

EXTERNAL COMMERCIAL BORROWINGS (ECB) FOR MICRO FINANCE INSTITUTIONS (MFIs) AND NON-GOVERNMENT ORGANIZATIONS (NGOs) - ENGAGED IN MICRO FINANCE ACTIVITIES UNDER AUTOMATIC ROUTE

A.P. (DIR SERIES 2012-13) CIRCULAR NO. 63, DATED 20-12-2012

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, notified *vide* Notification No. FEMA 3/2000-RB, dated May 3, 2000, amended from time to time, A.P. (DIR Series) Circular No. 5, dated August 1, 2005, amended from time to time, A.P. (DIR Series) Circular No. 40, dated April 25, 2005 and A.P. (DIR Series) Circular No. 59, dated December 19, 2011 relating to the External Commercial Borrowings (ECB).

2. It has been decided that the extant guidelines as specified in A.P. (DIR Series) Circular No. 59, dated December 19, 2011 will continue to be applicable until further review.
3. Hedging: ECB by MFIs/NGOs should be fully hedged. Designated AD has to ensure at the time of drawdown that the forex exposure of the borrower is fully hedged.
4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.
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 are without prejudice to permissions/approvals, if any, required under any other law.