



**RESERVE BANK OF INDIA  
FOREIGN EXCHANGE DEPARTMENT  
CENTRAL OFFICE  
MUMBAI – 400 001**

RBI/2004/113  
A.P.(DIR Series) Circular No.81

March 24, 2004

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**Overseas Foreign Currency Borrowings by  
Authorised Dealers – Rationalisation and Monitoring**

Authorised Dealers (ADs) are allowed to borrow in foreign currency in the circumstances and subject to such conditions as mentioned under Regulation 4(2) of Notification No.FEMA 3/2000-RB dated May 3, 2000.

2. Accordingly, in terms of paragraph No.C.5(i) of RBI Master Circular on Risk Management and Inter-Bank Dealings dated July 1, 2003, ADs may avail of loans/overdrafts from their head offices, overseas branches and correspondents up to 25 per cent of their unimpaired Tier-I capital or USD 10 million (or its equivalent), whichever is higher. In terms of paragraph No.C.5(ii) of the above circular, ADs may avail of loans in excess of the limits prescribed above solely for replenishing their rupee resources in India subject to certain conditions. Further, ADs may also borrow under lines of credit from a bank or a financial institution outside India for the purpose of granting pre-shipment or post-shipment credit in foreign currency to their exporter constituents in terms of and subject to the conditions prescribed in IEC Master circular dated July 1, 2003 on Export Credit in Foreign Currency.

3. In addition, ADs may also avail of external commercial borrowings (ECBs) for specific purposes under the ECB Policy against specific approval from the Reserve Bank of India.

4. It has now been decided to rationalise the existing facilities for overseas borrowings and introduce a monitoring and reporting system for all ADs. Accordingly, the facilities available under paragraph Nos.C.5(i) and (ii) of the Master Circular dated July 1, 2003 will now be replaced by a single facility in terms of which all categories of overseas foreign currency borrowings including existing ECBs and overdrafts in Nostro accounts not adjusted within five days, shall not exceed 25 per cent of their unimpaired Tier-I capital as at the close of the previous quarter, or

USD 10 million (or its equivalent), whichever is higher. Any fresh borrowing above this limit shall only be with the prior approval of the Reserve Bank of India. Applications for fresh ECBs will be made as per the ECB policy vide A.P.(DIR Series) Circular No.60 dated January 31, 2004.

5. The following transactions would continue to be outside the limit of 25 per cent of unimpaired Tier-I Capital or USD 10 million (or its equivalent), whichever is higher :

- (i) Overseas borrowings by ADs for the purposes of financing export credit subject to the conditions prescribed in IECD Master Circular dated July 1, 2003 on Export Credit in Foreign Currency.
- (ii) Subordinated debt placed by head offices of foreign banks with their branches in India as Tier-II capital.

6. All ADs are advised to report their total outstanding overseas foreign currency borrowings under all categories as on March 20, 2004 to the Chief General Manager, Foreign Exchange Department, (Forex Markets Division, Amar Building) Central Office, RBI, by March 31, 2004, as per format appended (Annex). Reports may be sent in Excel format by e-mail to [ecdcofmd@rbi.org.in](mailto:ecdcofmd@rbi.org.in). Similar report may be furnished as on the last Friday of every month in order to reach Reserve Bank of India by the 10<sup>th</sup> of the following month.

7. Necessary amendments to the Foreign Exchange Management Regulations 2000, shall be issued separately.

8. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie**

Chief General Manager

**Annex**[A.P.(DIR Series) Circular No.81  
dated March 24, 2004]**Overseas Foreign Currency Borrowings as on .....**Amount (in equivalent<sup>#</sup> USD)

| <b>Sr. No.</b>               | <b>Item</b>   | <b>Amount</b> |
|------------------------------|---|---------------|
| <b>A</b>                     | <b>Tier-I capital as at the close of previous quarter.....</b>  |               |
| <b>Category of Borrowing</b> |   |               |
| 1                            | Borrowings in terms of Para C.5 (i) of Master Circular on Risk Management and Inter-Bank Dealings dated July 1, 2003  |               |
| 2                            | Borrowings in excess of the above limit for replenishment of rupee resources (Para C.5 (ii) *   |               |
| 3                            | External Commercial Borrowings  |               |
| 4                            | Borrowings under following scheme as per IECD Master Circular on Export Credit in Foreign Currency dated July 1, 2003 & Regulation 4.2(iv) of Notification no. FEMA 3/2000-RB dated May 3, 2000 |               |
|                              | (a) Lines of Credit for extending Pre-Shipment Credit in Foreign Currency (PCFC)  |               |
|                              | (b) Bankers Acceptance Facility (BAF) / Loan from overseas for extending Rediscounting of Export Bills Abroad Scheme (EBR)  |               |
| 5                            | Subordinated debt for inclusion in Tier-II capital  |               |
| 6                            | Any other category (please specify)   |               |
| 7                            | Total   |               |
| 8                            | Borrowings under categories (1+2+3+6) expressed as a percentage of Tier-I capital at A  |               |

Note: 1. <sup>#</sup> RBI reference rate and New York closing rates on the date of report may be used for conversion purpose.

2. \* Facility since withdrawn vide para 4 of this circular.