

Draft Amendment

RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
CENTRAL OFFICE
Mumbai 400 001

Notification No. FEMA 3(R)(xxx)/2025-RB

October xx, 2025

Foreign Exchange Management (Borrowing and Lending) (Fourth Amendment) Regulations, 2025

In exercise of the powers conferred by sub-section (2) of section 6, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 ([Notification No. FEMA 3\(R\)/2018-RB dated December 17, 2018](#)) (hereinafter referred to as the ‘Principal Regulations’), namely:

1. Short title and commencement –

(1) These regulations shall be called the Foreign Exchange Management (Borrowing and Lending) (Fourth Amendment) Regulations, 2025.

(2) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment to Regulation 2 – In the Principal Regulations, regulation 2 shall be substituted by the following regulation, namely:-

“2. Definitions –

(1) In these regulations, unless the context otherwise requires:

(a) “Act” means the Foreign Exchange Management Act, 1999 (42 of 1999);

(b) “arm’s length basis” means a transaction that is conducted as if the transacting parties were unrelated, so that there is no conflict of interest;

(c) “Authorised Bank” shall have the same meaning as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#) (as amended from time to time);

(d) “Authorised Dealer (AD)” means a person authorised as an Authorised Dealer under sub-section (1) of section 10 of the Act;

(e) “benchmark rate” means any widely accepted interbank rate or Alternative Reference Rate (ARR) of 6-month tenor, applicable to the currency of borrowing, in case of foreign currency external commercial borrowing (ECB) / trade credit (TC). Further, it means prevailing yield of the Government of India security of corresponding maturity in case of rupee denominated ECB/TC;

(f) “cost of borrowing” means rate of interest, other fees, expenses, charges, guarantee fees and export credit agency charges, whether paid in foreign currency or rupee, but shall not include commitment fees and statutory taxes payable in India;

(g) “Designated Authorised Dealer Category I Bank” means the bank with which the ECB borrower maintains the current account and is designated by the borrower for meeting the reporting requirements in respect of ECB and monitoring of ECB transactions;

(h) “exchange earners’ foreign currency (EEFC) account” shall have the same meaning as assigned to them respectively in the [Foreign Exchange Management \(Foreign Currency Accounts by a Person Resident in India\) Regulations, 2015](#) (as amended from time to time);

(i) “external commercial borrowings (ECB)” means borrowing by a person resident in India from a person resident outside India;

(j) “external commercial lending (ECL)” means lending by a person resident in India to a person resident outside India;

(k) “FCNR (B) account” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#) (as amended from time to time);

(l) "financial sector regulator" means a financial regulatory body established under any law in force in India and includes the Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority.

(m) "foreign branches / foreign subsidiaries of banks in India" means branches/subsidiaries established overseas in terms of provisions contained in the Banking Regulation Act, 1949 (10 of 1949) (as amended from time to time);

(n) "foreign currency convertible bonds (FCCBs)" shall have the same meaning as assigned to it in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993 (as amended from time to time);

(o) "foreign currency exchangeable bonds (FCEBs)" shall have the same meaning as assigned to it in the [Issue of Foreign Currency Exchangeable Bonds Scheme, 2008](#) (as amended from time to time);

(p) "group entity" means a holding, subsidiary or associate company as defined under the Companies Act, 2013 (18 of 2013) (as amended from time to time);

(q) "Housing Finance Institution" shall have the same meaning as assigned to it in the National Housing Bank Act, 1987 (53 of 1987) (as amended from time to time);

(r) "Indian Entity" means a company incorporated in India under the Companies Act, 2013 (18 of 2013) (as amended from time to time) or a Limited Liability Partnership formed and registered in India under the Limited Liability Partnership Act, 2008 (as amended from time to time);

(s) "infrastructure sector" shall have the same meaning as given in the Harmonised Master List of Infrastructure sub-sectors approved by Government of India vide Notification F. No. 13/1/2017-INF (as amended from time to time);

(t) "International Financial Service Centre (IFSC)" shall have the same meaning as assigned to it under the International Financial Services Centres Authority Act, 2019 (50 of 2019) (as amended from time to time);

(u) “NRE Account” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#) (as amended from time to time);

(v) “NRO Account” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#) (as amended from time to time);

(w) “National Housing Bank” shall have the same meaning as assigned it in the National Housing Bank Act, 1987 (53 of 1987) (as amended from time to time);

(x) “net worth” –

(i) In case of companies, net worth shall have the same meaning as assigned to it in the Companies Act, 2013 (18 of 2013); and

(ii) In case of other entities, net worth shall be the sum of the capital contribution and undistributed profits after deducting therefrom the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the last audited balance sheet.

