



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

**RBI/2009-10/ 252**  
**A.P. (DIR Series) Circular No.19**

**December 9, 2009**

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) Policy**

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the [A.P. \(DIR Series\) Circular No. 46](#) dated January 2, 2009, [A.P. \(DIR Series\) Circular No. 64](#) dated April 28, 2009 and [A.P. \(DIR Series\) Circular No. 71](#) dated June 30, 2009 relating to External Commercial Borrowings (ECB).

2. On a review of the prevailing macroeconomic conditions and developments in international financial markets, it has been decided to modify some aspects of the ECB policy as indicated below:

**(i) All-in-cost ceilings**

As per the extant policy, the all-in-cost ceilings have been dispensed with, under the approval route, until December 31, 2009. In view of the improvement in the credit market conditions and narrowing credit spreads in the international markets, it has been decided to withdraw the existing relaxation in the all-in-cost ceilings under the approval route with effect from January 1, 2010. Accordingly, the all-in-cost ceilings under the approval route for the ECBs, where Loan Agreements have been signed on or after January 1, 2010 will be as under:

<b>Average Maturity Period</b>	<b>All -in-cost Ceilings over six month Libor*</b>
Three years and up to five years	300 basis points
More than five years	500 basis points

**\*for the respective currency of borrowing or applicable benchmark.**

Eligible borrowers proposing to avail of ECB after December 31, 2009, where the Loan Agreement has been signed on or before December 31, 2009 and where the all-in-cost exceed the above ceilings, should furnish a copy of the Loan Agreement. Such proposals would continue to be considered under the approval route.

**(ii) Integrated township**

As per the extant policy, corporates, engaged in the development of integrated township, as defined in Press Note 3 (2002 Series) dated January 04, 2002, issued by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry, Government of India are permitted to avail of ECB, under the approval route, until December 31, 2009. On a review of the prevailing conditions, it has been decided to extend the current policy until December 31, 2010, under the approval route. All other terms and conditions, stipulated in the A.P. (DIR Series) Circulars referred to above, remain unchanged.

**iii) Buyback of the Foreign Currency Convertible Bonds (FCCBs)**

In terms of [A.P. \(DIR Series\) Circular No. 39](#) dated December 8, 2008, read with [A.P. \(DIR Series\) Circular No. 58](#) dated March 13, 2009 and [A.P. \(DIR Series\) Circular No. 65](#) dated April 28, 2009, Indian companies have been allowed to buyback their Foreign Currency Convertible Bonds (FCCBs) both under the automatic route and approval route until December 31, 2009. Keeping in view the prevailing macroeconomic conditions and global developments, especially the improvements in the stock prices, it has been decided to discontinue the facility with effect from January 1, 2010.

**iv) ECB for the NBFC Sector**

As per the current ECB norms, Non-Banking Finance Companies (NBFCs), which are exclusively involved in the financing of the infrastructure sector, are permitted to avail of ECBs from multilateral / regional financial institutions and Government owned development financial institutions for on-lending to the borrowers in the infrastructure sector under the approval route. In view of the thrust given to

development of infrastructure sector, it has been decided with immediate effect to allow NBFCs exclusively involved in financing the infrastructure projects to avail of ECB from the recognized lender category including international banks under the approval route, subject to complying with the prudential standards prescribed by the Reserve Bank and the borrowing entities fully hedging their currency risk. The AD Category-I bank should certify the compliance with the prudential norms by the borrowing NBFCs.

**(v) ECB for Spectrum in the Telecommunication Sector**

As per the extant policy, as indicated in [A.P. \(DIR Series\) Circular No. 26](#) dated October 22, 2008, payment for obtaining license/permit for 3G Spectrum is considered an eligible end - use for the purpose of ECB under the automatic route. It has now been decided to permit eligible borrowers in the telecommunication sector to avail of ECB for the purpose of payment for Spectrum allocation. This modification will come into effect with immediate effect.

3. All other aspects of ECB policy such as USD 500 million limit per company per financial year under the automatic route, eligible borrower, recognised lender, end-use, average maturity period, prepayment, refinancing of existing ECB, reporting arrangements and terms and conditions stipulated in the A.P. (DIR Series) Circulars shall remain unchanged.

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

5. 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**