

**April 23, 2007**

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Overseas Foreign Currency Borrowings by Authorised Dealer Banks**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the announcement made on October 31, 2006, in the Mid Term Review of the Annual Policy for the year 2006-07 regarding overseas foreign currency borrowings by Authorised Dealer Banks (para 97 - annexed).

2. In view of the prevailing market conditions and the likely impact on liquidity, it has been decided to keep the operationalisation of the policy announcement in abeyance.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager**

Para 97 of the Mid-Term Review of the Annual Policy for the year 2006-07

*Banks' Borrowings from Overseas: Enhancement*

With a view to providing further flexibility to authorised dealer banks in seeking access to funds overseas, the following liberalisation is proposed:

- authorised dealer banks may henceforth borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, ECBs and overdrafts from their Head Office/Nostro account) up to a limit of 50 per cent of their unimpaired Tier I capital or US \$ 10 million, whichever is higher, as against the earlier overall limit of 25 per cent (excluding borrowings for financing export credit). Short-term borrowings up to a period of one year or less, however, should not exceed 20 per cent of unimpaired Tier I capital within the overall limit of 50 per cent;
- all borrowings in the form of subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by issue of innovative perpetual debt instruments (IPDI) and other overseas borrowing with the specific approval of the Reserve Bank would, however, continue to be outside the limit of 50 per cent; and
- in order to phase in these limits in a non-disruptive manner, banks whose overseas borrowings exceed the revised prudential limit may approach the Reserve Bank with a proposed road-map for complying with these limits.