

December 4, 2006

To

All Category - I Authorised Dealer Banks

Madam/Sir,

External Commercial Borrowings (ECB)

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the Regulation 6 of the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 and as amended from time to time and A.P. (DIR Series) Circular No.5 dated August 1, 2005 relating to External Commercial Borrowings (ECB).

2. At present, corporates can avail ECB up to USD 500 million during a financial year under Automatic Route with minimum average maturity period of 5 years. With a view to liberalising the ECB guidelines, it has been decided that henceforth, corporates can avail ECB of an additional amount of USD 250 million with average maturity of more than 10 years under the approval route, over and above the existing limit of USD 500 million under the automatic route, during a financial year. Other ECB criteria such as end-use, all-in-cost ceiling, recognised lender, etc. need to be complied with. Prepayment and call/put options, however, would not be permissible for such ECB up to a period of 10 years.

3. Further, with a view to providing greater flexibility to the corporates in managing their liquidity and interest costs, prepayment of ECB up to USD 300 million, as against the existing limit of USD 200 million, will be allowed by AD Category - I banks without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

4. The amended ECB policy will come into force with immediate effect and is subject to review.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.

6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

7. The direction contained in this circular has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge