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LEGAL ENTITY IDENTIFIER (LEI) CODE NOW MANDATORY FOR LISTED DEBT SECURITIES

19 May 2023 [Facts and Background](#)

The Securities and Exchange Board of India (SEBI) *vide* its circular bearing reference no. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2023/64 dated 3 May 2023 (Circular) has introduced obtention of 'Legal Entity Identifier' code (LEI) for entities who have issued or propose to issue listed debt securities, in a phased manner and effective immediately. LEI is a 20 (twenty) character, globally recognized identification code provided for legal entities participating in financial transactions, which creates a unique reference system that helps identify legal entities on a globally accessible database.

Obtaining and reporting platforms: Entities can obtain the LEI code from any of the 'Local Operating Units' accredited by the Global Legal Entity Identifier Foundation (GLEIF). In India, the Reserve Bank of India (RBI) has recognized Legal Entity Identifier India Limited as an issuer of LEI codes under the Payment and Settlement Systems Act, 2007. Further, issuers are required to report their LEI code in the centralized database of corporate bonds maintained by the depositories.

Instruments covered: The Circular applies to the issuers with outstanding listed non-convertible securities, securitized debt instruments and security receipts as of 31 August 2023 as well as issuers who intend to issue and list non-convertible securities, securitized debt instruments, and security receipts on or after 1 September 2023. Although no LEI requirement is specified for municipal debt securities under the Circular, it states that LEI requirements in respect of such securities shall be rolled out in due course.

Date of applicability: The Circular prescribes that issuer with outstanding listed non-convertible securities, securitized debt instruments and security receipts as of 31 August 2023, to obtain and report their LEI code in the centralized database of corporate bonds by 1 September 2023. Further, the regulator has also mandated under the Circular that issuers who intend to issue and list non-convertible securities, securitized debt instruments and security receipts on or after 1 September 2023, must report their LEI code in the centralized database of corporate bonds at the time of allotment of the International Securities Identification Numbers (ISIN(s)).

Responsibility of the depositories: Lastly, SEBI has entrusted the depositories with the responsibility of mapping the LEI codes to the existing ISINs by 30 September 2023, as well as for future issuances at the time of activation of the ISIN.

Summary of timelines: The present framework for the LEI in case of issuers of non-convertible securities, securitised debt instruments and security receipts are summarised as below:

Sr. No.	Nature of instrument	Category of issuer	Timeline for obtaining LEI by the issuers	Timeline for mapping the LEI with ISINs by depositories
1.	Non-convertible Securities	Issuer proposing to issue and list non-convertible securities	On or after 1 September 2023	At the time of activation of ISIN
		Issuer having outstanding listed non-convertible securities as on 31 August 2023	On or before 1 September 2023	On or before 30 September 2023
2.	Securitised Debt Instruments or Security Receipts	Issuer proposing to issue and list securitised debt instruments or security receipts	On or after 1 September 2023	At the time of activation of ISIN
		Issuer having outstanding securitised debt instruments or security receipts as on 31 August 2023	On or before 1 September 2023	On or before 30 September 2023

Comments:

Previously, the RBI required non-individual borrowers with an aggregate exposure above INR 25,00,00,000 (Indian Rupees Twenty Five Crores) to obtain an LEI code. Hence the concept of LEI is not foreign under the Indian financial framework. The Circular has broadened the inclusivity of entities which would need to mandatorily obtain an LEI code. While this creates further obligations/compliance mandate on the issuers of listed debt securities, it also confers certain benefits on a company intending to promote its visibility in the financial market. It serves as an official confirmation of the company's legitimate existence and its adherence to the regulations governing LEI across the globe. Being a 'Group of 20' (G20) endorsed, globally verifiable unique identity code, LEI provides the desired international recognition and trading credibility to debt listed entities resulting in an added layer of security for investors, customers, and other potential stakeholders. Finally, the LEI can be incorporated into digital certificates, further boosting the company's reputation for reliability and trustworthiness. Overall, the LEI can elevate a company's standing, streamline its operations, and foster transparency and accountability within the financial industry.

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