

May 29, 2008

To

All Category-I Authorised Dealer Banks

Madam/Sir,

**External Commercial Borrowings Policy: Liberalisation**

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to the A. P. (DIR Series) Circular No. 5 dated August 1, 2005, A. P. (DIR Series) Circular No. 60 dated May 21, 2007 and A. P. (DIR Series) Circular No. 4 dated August 7, 2007 relating to External Commercial Borrowings (ECB).

2. Based on a review, it has been decided to modify some aspects of the ECB policy as indicated below:

(a) At present, borrowers proposing to avail ECB up to USD 20 million for Rupee expenditure for permissible end-uses require prior approval of the Reserve Bank under the Approval Route. It has been decided that, henceforth,

(i) borrowers in infrastructure sector may avail ECB up to USD 100 million for Rupee expenditure for permissible end-uses under the Approval Route;

(ii) in the case of other borrowers, the existing limit of USD 20 million for Rupee expenditure for permissible end-uses under the Approval Route has been enhanced to USD 50 million.

(b) The all-in-cost ceilings in respect of ECB are modified as follows:

Average Maturity Period	All-in-Cost ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	150 bps	200 bps
More than five years	250 bps	350 bps

\* for the respective currency of credit or applicable benchmark

The above changes will apply to ECB both under the automatic route and the approval route.

3. This amendment to ECB guidelines will come into force with immediate effect. All other aspects of ECB policy such as USD 500 million limit per company per year under the Automatic Route, eligible borrower, recognised lender, end-use of foreign currency expenditure for import of capital goods and overseas investments, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

4. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.
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 is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**