



**RESERVE BANK OF INDIA**  
**Mumbai - 400 001**

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**RBI//2015-16/349**

**A.P. (DIR Series) Circular No.56**

**March 30, 2016**

To

All Category-I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) – Revised framework**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to [A.P. \(DIR Series\) Circular No.32 dated November 30, 2015](#) and paragraph no. 1.8, 2.2, 2.4.1, 2.4.2, 2.4.5, 2.4.6, 2.5, 2.16 and 2.16.xiii of [Master Direction No.5 dated January 1, 2016](#) on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers.

2. Taking into account prevailing external funding sources, particularly for long term lending and the critical needs of infrastructure sector of the country, the extant ECB guidelines have been reviewed in consultation with the Government of India. Accordingly, it has been decided to make the following changes in the ECB framework:

- i. Companies in infrastructure sector, Non-Banking Financial Companies - Infrastructure Finance Companies (NBFC-IFCs), NBFCs-Asset Finance Companies (NBFC-AFCs), Holding Companies and Core Investment Companies (CICs) will also be eligible to raise ECB under Track I of the framework with minimum average maturity period of 5 years, subject to 100 per cent hedging.
- ii. For the purpose of ECB, “Exploration, Mining and Refinery” sectors which are not included in the Harmonised list of infrastructure sector but were eligible to take ECB under the previous ECB framework (c.f. [A.P. \(DIR Series\) Circular No. 48 dated September 18, 2013](#)) will be deemed as in the infrastructure sector, and can access ECB as applicable to infrastructure sector under (i) above.

- iii. Companies in infrastructure sector shall utilize the ECB proceeds raised under Track I for the end uses permitted for this Track. NBFCs-IFCs and NBFCs-AFCs will, however, be allowed to raise ECB only for financing infrastructure.
- iv. Holding Companies and CICs shall use ECB proceeds only for on-lending to infrastructure Special Purpose Vehicles (SPVs).
- v. The individual limit of borrowing under the automatic route for aforesaid companies shall be as applicable to the companies in the infrastructure sector (currently USD 750 million).
- vi. Companies in infrastructure sector, Holding Companies and CICs will continue to have the facility of raising ECB under Track II of the ECB framework subject to the conditionalities prescribed thereof.

3. The companies added under Track I should have a Board approved risk management policy. Further, the designated AD Category-I bank shall verify that 100 per cent hedging requirement is complied with during the currency of ECB and report the position to RBI through ECB 2 returns.

4. On the ECB framework announced vide aforesaid Circular dated November 30, 2015, it is further clarified that:

- i. The designated AD Category-I banks may, under the powers delegated to them, allow refinancing of ECBs raised under the previous ECB framework, provided the refinancing is at lower all-in-cost, the borrower is eligible to raise ECB under the extant ECB framework and residual maturity is not reduced (i.e. it is either maintained or elongated).
- ii. ECB framework is not applicable in respect of the investment in Non-convertible Debentures (NCDs) in India made by Registered Foreign Portfolio Investors (RFPIs).
- iii. Minimum average maturity of Foreign Currency Convertible Bonds (FCCBs)/ Foreign Currency Exchangeable Bonds (FCEBs) is 5 years irrespective of the amount of borrowing. Further, the call and put option, if any, for FCCBs shall not be exercisable prior to 5 years.
- iv. Only those NBFCs which are coming under the regulatory purview of the Reserve Bank are permitted to raise ECB. Further, under Track III, the NBFCs

may raise ECBs for on-lending for any activities including infrastructure as permitted by the concerned regulatory department of RBI.

- v. The provisions regarding delegation of powers to designated AD Category-I banks is not applicable to FCCBs/FCEBs.
- vi. In the forms of ECB, the term “Bank loans” shall be read as “loans” as foreign equity holders / institutions other than banks, also provide ECB as recognized lenders.

5. All other aspects of the ECB policy shall remain unchanged. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

6. Master Direction No. 5 dated January 01, 2016 is being updated to reflect the changes.

7. The directions contained in this circular has been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

Shekhar Bhatnagar  
Chief General Manager-in- Charge