

AGENDA

TIME	PROGRAM
4:00 - 4:05PM (5 mins)	Opening Remarks <ul style="list-style-type: none">Mr. Satoru Yamadera, Advisor (ERCD), Asian Development Bank
4:05 – 4:25PM (20 mins)	Session 1: LEI implementation plan by the Reserve Bank of India (RBI) <ul style="list-style-type: none">Mr. P. Vasudevan, Chief General Manager, Reserve Bank of India
4:25 – 4:45PM (20 mins)	Session 2: Indian industry's perspective on the LEI <ul style="list-style-type: none">Mr. Arun K Pandey, Senior Vice President, Derivatives, The Clearing Corporation of India Ltd (CCIL)
4:45 – 4:55PM (10 mins)	Question & Answer Session
4:55 – 5:00PM (5 mins)	Closing Remarks <ul style="list-style-type: none">Mr. Satoru Yamadera, Advisor (ERCD), Asian Development Bank



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Joint Asia Webinar Series on

Legal Entity Identifier (LEI) Part 4 - Introduction of LEI in India

Virtual Event via Zoom

2 July 2021, Friday

4:00PM Manila Time / 1:30PM India Time



The fourth webinar in the series will discuss LEI implementation plan by the Reserve Bank of India (RBI) and Indian Industry's perspective on the LEI

The Reserve Bank of India (RBI) recently introduced an LEI requirement in large-value payments. Starting 1 April 2021, all entities doing payment transactions of value INR 500 million (approximately USD 6.7 million) and above for Real-Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) are identified with the LEI. All such payment transactions should include the remitter and beneficiary LEI information. This implementation complements regulations already in place that introduced the LEI for OTC derivatives market participants, corporate borrowers, and non-derivative market participants. RBI will provide further details on the Reserve Bank of India's strategy for LEI expansion. In addition, RBI has a plan to roll out LEI extensively in various regulatory reporting, including lending and borrowing information. RBI will share its program and explain its roll-out plan

The Clearing Corporation of India Ltd (CCIL) will share the Indian Industry's perspective on the LEI in private sector use case.



SPEAKER'S PROFILE



P. VASUDEVAN
Chief General Manager
Reserve Bank of India (RBI)

Vasudevan heads the payments and settlement systems function in RBI. This involves framing policies, regulating, supervising, facilitating innovation and playing a catalytic role in the payments space, encompassing many bank and non-bank payment system operators; and includes handling fintech-related activities in RBI. He has headed and successfully implemented many large payment system projects in RBI.

Vasudevan represents the RBI on the CPMI, the SAARC Payments Council and the SEACEN Payments Group. He is also the Vice-Chair of the Legal Entity Identifier Regulatory Oversight Committee.

Apart from payment systems, he has extensive experience in the banking and non-banking supervision space, apart from a satisfying time as a member-of-faculty training commercial bankers.

A career central banker with 28 years of experience, he is a cost and management accountant with masters in finance and certifications in information systems audit and information security management. He is also an alumnus of the Wharton School.



ARUN K. PANDEY
Senior Vice President
The Clearing Corporation of India Limited

Senior Vice President
THE CLEARING CORPORATION OF INDIA LIMITED
Jun 2016 - Present

Heading the Derivative functions at Clearing Corporation of India Limited (CCIL), a Central Counterparty for OTC Derivatives in India. It includes a Trading platform on which IRS trades are concluded and Trade Repository operations of CCIL wherein all OTC derivative trades are reported.

Also head the Local Operating Unit (LOU) operations of LEIL, a wholly owned subsidiary of CCIL. It is a GLEIF accredited LOU for issuing globally compatible Legal Entity Identifier (LEI).

- State Bank of India, 20 yrs (1995 to 2016)
- Worked in Treasury, Risk, Credit & Retail Banking at various locations in India and abroad
- RESERVE BANK OF INDIA, 1994 to 1995
- ORIENTAL BANK OF INDIA, 1994 to 1995
- Qualifications: CFA, FRM, CQF