(y) “Non-Resident Indian (NRI)” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#) (as amended from time to time);

(z) “Overseas Citizen of India (OCI)” Cardholder shall have the same meaning as assigned to it in the Citizenship Act, 1955 (as amended from time to time);

(aa) “Resident Foreign Currency (RFC) account” shall have the same meaning as assigned it in the [Foreign Exchange Management \(Foreign Currency Accounts by a Person Resident in India\) Regulations, 2015](#) (as amended from time to time);

(ab) “relative” shall have the same meaning as assigned to it in the Companies Act, 2013 (18 of 2013) (as amended from time to time);

(ac) “trade credit (TC)” means credit extended by the overseas supplier or financial institution for permissible imports into India;

Explanation: Depending on the source of finance, such trade credits include both suppliers' credit and buyers' credit. Suppliers' credit relates to the credit for imports into India extended by the overseas supplier, while buyers' credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution.

(ad) "transferable development rights" shall have the same meaning as assigned to it in the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2015 (as amended from time to time).

(2) The words and expressions used but not defined in these Regulations shall have the same meaning respectively assigned to them in the Act."

3. Insertion of Regulation 3A – In the Principal Regulations, after the existing regulation 3, the following regulation shall be inserted, namely:-

"3A. Prohibition on end-use of borrowed funds:-

(1) Save as otherwise provided in the Act, Rules or Regulations made thereunder, funds borrowed in terms of these Regulation shall not be utilised for the following purposes:

(a) In the business of chit fund;

(b) In the business of Nidhi Company;

(c) Agricultural or plantation activities, except activities/sectors permitted for Foreign Direct Investment (FDI);

(d) Real estate business or construction of farmhouses, except –

(i) Activities/sectors permitted for Foreign Direct Investment (FDI); and

(ii) Purchase/long-term leasing of industrial land as part of new project/modernisation or expansion of existing units;

(e) Trading in Transferrable Development Rights (TDR); and

(e) On-lending, except by –

- (i) A person resident in India whose lending business is regulated by the Reserve Bank; and
 - (ii) A person resident in India that is a company or a body corporate established under a Central Act / State Act lending to its group entity; and
- (f) Transacting in listed/unlisted securities, except for –
- (i) Investment in terms of the Foreign Exchange Management (Overseas Investment) Rules, 2022 (as amended from time to time) and the [Foreign Exchange Management \(Overseas Investment\) Regulations, 2022](#) (as amended from time to time);
 - (ii) Merger, amalgamation, arrangement, or acquisition in accordance with the Companies Act, 2013 (as amended from time to time), Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended from time to time) and Insolvency and Bankruptcy Code, 2016 (as amended from time to time); and
 - (iii) Investment in primary market instruments issued by non-financial entities for on-lending as in (e) above.

- (2) On-lending, wherever permitted in terms of sub-regulation (1), shall not be undertaken for a prohibited end-use or to a person who is not an eligible borrower (for the borrowing from the person resident outside India whose proceeds are being on-lend).
- (3) For the purpose of sub-regulation (1), “securities” shall have the same meaning as assigned to it in section 2(h) of the Securities Contracts (Regulation) Act, 1956 (as amended from time to time).".

4. In the Principal Regulations, Schedule I shall be substituted by the following, namely:-

“SCHEDULE I
[See Regulations 4(A)(iv), 4(B)(i), 4(B)(iv), 6(A), 6(B)(i), 6(B)(vii)]
External Commercial Borrowing (ECB) Framework

1. Eligible borrowers –

- (1) A person resident in India (other than an individual) incorporated, established or registered under a Central Act or State Act may raise ECB, subject to the condition that it is permitted to borrow in terms of the applicable laws.
- (2) An eligible borrower that is under a restructuring scheme or corporate insolvency resolution process may raise ECB only if specifically permitted under the restructuring or resolution plan.
- (3) An eligible borrower against whom investigation or adjudication or appeal by the law enforcing agencies for contravention of any rule or regulation or direction issued under the Act is pending, may raise ECB notwithstanding the pending investigation or adjudication or appeal and without prejudice to the outcome of such investigation or adjudication or appeal. The borrower shall, however, disclose information about the pending investigation or adjudication or appeal to the designated AD Category I bank. The designated AD Category I banks shall intimate the agencies concerned about the borrowing.

2. Recognised lenders – An eligible borrower may raise ECB from –

- (a) A person resident outside India; or
- (b) A branch outside India or in the IFSC of an entity whose lending business is regulated by the Reserve Bank.

3. Currency of borrowing –

- (1) An eligible borrower may raise ECB denominated in foreign currency (FCY) or Indian Rupee (INR).
- (2) Currency of ECB may be changed from one FCY to another FCY, an FCY to INR and INR to an FCY.

(3) Change of currency shall be at the exchange rate prevailing on the date of the agreement for such change or at an exchange rate which results in a liability lower than that arrived at by using the exchange rate prevailing on the date of the agreement.

