

## RBI eases hedging rules for external commercial borrowing

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

On a further review of the extant provisions, it **has been decided by RBI, 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.

All other provisions of the ECB policy remain unchanged.

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Warm regards,

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