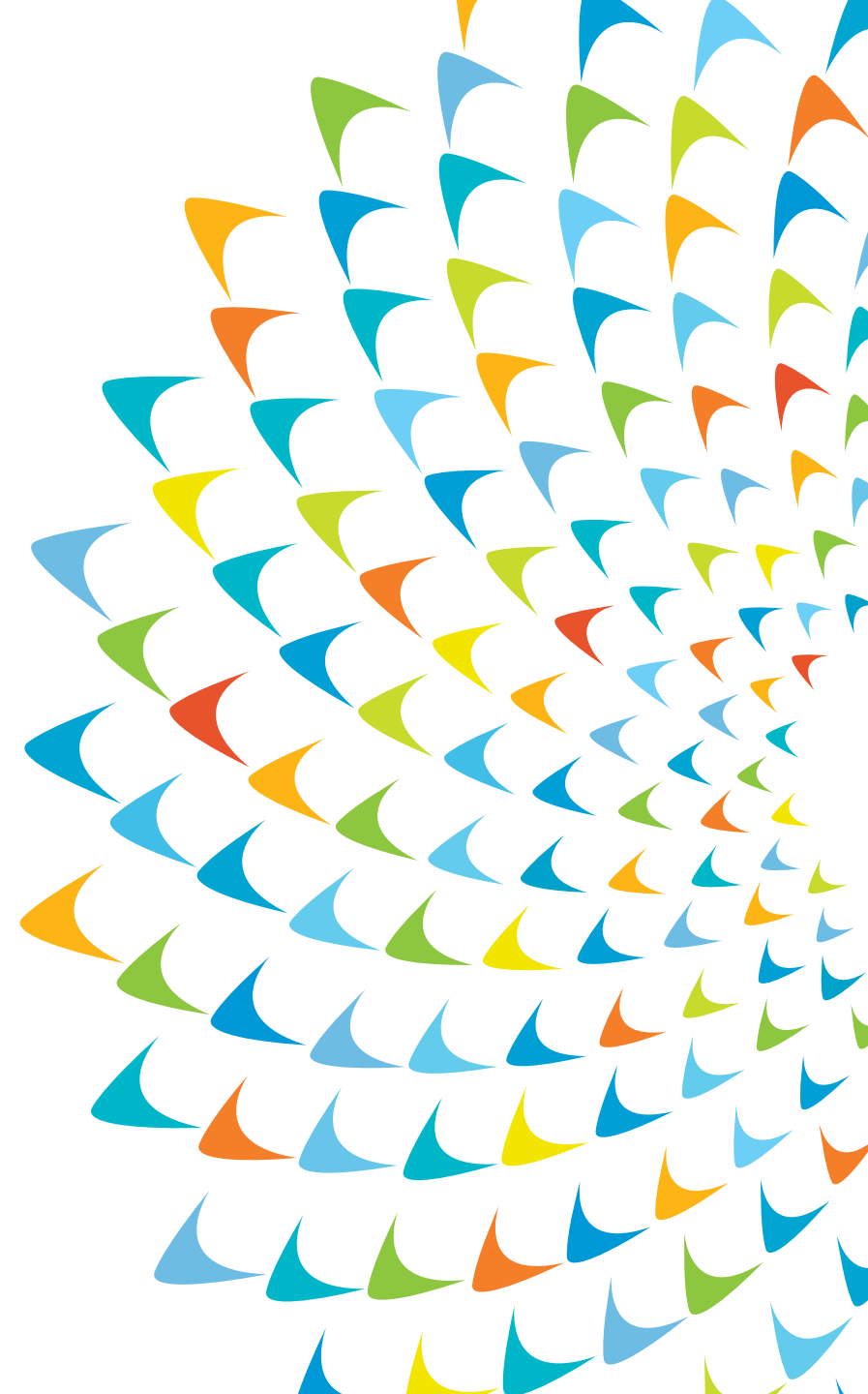
LEI

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SESSION 1

MR. P. VASUDEVAN

Chief General Manager
Reserve Bank of India (RBI)





