

**External Commercial Borrowings (ECBs) – Prepayment
A. P. (DIR Series) Circular No. 22 (September 17, 2002)**

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

A. P. (DIR Series) Circular No. 22

September 17, 2002

To

All Authorised Dealers in Foreign Exchange

Madam/Sirs

External Commercial Borrowings (ECBs) - Prepayment

Attention of authorised dealers is invited to A.P.(DIR Series) circular No.8 dated August 5, 2002 regarding introduction of an "automatic route" for prepayment of ECBs.

2. Under the automatic route prepayment of ECBs was permitted, without any limit, out of foreign exchange inflow through either fresh equity or out of balances held in Exchange Earners' Foreign Currency (EEFC) account. Prepayment upto USD 50 million was also permitted in cases where the amount being prepaid was upto 10% of the outstanding or the residual maturity of the loan was less than one year.

3. In order to permit the corporates to take advantage of low international interest rates, the Reserve Bank has now decided that, in supercession of earlier instructions, any borrower who has raised ECBs in accordance with the prevalent Rules/Regulations/Guidelines may prepay, the outstanding ECB upto an amount of USD 100 million without prior permission from the Reserve Bank. It is clarified that this liberalised automatic route is available **to all category of borrowers irrespective of the residual maturity or percentage of the outstanding loan**, as long as the amount being prepaid does not exceed USD 100 million.

4. Authorised dealers may, therefore, allow remittances not exceeding USD 100 million for prepayment of ECBs after obtaining a certificate from the company secretary/auditors of the borrower, indicating that the borrower -

- (i) has availed and utilised the loan in accordance with all relevant Acts, RBI/Government Rules, Regulations and Guidelines, and
- (ii) 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 (revised 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 31, 2003.** A circular will be issued on or before that date in case the scheme is extended for a further period.

7. Applications for prepayment of amount exceeding USD 100 million, would be considered expeditiously for approval by the Reserve Bank. Borrowers desirous of availing of the facility may make application to the Reserve Bank of India, Central Office, Mumbai with full particulars, namely, terms of the prepayment, the period over which the prepayment is to be made and also whether 'in principle' contract for prepayment has been negotiated with the lender. Further, corporates desirous of obtaining 'in principle' approval from the Bank before negotiating the prepayment contract may also approach the Reserve Bank. The 'in principle' approvals issued by the Reserve Bank will be valid for 15 days.

8. No prior permission or 'in principle' approval of the Reserve Bank will be required for prepayment of ECBs out of balances held in EEFC accounts or foreign exchange inflow for fresh equity, even if the amount exceeds USD 100 million.

9. Authorised Dealers may bring the contents of the circular to the notice of their constituents concerned.

10. 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