

FEMA(Foreign Exchange Management Act)

LIBERALISATION/ RATIONALISATION OF EXTERNAL COMMERCIAL BORROWING GUIDELINES

The Reserve Bank of India ('RBI') has vide A.P. (DIR Series) Circular No. 26 dated **October 22,2008** brought about the following amendments to the ECB guidelines with effect from October 22,2008:

1. Prior to the issue of the above circular, ECB under automatic route for incurring rupee expenditure required prior approval of RBI. This requirement has been done away with and henceforth (i.e. from October 22,2008) ECB under Automatic route can be used for incurring rupee expenditure without any approval from RBI.
2. Consequently, the borrowers shall have the option of parking the ECB proceeds overseas until actual requirement in India or to keep the ECB proceeds with overseas branches/subsidiaries of Indian banks abroad or to remit these funds to India for credit to their Rupee Accounts with AD Category –I banks in India, pending utilization for permissible end-uses.
3. The all-in-cost ceilings in respect of ECB's have been modified as follows:

Average Maturity Period	All-in-cost ceilings over 6 months LIBOR*	
	Existing	Revised
Three years and up to Five years	200 basis points	300 basis points
More than Five years and up to Seven years	350 basis points	500 basis points
More than Seven years	450 basis points	
* for the respective currency of borrowing or applicable benchmark		