

**August 7, 2007**

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**Review of External Commercial Borrowings (ECB) Policy**

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to A.P. (DIR Series) Circular No.5 dated August 1, 2005 and A.P. (DIR Series) Circular No.60 dated May 21, 2007 relating to External Commercial Borrowings (ECB). A review of the ECB guidelines has been undertaken keeping in view the current macroeconomic situation and the experience gained so far by the Reserve Bank in administering the ECB policy.

2. Based on the review, it has been decided to modify the ECB policy until further review as indicated below:

(i) Henceforth, ECB more than USD 20 million per borrower company per financial year would be permitted only for foreign currency expenditure for permissible end-uses of ECB. Accordingly, borrowers raising ECB more than USD 20 million shall park the ECB proceeds overseas for use as foreign currency expenditures for permissible end-uses and shall not remit the funds to India. The above modifications would be applicable to ECB exceeding USD 20 million per financial year both under the Automatic Route and under the Approval Route.

(ii) ECB up to USD 20 million per borrowing company per financial year would be permitted for foreign currency expenditures for permissible end-uses under the Automatic Route and these funds shall be parked overseas and not be remitted to India. Borrowers proposing to avail ECB up to USD 20 million for Rupee expenditure for permissible end-uses would require prior approval of the Reserve Bank under the Approval Route. However, such funds shall be continued to be parked overseas until actual requirement in India.

(iii) All other aspects of ECB policy such as eligible borrower, USD 500 million limit per borrower company per financial year under the Automatic route, recognised lender, average maturity period, all-in-cost-ceiling, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

(iv) These conditions will not apply to borrowers who have already entered into loan agreement and obtained loan registration numbers from the Reserve Bank. Borrowers who have taken verifiable and effective steps wherein the loan agreement has been entered into to avail of ECB under the previous dispensation, and not obtained the loan registration number, may apply to the Reserve Bank through their Authorised Dealer.

3. The above changes will come into force with immediate effect.

4. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 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**