



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2018-19/79

A.P. (DIR Series) Circular No.15

November 26, 2018

To
All Category-I Authorised Dealer Banks

Madam / Sir

External Commercial Borrowings (ECB) Policy – Review of Hedging Provision

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraphs 2.4.2 and 2.5 of [Master Direction No.5 dated January 1, 2016](#) on “External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers”, as amended from time to time and A. P. (DIR Series) Circular No. 11 dated November 06, 2018, in terms of which certain eligible borrowers raising foreign currency denominated ECBs under Track I, having an average maturity between 3 and 5 years, are mandatorily required to hedge their ECB exposure fully.

2. On a further review of the extant provisions, it has been decided, in consultation with the Government of India, to reduce the mandatory hedge coverage from 100 per cent to 70 per cent for ECBs raised under Track I of the ECB framework by eligible borrowers given at paragraph 2.4.2 (vi) of the aforesaid Master Direction for a maturity period between 3 and 5 years. Further, it is also clarified that ECBs falling within the aforesaid scope but raised prior to the date of this circular will be required to mandatorily roll-over their existing hedge(s) only to the extent of 70 per cent of outstanding ECB exposure.

3. All other provisions of the ECB policy remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

4. The aforesaid [Master Direction No. 5 dated January 01, 2016](#) is being updated to reflect the changes.

5. The directions contained in this circular have been issued under section 10(4) and 11(2) 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

Vandana Khare
General Manager