Legal Entity Identifier in India

P. Vasudevan
Chief General Manager
Department of Payment and Settlement Systems
Reserve Bank of India

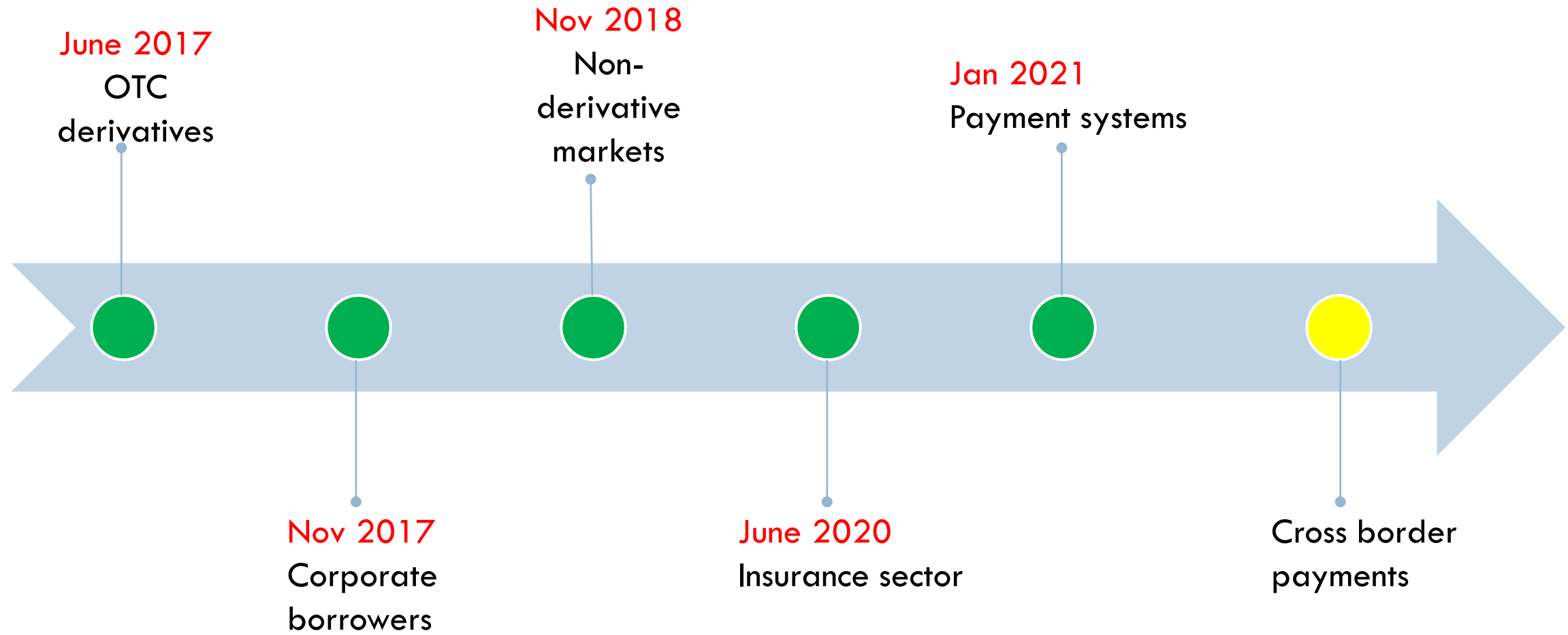


Background

- ❑ Global financial crisis of 2008 and Lehman collapse
- ❑ Concept of LEI
 - ❑ A 20 digit alphanumeric code based on ISO 17442 standard – uniquely identifies legally distinct entities across the globe that engage in financial transactions
- ❑ Governance structure
 - ❑ GLEIS (Global Legal Entity Identifier System)
 - ❑ GLEIF – Supports implementation and use of LEI; overseen by ROC
 - ❑ **ROC (The Regulatory Oversight Committee)**



Implementation in India





LEI in cross-border payments

- ❑ RBI's Payment Systems Vision 2019-21
 - ❑ Increasing LEI usage for large value cross-border payments

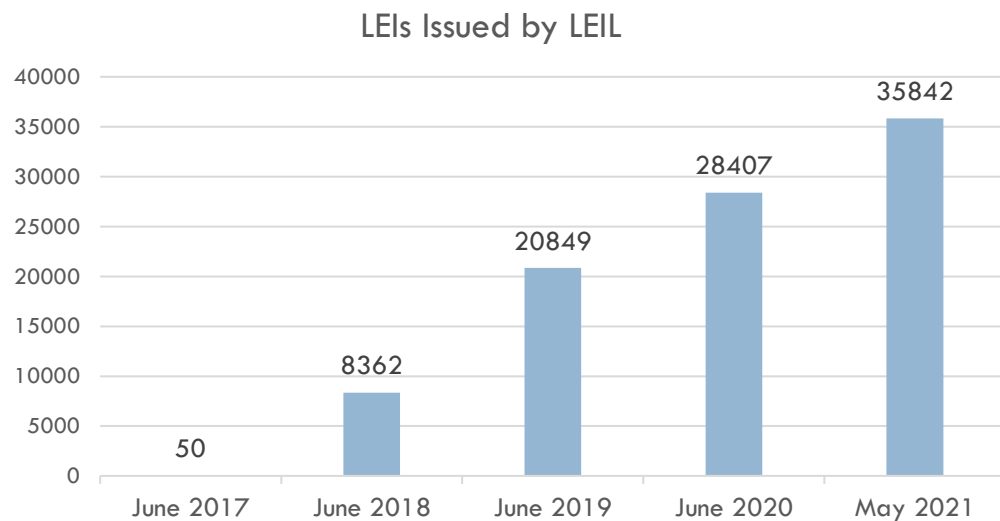
- ❑ CPMI Report on Enhancing Cross-border Payments
 - ❑ Focus Area D
 - ❑ Building Block 16



