

RESERVE BANK OF INDIA
(FOREIGN EXCHANGE DEPARTMENT)
CENTRAL OFFICE
MUMBAI

Notification No. FEMA 157 /2007-RB.

Dated 30th August, 2007

Foreign Exchange Management
(Borrowing or Lending in Foreign Exchange)
(Amendment) Regulations, 2007

In exercise of the powers conferred by clause (d) of sub-section (3) of Section 6 and sub section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following regulations to amend the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 (Notification No. FEMA 3/2000-RB dated May 3, 2000), namely :-

2. Short title and commencement

(a) These Regulations may be called the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) (Amendment) Regulations, 2007.

(b) They shall come into force from the dates specified in these regulations.

3. Amendment to Schedule I

In the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 (Notification No. FEMA 3/2000-RB dated May 3, 2000) (hereinafter referred to as 'the principal regulations') , -

(i) in Schedule I,

(a) in paragraph (1), in sub paragraph (iv), after clause (B), the "Note" shall be omitted and shall be deemed to have been omitted with effect from the 21st day of May 2007;

(b) in paragraph (1), in sub-paragraph (iv), after clause A, the following paragraph shall be inserted and shall be deemed to have been inserted with effect from the 7th day of August, 2007, namely :-

"(AA) Borrowings in foreign exchange up to USD 500 million per borrower company per financial year shall be permitted only for foreign currency expenditure for permissible end-use".

4. Amendment to Schedule II - In Schedule II of the principal regulations,

(i) in paragraph (3), in sub paragraph (i), after clause (d), the following clause shall be inserted at the end and shall be deemed to have been inserted with effect from the 1st day of August, 2005, namely :-

“(e) Any other entity as specified by the Reserve Bank.”

(ii) after paragraph (4), the following paragraph shall be inserted and shall be deemed to have been inserted with effect from the 1st day of August, 2005, namely :-

“(5) No corporate registered under the Companies Act, 1956 shall avail domestic rupee denominated structured obligations credit enhanced by international banks, international financial institutions or joint venture partners, except with the prior approval of the Reserve Bank.”

(iii) in paragraph (3), in sub paragraph (vi), after clause (b), the Exception shall be numbered as Exception – 1 thereof and shall be deemed to have been numbered with effect from the 4th day of November, 2005 and after Exception – 1 as so numbered, the following Exception shall be inserted and shall be deemed to have been inserted with effect from the 4th day of November, 2005, namely :-

“Exception- 2 - Banks may provide Bank Guarantee, Standby Letter of Credit, Letter of Undertaking or Letter of Comfort in respect of ECB by textile companies for modernisation or expansion of their textile units, with the approval of the Reserve Bank.”

(iv) in paragraph (3), for sub paragraph (iv), the following sub. paragraph shall be substituted and shall be deemed to have been substituted with effect from the 4th day of December, 2006, namely:-

“(iv) Maturity – (a) The maturity of borrowings in foreign exchange shall be as under:

Serial Number	Amount	Average Maturity
(i)	Upto US \$ 20 million or equivalent	Not less than 3 years
(ii)	Exceeding US \$ 20 million and upto US \$ 500 million or equivalent	Not less than 5 years
(iii)	Exceeding US \$ 500 million and upto US \$ 750 million or equivalent	More than 10 years

(b) Borrowings upto US \$ 20 million can have call/put option provided the minimum average maturity of 3 years as prescribed in clause (a) is complied with before exercising call/put option

(c) No prepayment and call/put options shall be permitted for borrowings in foreign exchange exceeding an amount of US \$ 500 million and up to an amount of US \$ 750 million or equivalent for a minimum average maturity of ten years. ”

(v) in paragraph (3), in sub paragraph (iii), after clause (B), the “Note” shall be omitted and shall be deemed to have been omitted with effect from the 21st day of May, 2007.

(vi) in paragraph (3), under sub paragraph (iii), after clause A, the following paragraph shall be inserted and shall be deemed to have been inserted with effect from the 7th day of August , 2007, namely :-

“(AA) External Commercial Borrowings up to USD 20 million per borrowing company per financial year for rupee expenditures for permissible end-use shall require prior approval of the Reserve Bank of India. ”

Salim Gangadharan
Chief General Manager

Foot Note:

i) The Principal Regulations were published in the Official Gazette vide G.S.R. No.386 (E) dated May 5, 2000 in Part II, Section 3, sub-section (i) and subsequently amended vide:-

- (a) G.S.RNo.674(E) dated August 25, 2000
- (b) G.S.RNo.476(E) dated July 8, 2002
- (c) G.S.RNo.854(E) dated December 31, 2002
- (d) G.S.RNo.531(E) dated July 9, 2003
- (e) G.S.RNo.533(E) dated July 9, 2003 and
- (f) G.S.RNo.208(E) dated March 23, 2004
- (g) G.S.RNo.825(E) dated December 22, 2004
- (h) G.S.RNo.60(E) dated February 9, 2005
- (i) G.S.RNo.739(E) dated December 22, 2005

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of India – Extraordinary – Part-II, Section 3,
Sub-Section (i) dated 16.10.2007 - G.S.R.No. 663 (E)**