



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI//2012-13/553

A.P. (DIR Series) Circular No.120

June 26, 2013

To

All Authorised Dealer Category - I Banks

Madam / Sir,

External Commercial Borrowings (ECB) Policy – Structured Obligations

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No. 40 dated March 02, 2010](#) and [A.P. \(DIR Series\) Circular No. 28 dated September 26, 2011](#) pertaining to External Commercial Borrowings (ECB) Policy (Structured Obligations).

2. As per the extant guidelines, credit enhancement is permitted to be provided by multilateral / regional financial institutions, Government owned development financial institutions, direct/indirect foreign equity holder(s) under the automatic route for domestic debt raised through issue of capital market instruments, such as, Rupee denominated bonds and debentures, by Indian companies engaged exclusively in the development of infrastructure (as defined under the extant ECB policy) and by Infrastructure Finance Companies (IFCs), which have been classified as such by the Reserve Bank.

3. On a review, it has been decided that credit enhancement can be provided by eligible non-resident entities to the domestic debt raised through issue of INR bonds/ debentures by all borrowers eligible to raise ECB under the automatic route. It has also been decided to reduce the minimum average maturity of the underlying debt instruments from seven years to three years. Prepayment and call/put options, however, would not be permissible for such capital market

instruments up to an average maturity period of 3 years. All the other terms and conditions mentioned in para 4 (iv), (vi) to (viii) of A.P. (DIR Series) Circular No. 40 dated March 02, 2010 will remain unchanged.

4. On invocation of such credit enhancement, if the guarantor meets the liability and if the same is permissible to be repaid in foreign currency to the eligible non-resident entity, the all-in-cost ceilings, as applicable to the relevant maturity period of the Trade Credit / ECBs as per extant guidelines, would apply to the novated loan.

5. The amended policy will come into force with immediate effect and is subject to review depending on the experiences gained in this regard.

6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

7. Necessary amendments to the Foreign Exchange Management (Guarantees) Regulations, 2000 [Notification No. FEMA No. 8/2000-RB dated May 3, 2000](#) have been issued vide [Notification No.FEMA.269/2013-RB dated March 19, 2013](#), notified vide G.S.R.No.329(E) dated May 23, 2013.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

(Rudra Narayan Kar)
Chief General Manager in-Charge