Usage of LEI in RBI

- Analysis of LEI data
 - ▣ Recognition of top market participants (banks and clients) in OTC derivatives market
 - ▣ Exposure of the top market participants to various counterparties
 - ▣ Product-wise analysis
 - ▣ Industry-wise analysis
 - ▣ Analysis of market participants having large exposure to group companies
- LEI in the Central Repository of Information on Large Credits (CRILC) reporting system

Statistics



May 2021

- Total LEIs issued to Indian entities = 54,314
- Total LEIs issued by LEIL = 35,842
- Fully corroborated Level 1 data = 93.42%
- Fully corroborated Level 2 data = 99.37%



Challenges remain...

- ❑ Sudden spurt in applications puts strain on the system
 - ❑ Poor quality data check
- ❑ Resistance by entities in sharing data
 - ❑ Exceptions (like legal obstacles) are misused by entities
 - ❑ Detrimental to overall objective of group linkage
- ❑ Multiple identifiers still prevalent
- ❑ Not all Group Companies have applied
 - ❑ Group tree for exposure monitoring not complete
- ❑ Entities are not adopting LEI voluntarily
 - ❑ Considering burdensome
 - ❑ Not realising the benefits
- ❑ Lapsed LEIs



Thank You !



Way Forward...

- ❑ Co-ordinated approach would help wider adoption of LEI
 - ❑ If not done entities may shift their activities to other venues to take advantage of regulatory arbitrage
- ❑ FSDC set-up
 - ❑ IRTG ensures coordination and consultative processes among regulators
- ❑ SEBI also issued guidelines
 - ❑ all eligible Foreign Entities required to provide their LEI to all recognised stock exchanges and clearing houses for trading in commodity derivatives
 - ❑ Exploring usage for equity market and mutual funds
- ❑ Identify group level exposure of entities under all regulated markets
- ❑ Use LEI in Public Credit Registry (PCR)

