

June 2, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) by Services Sector -Liberalization

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No. 5 dated August 1, 2005 relating to External Commercial Borrowings (ECB) and Notification No. FEMA 3/2000-RB dated May 3, 2000, as amended from time to time.

2. Under the extant ECB guidelines, borrowers in the services sector are not eligible to avail ECB under the Automatic Route. It has been decided, in consultation with the Government of India, to allow entities in the service sector viz. hotels, hospitals and software companies to avail ECB up to USD 100 million, per financial year, for the purpose of import of capital goods under the Approval Route. All other aspects of ECB policy shall remain unchanged.

3. It is also clarified that the existing guidelines on trade credit, allowing companies including those in the services sector, to avail trade credit up to USD 20 million per import transaction, for a period less than 3 years, for import of capital goods, shall continue [cf A. P. (DIR Series) Circular No. 87 dated April 17, 2004].

4. This amendment to ECB guidelines will come into force with immediate effect.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.

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

7. 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-in-Charge