

**RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
Central Office
Mumbai 400 001**

RBI/2004/128

A.P.(DIR Series) Circular No. 82

April 1, 2004

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**External Commercial Borrowings (ECB) –
Clarifications**

The External Commercial Borrowings (ECB) guidelines were revised vide A.P. (DIR Series) Circular No.60 dated January 31, 2004. The Reserve Bank has been receiving a number of queries relating to various aspects of the ECB guidelines. Our clarifications on these issues are set out below :

2. **End-use** - Prior to February 1, 2004, eligible borrowers were permitted to raise ECB under the Automatic Route equivalent to USD 50 million per financial year for general corporate purpose. **Under the revised ECB guidelines, however, end-uses of ECB for working capital, general corporate purpose and repayment of existing Rupee loans are not permitted.**
3. **Amount of ECB under the Automatic Route** - It is clarified that the maximum amount of ECB which can be raised by an eligible borrower under the Automatic Route is USD 500 million or equivalent during a financial year.
4. **Submission of ECB - 2 Return** - Borrowers availing ECB since February 1, 2004 are required to submit ECB -2 Return on a monthly basis certified by the designated Authorised Dealer (AD) so as to reach the Director, Balance of Payments Statistics Division, Department of Statistical Analysis and Computer Services (DESACS), Reserve Bank of India, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051 within seven working days from the close of month to which it relates. It is clarified that all existing borrowers are also required to

submit ECB -2 Return on a monthly basis from January 2004 onwards as mentioned above.

5. **Compliance with ECB Guidelines** - The primary responsibility to ensure that ECB raised/utilised are in conformity with the Reserve Bank instructions is that of the concerned borrower and any contravention of the ECB guidelines will be viewed seriously and may invite penal action. The designated AD is also required to ensure that raising/utilisation of ECB is in compliance with ECB guidelines at the time of certification.

6. **ECB under erstwhile USD 5 Million Scheme** - At present, borrowers, who had availed ECB under erstwhile USD 5 Million Scheme with specific approval of Reserve Bank, approach the Reserve Bank for elongation of repayment period. It has been decided to delegate general permission to the designated AD to approve such elongation provided there is a consent letter from the overseas lender for such reschedulement without any additional cost. Such approval with existing and revised repayment schedule along with the Loan Key/Loan Registration Number should be initially communicated to the Chief General Manager, Foreign Exchange Department, Reserve Bank of India, Central Office, ECB Division, Mumbai within seven days of approval and subsequently in ECB - 2.

7. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.

8. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

F R Joseph

Chief General Manager