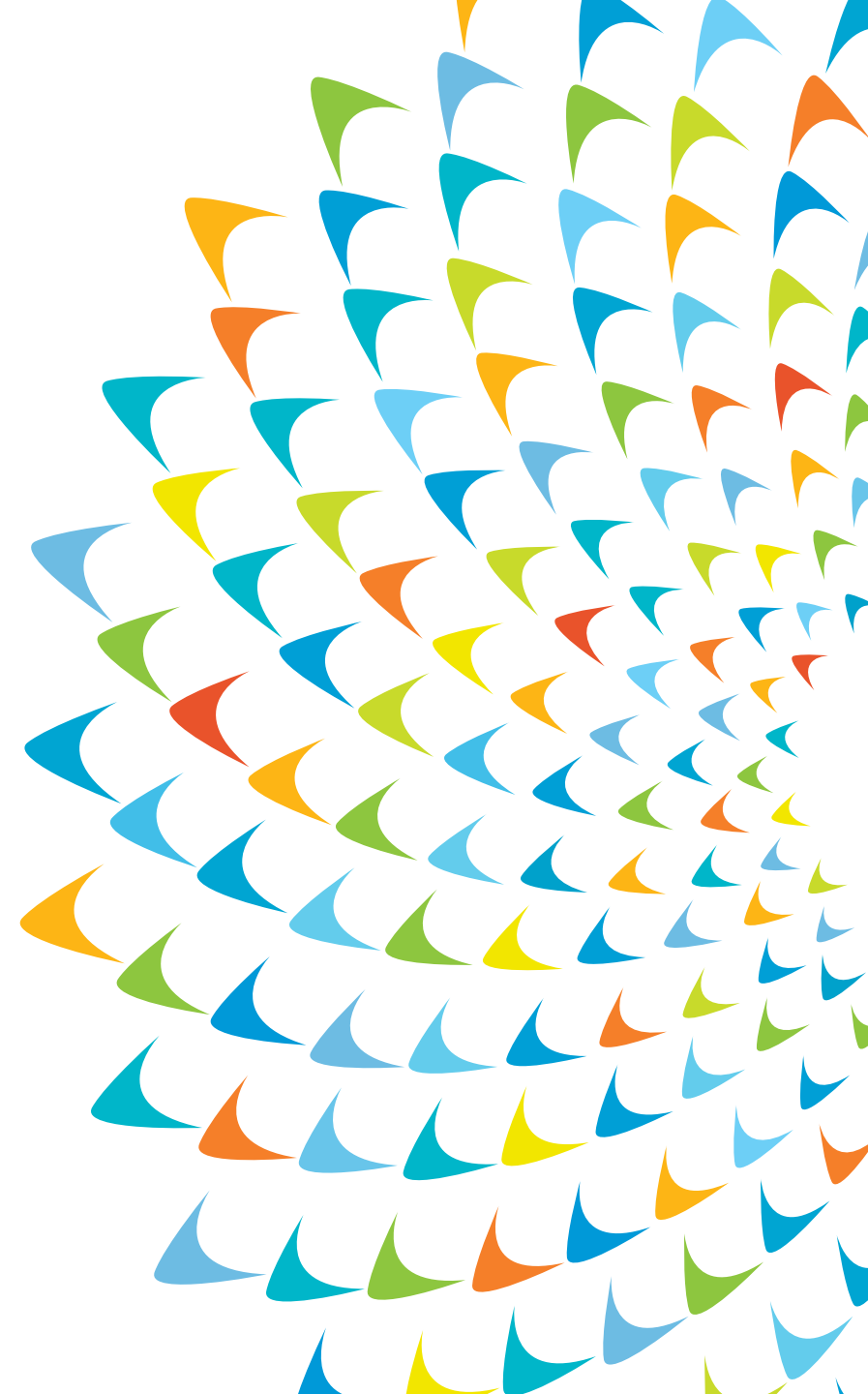


SESSION 2

MR. ARUN K. PANDEY

Senior Vice President

The Clearing Corporation of India Limited (CCIL)



LEGAL ENTITY IDENTIFIER

The Indian Industry's Perspective on the LEI

Presented By: Legal Entity Identifier India Limited (LEIL)

Date: 02-July-2021



Contact: lei@ccilindia.co.in



Legal Entity Identifier India Ltd. (LEIL)

- Legal Entity Identifier India Ltd.(LEIL) is a Local Operating Unit (LOU) operating in India since 2015.
- LEIL is a wholly owned subsidiary of CCIL- a QCCP which offers clearing and settlement in Government Securities, Money Market , Forex and Derivative instruments
- LEIL has been recognized by the Reserve Bank of India as an “Issuer” of LEIs under the Payment and Settlement Systems Act 2007 (as amended in 2015).”
- LEIL is one of the first three LOUs globally to get the accreditation by GLEIF in 2016 to act as a Local Operation Unit (LOU) for issuance and management of LEI's.
- LEIL manages LEI of entities who are incorporated in India
- LEIL has issued more than 36,000 LEIs till date.

Legal Entity Identifier (LEI) in India – Regulatory Mandates

Globally, growth of LEI so far has been driven primarily by the regulatory mandates .

In India, RBI has mandated LEI for four broad categories:

- OTC Derivatives
 - Credit
 - Non Derivatives OTC products-
 - G-Sec,
 - Money Markets,
 - FX Cash/Tom/Spot(for amount equivalent to or exceeding 1 USD Million or equivalent)
 - Payment transactions
-
- IRDAI has mandated LEIs for Insurers and their corporate borrowers to obtain LEI Number

LEIL's role in promoting LEI in India

LEIL's efforts in helping Indian Industry comply with the regulatory mandate

- Regulatory requirements are displayed at LEIL's website along with FAQ and helpline to resolve queries
- As per the regulatory mandate:
 - Banks are required to undertake transactions with the clients having valid LEI numbers in the specific instruments covered under the mandate
 - The LEIs must be renewed annually

LEIL has made the process of obtaining LEI completely online and transparent

❑ LEIs can be obtained through LEIL in 3 easy steps:

- ✓ Download list of documents from LEIL website (<https://www.ccilindia-lei.co.in>)
- ✓ Fill an online application form by providing information of entity and its direct and ultimate parent
- ✓ Upload documents and payment online
- ✓ LEI is issued /renewed