4. Forms of borrowing –

(1) An eligible borrower may raise ECB in any form of commercial borrowing arrangement, that involves payment of agreed interest by whatever name called, and repayment of principal.

Explanation: ECB includes FCCB and FCEB.

Note: Funds received from a person resident outside India, on or after April 30, 2007, against issuance of preference shares or debentures which are not fully and mandatorily convertible to equity shares shall be treated as ECB.

(2) The following funds raised by an eligible borrower shall not be treated as ECB –

(a) Trade Credit up to three years raised in terms of these Regulations;

(b) Export advance received in terms of these Regulations; and

(c) Investments received in terms of the [Foreign Exchange Management \(Debt Instruments\) Regulations, 2019](#); and

(d) Investments received through Convertible Notes issued in terms of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

5. Borrowing limit –

(1) An eligible borrower may raise ECB up to the higher of (a) outstanding ECB up to USD 1 billion; or (b) total outstanding borrowing (external and domestic) up to 300 per cent of net worth as per the last audited balance sheet.

(2) The proposed ECB shall be taken into consideration while checking compliance with the borrowing limit.

(3) The borrowing limit specified in the sub-paragraph (1) shall not be applicable on eligible borrowers that are regulated by financial sector regulators.

6. Maturity –

- (1) An eligible borrower shall raise ECB only with minimum average maturity period (MAMP) of three years.
- (2) An eligible borrower engaged in manufacturing sector may raise ECB with average maturity period between one year and three years, subject to the condition that outstanding stock of such ECBs shall not exceed USD 50 million.
- (3) Call and put options, if any, shall not be exercisable prior to completion of MAMP.
- (4) The MAMP specified at sub-paragraph (1) and (2) shall not be required to be met in case of –
 - (a) Conversion of ECB (including FCCB and FCEB) to non-debt instruments in accordance with the rules and regulations issued under the Act;
 - (b) Repayment of ECB using the proceeds from issuance of non-debt instruments on repatriation basis in accordance with the rules and regulations issued under the Act, provided the proceeds are received after the drawdown of the ECB;
 - (c) Waiver of debt by the lender; and
 - (d) Closure, merger, acquisition, resolution or liquidation of either the lender or the borrower.

7. Cost of borrowing –

- (1) The cost of borrowing shall be in line with prevailing market conditions, subject to the satisfaction of the designated AD Category I bank.
- (2) In case ECBs with average maturity period of less than three years the cost of borrowing shall also be in compliance with cost ceiling specified for Trade Credit in these Regulations. In the case of fixed rate loans, the swap cost plus spread should not be more than the ceiling.
- (3) The cost of borrowing shall not be paid by using the proceeds of ECB.

8. Other costs – Prepayment charge / penal interest, if any, for default or breach of covenants shall be in line with prevailing market conditions, subject to satisfaction of the designated AD Category I bank.

9. Arm's length principle – ECB from a related party, group entity or otherwise connected lender shall be carried out on an arm's length basis.

10. Drawdown –

(1) An eligible borrower shall drawdown ECB only after obtaining the Loan Registration Number (LRN) from Reserve Bank through the designated AD Category I bank.

(2) ECB proceeds shall be repatriated immediately and credited to an INR account held in India with the designated AD Category I bank. Pending utilisation, the funds may be invested in a fixed deposit with the designated AD Category I bank subject to the condition that cumulative tenor of the fixed deposit shall not exceed 12 months and the fixed deposit shall be kept in unencumbered position.

(3) ECB proceeds meant to be utilized for a permitted foreign currency expenditure may be credited to an FCY account held in India with the designated AD Category I bank or an FCY account held outside India, in terms of the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulation, 2015 (as amended). Pending utilisation, the funds may be invested outside India in:

(a) Deposit, Certificate of Deposit or other similar product offered by a bank, which has been rated 'highest quality' or 'high quality' by a credit rating agency of international repute;

(b) Treasury bills and other monetary instruments with maturity up to one-year, which have been rated 'highest quality' or 'high quality' by a credit rating agency of international repute; and

(c) Deposit with a foreign branch or foreign subsidiary of a bank in India.

11. Securing the borrowing –

(1) ECBs may be secured by –

- (a) Creation of charge on immovable assets, movable assets, financial assets and intangible assets (including intellectual property rights) in favour of the non-resident lender or security trustee; and
- (b) Issue of corporate guarantee or personal guarantees in favour of the non-resident lender or security trustee.

(2) Securing ECBs shall be subject to following terms and conditions –

- (a) The borrowing agreement contains a clause requiring the borrower to provide such security;
- (b) The security shall be co-terminus with the underlying ECB;
- (c) No objection certificate, as applicable, from the existing lenders in India shall be obtained before creation of charge; and
- (d) Creation of charge on an asset shall not be construed as a permission to acquire the asset in India, by the overseas lender / security trustee.

