



FOREIGN EXCHANGE BULLETIN

# N. A. SHAH BULLETIN

January 2022

N. A. SHAH ASSOCIATES LLP  
Chartered Accountants

## INDEX

1. Transition from LIBOR to other alternative reference rate for ECBs and trade credits .....	4
2. Requirement of Legal Entity Identifier (LEI) number.....	4

## EXECUTIVE SUMMARY

- In line with global practice, RBI has phased out from LIBOR reference rate and have introduced new alternative reference rates for the purpose of foreign currency External Commercial Borrowings and Trade Credits.
- RBI has introduced the concept of LEI number for specified resident entities undertaking capital or current account transactions under FEMA.

## 1. Transition from LIBOR to other alternative reference rate for ECBs and trade credits

In line with the global practice of phasing out of LIBOR as a reference rate, RBI has now prescribed the following changes with respect to benchmark rates and all in cost ceilings for foreign currency ECBs and trade credits:

Particulars	Erstwhile Provisions	New Provisions
Benchmark rate (BR)	6-month LIBOR rate of different currencies or any other 6m interbank interest rate applicable to the currency of borrowing	Any widely accepted interbank rate or alternative reference rate of 6m tenor, applicable to the currency of borrowing
All in cost ceiling for ECBs	BR + 450bps spread	For existing ECBs: BR + 550bps spread  For new ECBs: BR + 500bps spread.
All in cost for TCs	BR + 250bps spread	For existing TCs: BR + 350bps spread.  For new TCs: BR + 300bps spread.

The above changes shall not apply to Indian currency ECBs and trade credits.

## 2. Requirement of Legal Entity Identifier (LEI) number.

- LEI is a 20-digit number used to uniquely identify parties to financial transactions worldwide. LEI have been used by RBI for Over the Counter (OTC) derivative, non-derivative markets, large corporate borrowers and large value transactions.
- To further harness the benefit of LEI, with effect from 01<sup>st</sup> October 2022, the resident entities (non-individuals) undertaking capital or current account transactions of INR 50 Crores and above (per transaction) under FEMA shall quote LEI number with the AD Banks. LEI can be voluntary quoted prior to 01<sup>st</sup> October 2022 by such entities.

- Once obtained, the LEI number must be quoted in each transaction irrespective of the transaction size.
- Entities can obtain LEI number from Legal Entity Identifier India Limited (<https://www.ccilindia-lei.co.in/>) which is recognized by RBI as an issuer of LEI number.

The contents provided in this newsletter are for information purpose only and are intended, but not promised or guaranteed, to be correct, complete and up-to-date. The firm hereby disclaims any and all liability to any person for any loss or damage caused by errors or omissions, whether such errors or omissions result from negligence, accident or any other cause.

From:

N. A. Shah Associates LLP  
Chartered Accountants

Address: B 41-45 & B21-25, Paragon Centre, Pandurang Budhkar Marg, Mumbai –  
400013.

Tel: 91-022-4073 3000, Fax: 91-022-4073 3090

E-mail Id: [info@nashah.com](mailto:info@nashah.com)