

External Commercial Borrowings – Crystallisation of Liability
A.P. (DIR Series) Circular No. 41 (April 29,2002)

RESERVE BANK OF INDIA
EXCHANGE CONTROL DEPARTMENT
CENTRAL OFFICE
MUMBAI 400 001

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To

All Authorised Dealers in Foreign Exchange

Madam/Sirs,

External Commercial Borrowings – Crystallisation of Liability

Corporates in India, at times, raise External Commercial Borrowings (ECBs) against a guarantee/letter of comfort from a bank in India. In certain cases the loan liability of the corporates gets devolved on banks.

2. With a view to providing greater freedom and flexibility to banks in their fund management, it has been decided to grant permission to banks to crystallise their foreign exchange liability in rupees, in select cases, where circumstances so warrant, keeping in view the status of the account of the borrower who had raised External Commercial Borrowing.
3. Therefore, Authorised Dealers desirous of crystallising their foreign exchange liability, arising out of guarantees provided for ECBs raised by corporates in India, into Rupees may make an application to the Chief General Manager, Exchange Control Department, External Commercial Borrowings Division, Reserve bank of India, Central Office, Mumbai, giving full details viz., name of the borrower, amount raised, maturity, circumstances leading to invocation of guarantee/letter of comfort, date of default, its impact on the liabilities of the overseas branch of the Authorised Dealer concerned and other relevant factors.
4. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.
5. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager