

RBI liberalises ECB norms

This is with reference to the paragraphs 2.4.5, 2.4.6 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, the attention of Authorized Dealer Category-I (AD Category-I) banks is invited.

Under the extant policy, External Commercial Borrowings (ECB) can be raised under tracks I and III for working capital purposes if such ECB is raised from direct and indirect equity holders or from a group company, provided the loan is for a minimum average maturity of 5 years. **It has been decided by RBI , in consultation with the Government of India, to liberalise the said provision and permit public sector Oil Marketing Companies (OMCs) to raise ECB for working capital purposes with minimum average maturity period of 3/5 years from all recognized lenders under the automatic route.**

Further, the individual limit of USD 750 million or equivalent and mandatory hedging requirements as per the ECB framework have also been waived for borrowings under this dispensation. However, OMCs should have a Board approved forex mark to market procedure and prudent risk management policy, for such ECBs.

The overall ceiling for such ECBs shall be USD 10 billion equivalent and the said facility will come into effect from the date of this Circular. All other provisions of the ECB policy shall remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

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Warm regards,

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