

September 26, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Prepayment of External Commercial Borrowings

Attention of Authorised Dealers Category - I (AD Category – I) banks is invited to the A.P. (DIR Series) Circular No.44 dated April 30, 2007 relating to prepayment of External Commercial Borrowings (ECB).

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 400 million to USD 500 million. Accordingly, AD Category - I banks may allow prepayment of ECB up to USD 500 million without prior approval of the Reserve Bank subject to compliance with the minimum average maturity period as applicable to the loan.

3. The above changes shall come into force with immediate effect and is subject to review.

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

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5. 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