve Bank of India (**RBI**) introduced LEI first through a circular issued in June 2017 for participants in Over the Counter (**OTC**) derivatives markets. In November 2017, the RBI extended LEI for large corporate borrowers. In November 2018, the RBI further extended LEI for non-derivative markets. In June 2020, the Insurance Regulatory and Development Authority of India issued a circular for insurers to obtain LEI. In January 2021, the RBI introduced LEI for large value transactions. Now recently, in December 2021, to further harness the benefit of LEI, the RBI has mandated the requirement of obtaining LEI for high value cross border transactions.

---

---

This article briefly focuses on the LEI requirement for cross border transactions.

As a result of the recently announced guidelines by the RBI, the resident entities (non-individuals) undertaking any capital or current account transactions of Rs.50 crores and above (each transaction) under the Foreign Exchange Management Act, 1999 shall be required to obtain the LEI.

With regard to non-resident counterparts/overseas entities, while many countries already have the LEI requirement in place, the RBI has not specifically mandated the non-resident entities to obtain the LEI. In some cases, the Authorised Dealer may insist the non-resident entities to furnish the LEI, which requirement may then be waived by the Authorized Dealer on case-to-case basis.

Although the requirement to obtain the LEI shall come into effect from October 1, 2022, the RBI also said that banks may encourage concerned entities to voluntarily furnish LEI while undertaking transactions before October 1, 2022. The RBI has also clarified that once an entity has obtained an LEI, it must be reported in all transactions of that entity, irrespective of transaction size.

Considering the new guidelines of the RBI, obtaining LEI will now become an additional requirement in domestic and cross border transaction with the underlying value of Rs.50 crores and above. Accordingly, suitable confirmations will have to be sought from the transacting parties (both resident and non-resident entities) for such transactions, on whether or not they



---

have the LEI. Also, provisions will have to be made in the definitive agreements entered between them for cross border transactions (including inbound and outbound investments), which may attract the mandated, optional or case-to-case requirement of obtaining the LEI. Suitable confirmations and provisions can be made in the definitive agreements, in consultation with the Authorised Dealers of the transacting party.

**CONTRIBUTED BY:**

**Amish Shroff, Partner:** [amish@rajaniassociates.net](mailto:amish@rajaniassociates.net)

**Ruchi Sethna, Associate:** [rsethna@rajaniassociates.net](mailto:rsethna@rajaniassociates.net)

**DISCLAIMER:**

This Article is meant for information purposes only and does not constitute any legal advice by Rajani Associates or by the authors to the article. The contents of the Article cannot be intended to be comprehensive legal advice and would require re-evaluation based on the facts and circumstances. We cannot assume any legal liability for any errors or omissions. Should you have any queries on any aspect contained in this article, you may contact the author by way of an e-mail or write to us at [editorial@rajaniassociates.net](mailto:editorial@rajaniassociates.net)

---

---

## AREAS OF PRACTICE

| Capital Markets | Private Equity | Mergers and Acquisitions | Corporate Litigation & Arbitration | Projects & Project Finance |  
| Real Estate & Trust | Corporate & Commercial | Banking & Finance | Structuring | TMT | IPR | Employment

---

## DISCLAIMER

This update only contains a summary/ limited description of the topic dealt with hereinabove for general information purposes and should not be construed as a legal opinion or be relied upon in absence of specific legal advice. For further information or legal advice please feel free to contact us.

---

## Contact US



### Rajani Associates

simple solutions

**Address:** Krishna Chambers  
59 New Marine Lines  
Churchgate  
Mumbai 400020  
Maharashtra, India  
**Telephone:** (+91-22) 40961000  
**Facsimile:** (+91-22) 40961010  
**Email:** [dejure@rajaniassociates.net](mailto:dejure@rajaniassociates.net)  
**Website:** [www.rajaniassociates.net](http://www.rajaniassociates.net)

---