RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2010-11/124 **July 22, 2010**
A.P.(DIR Series) Circular No.04

To
All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) Policy –Take-out Finance

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the A.P. (DIR Series) Circular No. 5 dated August 1, 2005 and A.P (DIR Series) Circular No. 39 dated March 29, 2010 relating to the External Commercial Borrowings (ECB).

2. As per the extant norms, refinancing of domestic Rupee loans with ECB is not permitted. However, keeping in view the special funding needs of the infrastructure sector, it has been decided to review the ECB policy and put in place a scheme of take-out finance. Accordingly, it has been decided to permit take-out financing arrangement through ECB, **under the approval route**, for refinancing of Rupee loans availed of from the domestic banks by eligible borrowers in the **sea port and airport, roads including bridges and power sectors** for the development of new projects, subject to the following conditions:

i. The corporate developing the infrastructure project should have a tripartite agreement with domestic banks and overseas recognized lenders for either a **conditional** or **unconditional** take-out of the loan within three years of the scheduled Commercial Operation Date (COD). The scheduled date of occurrence of the take-out should be clearly mentioned in the agreement.
ii. The loan should have a minimum average maturity period of seven years.
iii. The domestic bank financing the infrastructure project should comply with the extant prudential norms relating to take-out financing.
iv. The fee payable, if any, to the overseas lender until the take-out shall not exceed 100 bps per annum.

v. On take-out, the residual loan agreed to be taken- out by the overseas lender would be considered as ECB and the loan should be designated in a convertible foreign currency and all extant norms relating to ECB should be complied with.

vi. Domestic banks / Financial Institutions will not be permitted to guarantee the take-out finance.

vii. The domestic bank will not be allowed to carry any obligation on its balance sheet after the occurrence of the take-out event.

viii. Reporting arrangement as prescribed under the ECB policy should be adhered to.

Eligible borrowers may, accordingly, apply to the Reserve Bank for necessary approval before entering into take-out finance arrangement.

3. All other aspects of ECB policy, such as, USD 500 million limit per company per financial year under the automatic route, eligible borrower, recognised lender, end-use, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

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

5. 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