LEIL's role in facilitating Indian Industry comply with the Regulatory Mandates

- Existence of numerous forms of legal forms with varied degrees of sophistication necessitates an LOU which understands the Indian market thoroughly.
- LEIL brings Indian perspective to the LEI management:
 - LEIL is regulated by RBI - designated as Issuer of LEI by RBI under PSS Act
 - Good understanding of the local laws/ accounting standards / regulatory directions to provide full clarity
 - 7 years of experience in issuance/renewal of LEIL
 - Quick LEI issuance/Renewal at competitive rate in local currency INR
 - Personalised support in English and local languages
 - Handholding to small entities such as proprietors/partnerships firms
 - Reminders for timely renewal of LEI
 - Parent being a CCP - Seamless linkages with the Banks/Financial Institutions
 - Excellent data quality records
- This all makes the experience of LEI issuance /renewal hassle free for Indian Industry

How Indian Industry can get the benefits of LEI

➤ Increased usage of LEI in different applications and processes is expected to bring operational efficiencies such as:

- Lower KYC / AML processing time
- Reduced volume of transactions failure
- Lowering data reconciliation, clearing and aggregation costs
- Reducing regulatory reporting costs
- Improved risk management

These efficiencies will be reflected in the reduced cost and time of services to the Industry

➤ Use of LEI in digital transactions

- Widespread use of LEI is expected to provide long term benefits to the industry by clearly identifying their counterparties and customers
- Improved counterparty risk management
- Ability of LEIs to simplify entity identification in digital age has the potential to unlock substantially more quantifiable role
- ICC forecasts that data standardization by the use of LEI can reduce risk in the realm of digital import export trade financing, opening door for an entirely new world of digitalized global commerce.

How Indian Financial Industry can derive the benefits of LEI

- The primary benefit of the LEI system comes from its KYC applications. The ability to identify and aggregate all the existing and potential clients inside corporate systems that brings big benefits to corporations, banks and investment companies.
- Widespread use of LEI can reduce the key pain points in relation to counterparty identification during client onboarding and lifecycle management such as :
 - manual linking of entity data from disparate internal and external sources
 - difficulties in assessing entities' legal ownership structure
- Use of LEI in these processes at the time of onboarding can help in resolving many challenges - net effect being expedited counterparty identification and verification processes.
- widespread LEI usage can lead to improved client retention and a better customer experience due to streamlined processes
- Research conducted by McKinsey on behalf of the GLEIF has concluded that wider use of LEIs across the global banking sector could lead to substantial productivity improvements
- In the white paper released by McKinsey & Co. and the GLEIF, use of LEI as a new data field has been illustrated.
- LEI could be standardized across all the systems for all stages of the commercial credit lifecycle ,viz. Origination, Underwriting, Administration and Portfolio management for facilitating the automation and digitization of processes.

Commercial Credit lifecycle

Origination

- ✓ Identification of potential customers using ownership group structure
- ✓ Pre-rating of client and initial limits for product
- ✓ Reduces manual checks and errors

Underwriting

- ✓ Entity History
- ✓ Risk Analysis
- ✓ Credit Approval

Administration

LEI (unique identifier)
useful during AML
checks

Portfolio management

After loan issued,
✓ Review of account
using internal and
external data
✓ Ease in data
reconciliation

How Indian SMEs can maximize the benefits of LEI

Companies around the world are increasingly using the LEI for trading partner validation, risk mitigation, and other benefits in import-export trade.

Global market place Identification :

World has evolved to become highly interconnected. LEI can provide a global identification to SMEs

As per The World Trade Organization report, factors including e-commerce platforms and leveled operating fields have made small and medium-sized enterprises access to a wider customer reach. Approximately 97 percent of internet-based businesses export their products and merchandise. Since most operations are done virtually, trust has become a key component in conducting financial transactions. LEIs have helped SMEs to appropriately identify their trading partners.

Finance requirements

Fulfilling the finance requirements through transparency and trust

Due to the lengthy and stringent KYC / AML requirements during onboarding and periodic renewals, Financial Institutions require several identification documents .

As SMEs often lack sophistication in keeping all these documents, their onboarding becomes difficult and time consuming.

LEIs help banks to know the firms they are dealing with. And therefore, LEI is becoming an important requirements. SMEs can have better experience if they have a valid LEI.

