



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

(DRAFT FRAMEWORK FOR PUBLIC COMMENTS / FEEDBACK)

Issuance of Rupee linked bonds overseas

Attention of members of public is invited to [paragraph 31](#) of the first Bi-monthly Monetary Policy Statement, 2015-16 announced by the Reserve Bank on April 07, 2015 proposing to expand the scope of issuance of Rupee linked bond overseas by the international financial institutions as also permit Indian corporates, eligible to raise external commercial borrowings (ECB), issue such bonds with an appropriate regulatory framework.

2. Accordingly, the following framework is proposed to be put in place for issuance of Rupee linked bonds overseas.

A. Indian Corporates:

- i. Indian corporates eligible to raise ECB are permitted to issue Rupee linked bonds overseas. The corporates which, at present, are permitted to access ECB under the approval route will require prior permission of the Reserve Bank to issue such bonds and those coming under the automatic route can do so without prior permission of the Reserve Bank.
- ii. The bonds may be floated in any jurisdiction that is Financial Action Task Force (FATF) compliant.
- iii. The subscription, coupon payments and redemption may be settled in foreign currency. The proceeds of the bonds can be parked as per the extant provisions on parking of ECB proceeds.
- iv. Amount and average maturity period of such bonds should be as per the extant ECB guidelines. The call and put option, if any, shall not be exercisable prior to completion of applicable minimum average maturity period.
- v. The coupon on the bonds should not be more than 500 basis points above the sovereign yield of the Government of India security of corresponding maturity as per the FIMMDA yield curve prevailing on the date of issue.
- vi. End use restrictions will be as applicable under the extant ECB guidelines.
- vii. For USD-INR conversion, the Reserve Bank's reference rate on date of issue will be applicable.

B. International Financial Institutions:

International Financial Institutions of which India is a shareholding member intending to deploy the entire proceeds of the issuance in India shall not require prior permission for the issuance of Rupee bonds overseas irrespective of amount of issuance. In other cases, where an International Financial Institution (of which India is a member) wishes to retain the

freedom to deploy the issue proceeds in any member country shall require prior permission from the Reserve Bank / Government of India.

C. Hedging:

Any investor in these bonds will be eligible to hedge both the foreign currency risk as well as credit risk through permitted derivative products in the domestic market. The investor can also access the domestic market through branches of Indian banks abroad or branches of foreign bank with Indian presence. Such hedging contracted with banks abroad on a back to back basis with AD category-I banks in India will be as per the procedure outlined in [A. P. \(DIR series\) Circular No. 103 dated May 21, 2015](#).

3. Banks incorporated in India will not have access to these bonds in any manner whatsoever.