



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2015-16/193
A.P. (DIR Series) Circular No.17

September 29, 2015

To,
All Authorised Dealer Category – I Banks

Madam/ Sir

**External Commercial Borrowings (ECB) Policy - Issuance of Rupee
denominated bonds overseas**

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the provisions contained in [A.P. \(DIR Series\) Circular No. 5 dated August 01, 2005](#) as amended from time to time on External Commercial Borrowings (ECB).

2. In order to facilitate Rupee denominated borrowing from overseas, it has been decided to put in place a framework for issuance of Rupee denominated bonds overseas within the overarching ECB policy. The broad contours of the framework are as follows:

- i. **Eligible borrowers:** Any corporate or body corporate as well as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).
- ii. **Recognised investors:** Any investor from a Financial Action Task Force (FATF) compliant jurisdiction.
- iii. **Maturity:** Minimum maturity period of 5 years.
- iv. **All-in-cost:** All in cost should be commensurate with prevailing market conditions.
- v. **Amount:** As per extant ECB policy.
- vi. **End-uses:** No end-use restrictions except for a negative list.

3. The detailed guidelines for issuance of Rupee denominated bonds overseas are set out in the Annex.

4. All other provisions of extant ECB guidelines regarding reporting requirements (including obtaining Loan Registration Number (LRN) through submission of Form 83 where type of ECB is to be specifically mentioned as borrowing through issuance of Rupee denominated bonds overseas), parking of bond proceeds, security / guarantee for the borrowings, conversion into equity, corporates under investigation, etc., not appearing in the Annex will be applicable for borrowing by issuance of Rupee denominated bonds overseas.

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

6. The directions contained in this circular have been issued under Section 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.

Yours faithfully

(B. P. Kanungo)
Principal Chief General Manager

Annex

Issuance of Rupee denominated bonds overseas

Sr. No.	ECB parameter	Framework
1.	Eligibility of borrowers	Any corporate or body corporate is eligible to issue Rupee denominated bonds overseas. Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) coming under the regulatory jurisdiction of the Securities and Exchange Board of India are also eligible.
2.	Type of instrument	Only plain vanilla bonds issued in a Financial Action Task Force (FATF) compliant financial centres; either placed privately or listed on exchanges as per host country regulations.
3.	Recognised investors	Any investor from a FATF compliant jurisdiction. Banks incorporated in India will not have access to these bonds in any manner whatsoever. Indian banks, however, can act as arranger and underwriter. In case of underwriting, holding of Indian banks cannot be more than 5 per cent of the issue size after 6 months of issue. Further, such holding shall be subject to applicable prudential norms.
4.	Maturity	Minimum maturity period of 5 years. The call and put option, if any, shall not be exercisable prior to completion of minimum maturity.
5.	All-in-cost	The all-in-cost of such borrowings should be commensurate with prevailing market conditions. This will be subject to review based on the experience gained.
6.	End-uses	The proceeds can be used for all purposes except for the following: <ul style="list-style-type: none"> i. Real estate activities other than for development of integrated township / affordable housing projects; ii. Investing in capital market and using the proceeds for equity investment domestically; iii. Activities prohibited as per the foreign direct investment (FDI) guidelines; iv. On-lending to other entities for any of the above objectives; and v. Purchase of land.
7.	Amount	Under the automatic route the amount will be equivalent of USD 750 million per annum. Cases beyond this limit will require prior approval of the Reserve Bank.
8.	Conversion rate	The foreign currency - Rupee conversion will be at the market rate on the date of settlement for the purpose of transactions

		undertaken for issue and servicing of the bonds.
9.	Hedging	The overseas investors will be eligible to hedge their exposure in Rupee through permitted derivative products with AD Category - I banks in India. The investors can also access the domestic market through branches / subsidiaries of Indian banks abroad or branches of foreign bank with Indian presence on a back to back basis.
10.	Leverage	The leverage ratio for the borrowing by financial institutions will be as per the prudential norms, if any, prescribed by the sectoral regulator concerned.