Aid in Fraud Prevention

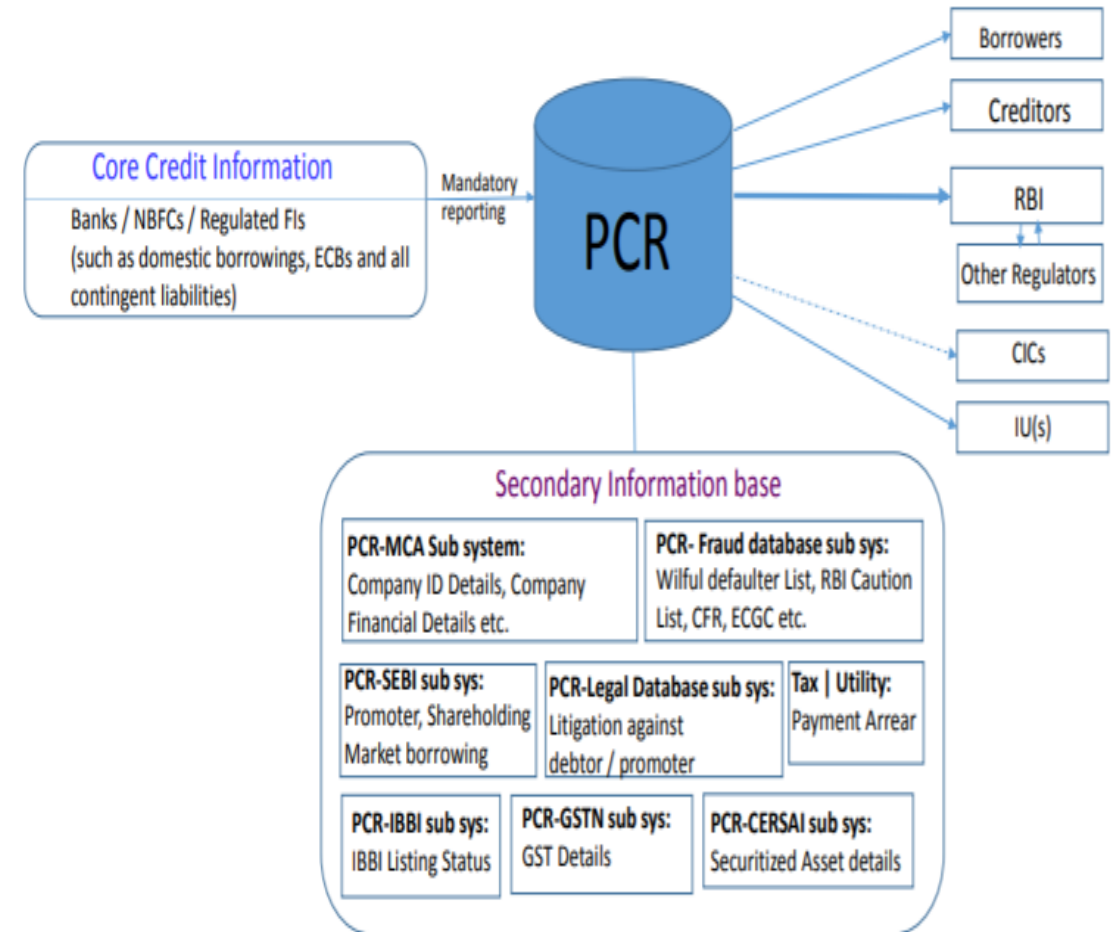
In today's global market place , there are many firms that have an online presence. However, it also means that there is a risk of misrepresentation of real identity. The information that is available on the LEI system aids in fraud detection and thereby improves trust among market participants.

Usage Of LEI to meet the need of trust in digital world

- Use of LEI in Trade Finance can result in faster processing of Trade Finance Transactions
- Better identification of sellers on e-invoicing networks (LEI is used as the electronic address)
- Use of the LEI in digital certificates along with e-signature framework
- ISO 17442-1 standard - LEIs are technically integrated within digital certificates
- Adopting LEI within digital signatures can improve the veracity of a digital audit report and enhance confidence in its origins in future.
- Submitting annual financial report using LEI will allow the regulator to uniquely identify legal entities when they upload XBRL document for regulatory filling.
- vLEI – give companies and other legal entities worldwide LEI's non-repudiable identification data
(currently under development)

Use of LEI in Public Credit Registry (PCR)

- For smooth flow of credit to the needy sector, accurate information about the credit history is very critical
- RBI is setting up the public credit registry (PCR)
- LEI is an optional identifier in PCR.
- If RBI mandates LEI Number in PCR, public and regulators can track the transactions of the entities at individual as well as group level
- LEI Number will help mapping of the transactions stored in PCR as it captures other Identifiers also
- This can create a master registry from where the Banks and Financial institutions can get the required data to access the credit risk of the companies better. This will promote streamlining of credit flow at right price



