



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

RBI/2012-13/310

A.P. (DIR Series) Circular No. 54

November 26, 2012

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) Policy for 2G spectrum allocation**

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No. 26 dated October 22, 2008](#), para 2 (v) of [A.P. \(DIR Series\) Circular No.19 dated December 9, 2009](#), [A.P. \(DIR Series\) Circular No. 28 dated January 25, 2010](#) relating to External Commercial Borrowings (ECB) for spectrum allocation.

2. As per the extant policy, eligible borrowers in the telecommunication sector are permitted to avail of ECB for the purpose of payment for spectrum allocation, under the automatic route. Successful bidders of 3G auction were also permitted to make the payment for spectrum allocation initially out of Rupee resources to be refinanced with a long-term ECB under the approval route subject to certain conditions.

3. On a review of the ECB policy and keeping in view the large outlay of funds required to be paid directly to the Government within a limited period of time, the following relaxations are provided for the 2G spectrum auction:-

**(i) Refinancing of Rupee resources**

The successful bidders making the **upfront payment** for the award of 2G spectrum initially out of Rupee loans availed of from the domestic lenders would be eligible to refinance such Rupee loans with a long-term ECB, under the **automatic route**, subject to the following conditions:

- a. the long term ECB shall be raised within a period of 18 months from the date of sanction of such Rupee loans for the stated purpose from the domestic lenders;

- b. the designated AD Category I bank has evidenced the payment of upfront fees to Gol in the form of a receipt/challan from DoT; and
- c. the designated AD - Category I bank shall monitor the end-use of funds.

**(ii) Relaxation in ECB-liability ratio and percentage of shareholding**

The successful bidders in the 2G auction will be allowed to avail of ECB under the 'automatic route' from their ultimate parent company without any maximum ECB liability-equity ratio subject to the condition that the lender holds minimum paid-up equity of 25 per cent in the borrower company, either directly or indirectly.

**(iii) Bridge Finance facility**

The successful bidders can avail of short term foreign currency loan in the nature of bridge finance under the 'automatic route' for the purpose of making upfront payment towards 2G spectrum allocation and replace the same with a long term ECB under the automatic route subject to the following conditions:-

- (a) the long term ECB is raised within a period of 18 months from the date of drawdown of bridge finance; and
- (b) the long term ECB is in compliance with all the extant guidelines on ECB.

4. The relaxations in respect of the ECB liability-equity ratio, percentage of shareholding by the ultimate parent, refinancing of Rupee loans and bridge finance are part of a special dispensation applicable only to the successful bidders in the upcoming 2G spectrum auction.

5. All other aspects of ECB policy, such as **USD 750 million limit per company per financial year under the automatic route**, eligible borrower, recognised lender, end-use, average maturity period, all-in-cost, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

6. Reserve Bank has since amended the Regulations and notified vide [Notification No.245 / 2012 RB dated November 12, 2012](#).

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

8. 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 are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Rashmi Fauzdar)**  
**Chief General Manager**