

## **FEMA Updates for the month of October 2018**

### **External Commercial Borrowings (ECB) Policy – Liberalisation**

#### **I. Liberal procedures for Oil Marketing Companies (OMCs):**

Under the existing policy, ECB can be raised under Track I and III for working capital purposes from direct and indirect equity holders or from a group company with a minimum average maturity of 5 years. It has been decided, in consultation with the Government of India, to liberalise the provisions and permit public sector OMCs to raise ECB for working capital purposes with minimum average maturity period of 3 or 5 years from all recognized lenders under the automatic route.

Further, the individual limit of USD 750 million or equivalent and mandatory hedging requirements as per the ECB framework have also been waived for borrowings under this dispensation. However, OMCs should have a Board approved forex mark to market procedure and prudent risk management policy for ECBs referred above.

The overall ceiling for such ECBs shall be USD 10 billion equivalent and the said facility will come into effect from the date of this Circular.

For more details, refer Notification No. RBI/2018-2019/54, A.P. (DIR Series) Circular No. 10 dated 3<sup>rd</sup> October, 2018.

#### **II. Amendment to Minimum Average Maturity Period and Recognised Investors paragraphs of ECB Master Direction:**

It has been decided in consultation with the Government of India to liberalise few aspects of the ECB policy including policy on Rupee denominated bonds as mentioned below:

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.

Presently, Indian banks, subject to applicable prudential norms, can act as arranger and underwriter for RDBs 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.

For more details, refer Notification No. RBI/2018-19/48, A.P. (DIR Series) Circular No. 9 dated 19<sup>th</sup> September, 2018.