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Chartered Accountants

FEMAUPDATES (ECB POLICY LIBERALISATION) DATE:20-SEPT-2018



RBI/2018-19/48

A.P. (DIR Series) Circular No.9 dated September 19, 2018

External Commercial Borrowings (ECB) Policy – Liberalisation

Following a review of the economy by Prime Minister last week, the government had announced range of measures to check the decline of rupee and control the widening current account deficit (CAD). Liberalisation of the External Commercial Borrowing (ECB) norms was among other measures announced by the government.

Following are the aspects covered in the circular:

Brief heading	Changes as per the Circular
ECBs by companies in manufacturing sector	As per the extant norms, ECB up to USD 50 million or its equivalent can be raised by eligible borrowers with minimum average maturity period of 3 years. It has been decided to allow eligible ECB borrowers who are into manufacturing sector to raise ECB up to USD 50 million or its equivalent with minimum average maturity period of 1 year .
Underwriting and market making by Indian banks for Rupee denominated bonds (RDB) issued overseas	Presently, Indian banks can act only as arranger/ underwriter for RDB issued overseas and in case of underwriting an issue, their holding cannot be more than 5 per cent of the issue size after 6 months of issue. It has now been decided to permit Indian banks to participate as arrangers/underwriters/market makers/traders in RDBs issued overseas subject to applicable prudential norms .

All other provisions of the ECB policy shall remain unchanged.

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