

## RBI announces the New External Commercial Borrowings (ECB) Framework

RBI has decided in consultation with the Government of India, to rationalise the extant framework for ECB and Rupee Denominated Bonds in light of the experience gained to improve the ease of doing business. The new framework is instrument neutral and would further strengthen the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) framework. The salient features of the new framework are as under:

**Merging of Tracks:** Merging of Tracks I and II as “Foreign Currency denominated ECB” and merging of Track III and Rupee Denominated Bonds framework as “Rupee Denominated ECB”.

**Eligible Borrowers:** This has been expanded to include all entities eligible to receive FDI. Additionally, Port Trusts, Units in SEZ, SIDBI, EXIM Bank, registered entities engaged in micro-finance activities, viz., registered not for profit companies, registered societies/trusts/cooperatives and non-government organisations can also borrow under this framework.

**Recognised Lender:** The lender should be resident of Financial Action Task Force (FATF) or International Organisation of Securities Commissions (IOSCO) compliant country. Multilateral and Regional Financial Institutions, Individuals and Foreign branches / subsidiaries of Indian banks can also be lenders

**Minimum Average Maturity Period (MAMP):** MAMP will be 3 years for all ECBs. However, for ECB raised from foreign equity holder and utilised for specific purposes, the MAMP would be 5 years. Similarly, for ECB up to USD 50 million per financial year raised by manufacturing sector, which has been given a special dispensation,

the MAMP would be 1 year.

**Late Submission Fee (LSF) for delay in Reporting:** Any borrower, who is otherwise in compliance of ECB guidelines, except for delay in reporting drawdown of ECB proceeds before obtaining Loan Registration Number (LRN) or Form ECB 2 returns, can regularize the delay by payment of LSF as per the laid down procedure

ECB up to USD 750 million or equivalent per financial year, which otherwise are in compliance with the parameters and other terms and conditions set out in the new ECB framework, will be permitted under the automatic route not requiring prior approval of the Reserve Bank. The designated AD Category I bank while considering the ECB proposal is expected to ensure compliance with applicable ECB guidelines by their constituents.

Lending and borrowing under the ECB framework by Indian banks and their branches/subsidiaries outside India will be subject to prudential guidelines issued by the Department of Banking Regulation of the Reserve Bank. Further, other entities raising ECB are required to follow the guidelines issued, if any, by the concerned sectoral or prudential regulator.

**Please find enclosed detailed new ECB framework released by RBI for your kind reference.**

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Warm Regards,

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