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Revised Framework for ECB Policy announced

Keeping in view the macro-economic developments and the experience gained in administering the External Commercial Borrowing (ECB) regime over the last 10 years, the Reserve Bank of India, in consultation with the Government of India, has reviewed the extant ECB framework. Accordingly, a circular containing the revised [ECB framework](#) has been released today. The overarching principles of the revised framework are:

- (i) A more liberal approach, with fewer restrictions on end uses, higher all-in-cost ceiling, etc., for long term foreign currency borrowings as the extended term makes repayments more sustainable and minimises roll-over risks for the borrower;
- (ii) Similarly, a more liberal approach for Indian Rupee (INR) denominated ECBs where the currency risk is borne by the lender;
- (iii) Expansion of the list of overseas lenders to include long term lenders like Sovereign Wealth Funds, Pension Funds, insurance companies;
- (iv) Only a small negative list of end-use requirements applicable to long-term ECBs & INR denominated ECBs;
- (v) Raising of limit for small value ECBs with Minimum Average Maturity (MAM) of 3 years to USD 50 million from the existing USD 20 million; and
- (vi) Alignment of the list of infrastructure entities eligible for ECB with the Harmonised List of the Government of India.

The framework for ECB as a means to attract flow of funds from abroad will continue to be a major tool to calibrate the policy towards capital account management in response to evolving macro-economic situation. The guidelines will be reviewed after one year based on the experience and evolving macro-economic situation.

The revised ECB framework will comprise the following three tracks:

- Track I : Medium term foreign currency denominated ECB with MAM of 3/5 years
- Track II : Long term foreign currency denominated ECB with MAM of 10 years
- Track III : Indian Rupee denominated ECB with MAM of 3/5 years

The Reserve Bank of India has issued the operational guidelines for the revised framework which will come into force with effect from the date of publication of the relative Regulation framed under FEMA, 1999 in the official gazette.

A transitional period upto March 31, 2016 has been allowed to ECBs contracted till commencement of the revised framework and in respect of special schemes which are to end by March 31, 2016.

It may be recalled that a draft of the proposed ECB framework was placed in the public domain for wider consultation in [September 2015](#).

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