

## **RBI EASES ECB NORMS**

In a move that will make External Commercial Borrowing easier and faster for corporates, the RBI has allowed Authorized Dealers or banks to perform functions that earlier required the consent of the central bank. In a notification issued on February 9, 2010, the RBI allowed banks to approve changes or modifications in the drawdown or repayment schedule of the ECBs already availed, provided the average maturity period is maintained. However, any elongation of rollover in the repayment on expiry of the original maturity of the ECB would require the approval of the RBI. Banks may also allow changes in the currency of borrowing, provided the proposed currency is freely convertible. Banks may allow the company to transfer its ECB transactions to another bank, provided the older bank issues a no-objection certificate and due diligence is conducted. These modifications to the ECB guidelines will come into force with immediate effect. All other aspects of the ECB policy such as the borrowing limit of \$500 million per company in a financial year, the end-use, all-in-cost ceiling and others remain unchanged. These changes may be an indication that with liquidity expected to tighten, the RBI is making it easier for corporate to access foreign currency markets

### **TEXT OF THE RELEVANT CIRCULAR**

#### **External Commercial Borrowings (ECB) Policy - Liberalisation**

*A.P. (DIR Series) Circular No. 33, dated 9-2-2010*

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 and the A.P. (DIR Series) Circular No. 5 dated August 1, 2005 relating to the External Commercial Borrowings (ECB).

2. As per the extant ECB procedures, any changes in the terms and conditions of the ECB after obtaining the Loan Registration Number (LRN) from the Department of Statistics and Information Management (DSIM), Reserve Bank, require the prior approval of the Reserve Bank. Accordingly, the requests of the borrowers for changes in the terms and conditions, such as, drawdown / repayment schedules, currency of borrowing and changes in designated AD bank, name of the borrowing company, etc. are referred to the Reserve Bank for necessary approval.

3. As a measure of simplification of the existing procedures, it has been decided to delegate powers to the designated AD category-I banks to approve the following requests from the ECB borrowers, subject to specified conditions:

#### **a) Changes / modifications in the drawdown / repayment schedule**

Designated AD Category – I banks may approve changes / modifications in the drawdown / repayment schedule of the ECBs already availed, both under the approval and the automatic routes, subject to the condition that **the average maturity period, as declared while obtaining the LRN, is maintained**. The changes in the drawdown / repayment schedule should be

promptly reported to the DSIM, Reserve Bank in Form 83. However, any elongation / rollover in the repayment on expiry of the original maturity of the ECB would require the prior approval of the Reserve Bank.

**b) Changes in the currency of borrowing**

Designated AD Category I banks may allow changes in the currency of borrowing, if so desired, by the borrower company, in respect of ECBs availed of both under the automatic and the approval routes, subject to all other terms and conditions of the ECB remaining unchanged. Designated AD banks should, however, ensure that the proposed currency of borrowing is freely convertible.

**c) Change of the AD bank**

Designated AD Category - I banks may allow change of the existing designated AD bank by the borrower company for effecting its transactions pertaining to the ECBs subject to No-Objection Certificate (NOC) from the existing designated AD bank and after due diligence.

**d) Changes in the name of the Borrower Company**

Designated AD Category - I banks may allow changes in the name of the borrower company subject to production of supporting documents evidencing the change in the name from the Registrar of Companies.

4. The modifications to the ECB guidelines will come into force with immediate effect. All other aspects of the ECB policy, such as USD 500 million 3 limit per company per financial year under the automatic route, eligible borrower, recognised lender, end-use, all-in-cost ceiling, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

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

6. 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