



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2012-13/284

A.P. (DIR Series) Circular No. 48

November 6, 2012

To

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) Policy – ECB by Small Industries Development Bank of India (SIDBI)

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

2. On a review of the extant ECB policy, it has been decided to include SIDBI as an eligible borrower for availing of ECB for on-lending to MSME sector, as defined under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, subject to the following terms and conditions:-

- a) such on-lending by SIDBI shall be to the borrowers' directly either in INR or in foreign currency (FCY);
 - (i) the foreign currency risk shall be hedged by SIDBI in full in case of on-lending to MSME sector in INR; and
 - (ii) on-lending in foreign currency shall be subject to Regulation 5(5) of FEMA Notification No. 3/2000-RB dated May 03, 2000, as amended from time to time and shall only be to those beneficiaries which have natural hedge by way of foreign exchange earnings;
- (b) availment of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds, for on-lending to MSME sector, will be under the automatic route and beyond 50 per cent of owned funds, will be under the approval route, subject to a ceiling of USD 500 million per financial year; and

(c) the proceeds of ECB availed by SIDBI, shall be used for on-lending to MSME sector only for the permissible end-uses as provided under the extant ECB policy.

3. All other conditions of ECB, such as recognized lender, all- in-cost, average maturity, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged.

4. The amended ECB policy shall come into force with immediate effect and is subject to review based on the experience gained in this regard.

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.

Withdrawn

Yours faithfully,

(Rashmi Fauzdar)
Chief General Manager