

**External Commercial Borrowings – Prepayment
A.P. (DIR Series) Circular No.8**

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai – 400 001

August 5, 2002

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To
All Authorised Dealers in Foreign Exchange

Madam/Sirs

External Commercial Borrowings – Prepayment

Authorised dealers are aware that prepayment of External Commercial Borrowings (ECBs) require prior approval of the Reserve Bank and the Bank considers such applications under the following categories:

- a) Where the amount of prepayment of ECB is fully matched by way of inflow of foreign exchange in form of foreign equity in the applicant company.
- b) Where the prepayment of ECB is being made out of the balance held in the EEFC account of the borrower.
- c) Prepayment of ECB to the extent of 10% of the outstanding loan, once during the entire currency of the loan.
- d) Prepayment of ECB where the residual maturity of the loan does not exceed 1 year.

2. It has now been decided to introduce an '**Automatic Route**' for prepayment of External Commercial Borrowings (ECBs) for a limited period up to March 31, 2003. The automatic route will be available only to borrowers who have complied with all the relevant Acts, Guidelines, Rules, Regulations and/or conditions, if any, of the Government/RBI while availing of the ECB. The eligible borrowers may avail the automatic route of prepayment of ECBs without prior permission of Reserve Bank subject to following conditions:-

- (i) Prepayment of ECBs falling under categories (a) & (b) above, without any limit.
- (ii) Prepayment of an amount not exceeding USD 50 million for ECBs falling under categories (c) & (d) above,
- (iii) Prepayment up to USD 50 million in aggregate would be available under (ii) above [each for category (c) & (d)] during the currency of the scheme.

3. Applications for prepayment of amount exceeding USD 50 million falling under categories (c) & (d) above and all prepayments of ECBs not covered by the Automatic Route shall continue to require prior approval of the Reserve Bank.
4. Accordingly, designated branches of authorised dealers may allow remittances for prepayment of ECBs **upto March 31, 2003**, after obtaining a certificate from the company secretary/auditors of the applicant, indicating that the borrower -
- (i) is eligible for prepayment under Automatic Route,
 - (ii) has availed and utilised the loan in accordance with all relevant Acts, RBI/Government Rules, Regulations and Guidelines, and
 - (iii) has submitted all the ECB-2 Returns to the concerned regional office of the Reserve Bank.
5. The authorised dealers shall forward a report in form ECB-PAR (Format enclosed) within 7 days of the remittance, to the Chief General Manager, Exchange Control Department, ECB Division, Central Office, Reserve Bank of India, Fort, Mumbai – 400 001.
6. It is clarified that the facility under the Automatic Route for prepayment of ECBs as contained in this circular, **will be available upto March 31st, 2003**. A circular will be issued on or before that date in case the scheme is extended for a further period.
7. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.
8. 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

ECB - PAR

(Report on Prepayment of ECB under the automatic route to be submitted within 7 days of the date of remittance to the Chief General Manager, Exchange Control Department, ECB Division, Central Office, Reserve Bank of India, Fort, Mumbai 400 001)

1. Name of the Borrower
2. Name of the Lender
3. Details of the loan
 - a) Govt./RBI Loan Key No.
 - b) Approval No. & Date
 - c) RBI Registration No.
 - d) Amount of loan
 - e) Maturity of loan
 - f) Details of prepayment, if any made earlier,
(Govt./RBI approval No. & date
and amount & date of prepayment)
 - g) Loan outstanding
4. Details of the current remittance for prepayment
 - a) Prepayment category (please ? whichever applicable).
 - i) Out of inflow of matching foreign equity.
 - ii) Out of balances held in EEFC account of the borrower.
 - iii) 10% of outstanding ECB once during currency of ECB
 - iv) Residual maturity up to one year.
 - b) Date of Remittance
 - c) Amount of remittance

Certificate by the designated authorised dealer

We have obtained a certificate from the company secretary/auditor indicating that:

- a) the borrower is eligible for prepayment of outstanding ECB;
under the category -----
- b) the ECB was availed and utilised in accordance with all the relevant Acts.
RBI/Govt. Rules, Regulations and guidelines; and
- c) the ECB2 statement/s due till date has/have been submitted to _____ office of
Reserve Bank of India.

Place

Signature

Date

Name and designation
Seal