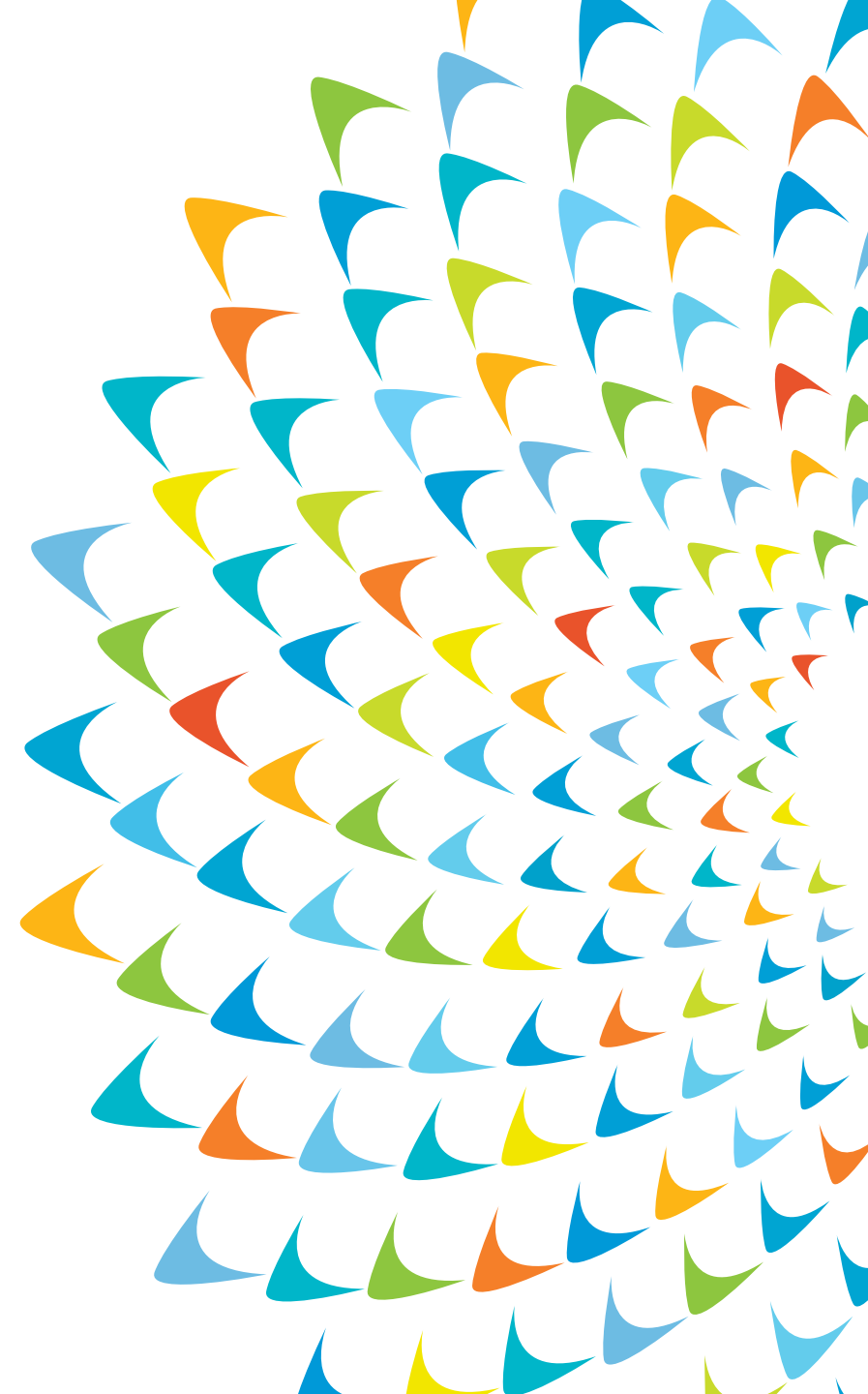
Thank You

Contact us on lei@ccilindia.co.in



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Thank you for your participation



Our Speakers



FENG LEI

Section Chief, Standardization & Planning Division,
Technology Department
People's Bank of China

JOIN US AGAIN ON MONDAY



Joint Asia Webinar Series on

Legal Entity Identifier (LEI) Part 5 - Introduction of the LEI in China

Virtual Event via Zoom
5 July 2021, Monday / 4:00PM Manila Time



ZHANG YANZHAO

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Department
China Financial Certification Authority