(3) Entities regulated by the Reserve Bank shall not provide (issue) any type of guarantee.

(4) In case of creation of charge on movable assets, the encumbered movable assets may also be taken out of the country subject to getting 'No Objection Certificate' from domestic lender(s), if any.

(5) In the event of enforcement / invocation of the security –

- (a) The claim of the lender shall be restricted to the outstanding claim against the ECB;
- (b) Transfer of any asset / property shall be in compliance with the Act or Rules, Regulations or Directions issued thereunder; and
- (c) The asset / property may be transferred to a person resident in India to utilise the proceeds for extinguishing the outstanding claim against the ECB.

12. Refinancing – An eligible borrower may refinance an existing ECB, in part or full, by a fresh ECB, subject to the condition that refinancing doesn't result in failure to meet MAMP requirement applicable on the original borrowing (weighted outstanding maturity in case of multiple borrowings) and that the credit spread applicable to the fresh ECB is not more than the credit spread applicable to the original borrowing (weighted average credit spread in case of multiple borrowings).

13. Conversion of ECB into non-debt instrument –

(1) An eligible borrower may convert an ECB, including those which is matured but unpaid, into a non-debt instrument, subject to compliance with the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

(2) Conversion of the ECB into a non-debt instrument shall be subject to the following terms and conditions –

(a) There are no additional costs payable to the lender for enabling such conversion;

(b) Consent of the ECB lender is in place; and

(c) Consent of other lenders, if any, to the same borrower is available or at least information regarding conversions is exchanged with other lenders of the borrower.

(3) The prudential regulations, including those on restructuring, issued by the respective regulatory department of the Reserve Bank shall also be applicable if the borrower has availed credit facilities from an entity regulated by the Reserve Bank (including its foreign branch or subsidiary).

(4) ECB liability eligible for conversion into non-debt instruments shall be determined basis the exchange rate prevailing on the date of the agreement between the parties concerned or at an exchange rate which results in a liability lower than that arrived at by using the exchange rate prevailing on the date of the agreement.

14. Change of parameters, terms and conditions –

(1) Changes to the parameters, terms and conditions governing the ECB may be made, subject to lender's consent and compliance with the provisions of this Schedule.

(2) Changes related to the conversion of FCCB/FCEB shall require approval of the Reserve Bank.

(3) In case of extension of tenor of the borrowing, the prudential regulations, including those on restructuring, issued by the respective regulatory department of the Reserve

Bank shall also be applicable if the borrower has availed credit facilities from an entity regulated by the Reserve Bank (including its foreign branch or subsidiary).

(4) Change of designated AD Category I bank shall be subject to the obtaining ‘no objection certificate’ from the existing designated AD Category I bank.

15. Debt servicing –

(1) Principal, interest, and other charges, in respect of ECBs undertaken in compliance with the ECB framework, may be remitted.

(2) Repayment in case of an ECB availed from the NRO account of the lender shall be credited to the NRO account only.

16. Reporting –

(1) Eligible borrowers shall submit the following application/return through the designated AD Category I bank in the format provided by the Reserve Bank to the designated AD Category I bank:

(a) ‘Form ECB’ for obtaining Loan Registration Number (LRN);

(b) ‘Form ECB 2’ for reporting drawdown and debt servicing, within thirty calendar days from the date of such cashflow; and

Explanation: In case of a single ‘Form ECB 2’ return for multiple cashflows, the timeline applicable to each cashflow shall have to be complied with.

(c) ‘Revised Form ECB’ for reporting changes in the ECB parameters as reported in Form ECB, within thirty calendar days from the date of such change.

(2) In case of non-adherence with reporting timelines, the borrower may pay late submission fee as per the guidelines issued by the Reserve Bank in this regard.

(3) The designated AD Category I bank shall submit the application/return received from the eligible borrower, along with due certification, to the Reserve Bank in the manner and format advised for this purpose.

(4) The designated AD Category I banks may approach the Reserve Bank for cancellation of an allotted LRN, subject to the condition that no draw down has taken place.”.

(Dr. Aditya Gaiha)
Chief General Manager-in-Charge

The Principal Regulations were published in the Official Gazette vide G.S.R.No.1213(E) dated December 17, 2018, in Part II, Section 3, sub-Section (i) and subsequently amended as under, namely:-

- (i) Notification No. G.S.R No. 163(E) published in the official gazette on February 26, 2019;
- (ii) Notification No. FEMA. 3(R)(2)/2021-RB published in the official gazette on May 24, 2021; and
- (iii) Notification No. FEMA.3(R)(3)/2022-RB published in the official gazette on July 29, 2022.