



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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RBI/2015-16/279

DBR.IBD.BC.No.68/23.37.001/2015-16

December 31, 2015

All Scheduled Commercial Banks
(Excluding RRBs and LABs)

Madam/Dear Sir,

**Extension of Credit Facilities to Overseas Step-down
Subsidiaries of Indian Corporates**

Please refer to our [circular DBOD.IBD.BC.No.96/23.37.001/2006-07 dated May 10, 2007](#) permitting banks in India to extend funded and/or non-funded credit facilities to step-down subsidiaries of the overseas subsidiaries of Indian companies that may not be wholly owned, subject to certain conditions.

2. The above instructions have been reviewed and are modified as follows:

(i) Banks may extend funded and/or non-funded credit facilities to the step-down subsidiaries of Indian companies including to those beyond the first level, to finance the projects undertaken abroad.

(ii) The immediate overseas subsidiary of the Indian company must be directly controlled by the Indian parent company through any of the modes of control recognised under the Indian Accounting Standards.¹ In addition, the Indian parent company must directly hold a minimum 51% of its shareholding.

(iii) All the step-down subsidiaries, including the intermediate ones, must be wholly owned subsidiary of the immediate parent company or its entire shares shall be jointly held by the immediate parent company and the Indian parent company and / or its wholly owned subsidiary. The immediate parent should, wholly or jointly with Indian parent company and / or its wholly owned subsidiary, have control over the step-down subsidiary.

¹As per the Indian Accounting Standards, control has been defined as (a) the ownership, directly or indirectly, through subsidiary(ies), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.

(iv) Banks shall make additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to the step-down subsidiaries, to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian company, and hence the bank, to greater political and regulatory risk.

3. The above modifications shall apply to the credit facilities sanctioned after the date of this circular and to existing facilities as and when they are renewed hereafter.

4. All other terms and conditions mentioned in our above circular as amended from time to time shall remain applicable.

Yours faithfully,

(Rajinder Kumar)
Chief General Manager