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RBI announces the New External Commercial Borrowings (ECB) Framework

As part of the on-going efforts at rationalising multiple regulations framed under FEMA 1999 over a period of time, the regulations governing all types of borrowing and lending transactions between a person resident in India and a person resident outside India, both in foreign currency and Indian Rupee, have been consolidated and the Revised Regulation [FEMA 3 R/2018 has been notified by the Government of India on December 17, 2018](#).

In line with the above revised regulation, it has now been decided, in consultation with the Government of India, to rationalise the extant framework for ECB and Rupee denominated bonds to further improve the ease of doing business. An [A. P. \(DIR Series\) Circular](#) on the new ECB policy has been issued today incorporating the new framework. Major liberalisation/rationalisation in the new framework are as under:

- i) Tracks I and II under the existing framework are merged as "Foreign Currency denominated ECB" and Track III and Rupee Denominated Bonds framework are combined as "Rupee Denominated ECB" to replace the current four-tiered structure. The framework is instrument-neutral.
- ii) The list of eligible borrowers has been expanded. All entities eligible to receive foreign direct investment can borrow under the ECB framework.
- iii) Any entity who is a resident of a country which is FATF or IOSCO compliant will be treated as a recognised lender. This change increases the lending options and allows various new lenders in ECB space while strengthening the AML/CFT framework.
- iv) The minimum average maturity period (MAMP) has been kept at 3 years for all ECBs, irrespective of the amount of borrowing in lieu of various layers of MAMPs as at present, except the borrowers specifically permitted in the circular to borrow for a shorter period.
- v) All eligible borrowers can now raise ECBs up to USD 750 million or equivalent per financial year under the automatic route replacing the existing sector wise limits.
- vi) Introduction of late submission fee for delay in prescribed reporting under the ECB framework to obviate the need for compounding these contraventions.