

Banker and Debt Manager to Government

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## FREQUENTLY ASKED QUESTIONS

Date : Feb 07, 2023

### Introduction of Legal Entity Identifier for Cross-border Transactions

{guidelines issued vide A.P. (DIR Series) Circular No. 20 dated December 10, 2021}

**1.** Should an 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 50 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 and validate the LEI of the non-resident counterparty as well? Does the stipulation of reporting LEI for all transactions of an entity, irrespective of transaction size, once the entity has obtained an LEI number apply for non-residents as well?

**Ans.** As regards the non-resident counterparty/ overseas entities, AD bank may be guided by the instructions contained in paragraph 2 of the circular.

**3.** 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.

**4.** 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. However, in this regard it may be guided by the instructions contained in paragraph 2 of the circular.

**5.** 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.

**6.** For transactions involving three parties (e.g., merchanting trade transactions), the AD bank has to obtain LEI for which party/ parties?

**Ans.** Each leg of remittance would have only two parties and hence, the AD bank should obtain the LEI accordingly as per the circular.

**7.** 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.