

April 30, 2007

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 A. P. (DIR Series) Circular No.17 dated December 4, 2006 relating to External Commercial Borrowings (ECB) and to the announcement made in the Annual Policy statement for the year 2007-08 (para 136).

2. With a view to providing greater flexibility to the corporates in managing their liquidity and interest costs dynamically, the existing limit for prepayment of ECB has been enhanced from USD 300 million to USD 400 million. Accordingly, AD Category - I banks may allow prepayment of ECB up to USD 400 million, without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

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

4. Necessary amendments to FEMA Notification No. 3/2000-RB dated May 3, 2003 [Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000] are being issued separately.

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

6. 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) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager