



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2015-16/372
A.P. (DIR Series) Circular No.60

April 13, 2016

To
All Category-I Authorised Dealer Banks

Madam / Sir,

Issuance of Rupee denominated bonds overseas

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the provisions contained in [A.P. \(DIR Series\) circular No. 17 dated September 29, 2015](#) on issuance of Rupee denominated bonds overseas and paragraph no. 3.2, 3.3.1, 3.3.3 and 3.3.9 of [Master Direction No.5 dated January 1, 2016](#) on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers. Attention of Authorized Dealer Category - I (AD Category - I) banks is also invited to paragraph no. 30 and 31 of the [Fourth Bi-Monthly Monetary Policy Statement, 2015-16 issued on September 29, 2015](#), in terms of which:

- i. The limits for Foreign Portfolio Investment (FPI) in debt securities is to be announced / fixed in Rupee terms and;
- ii. The issuance of Rupee denominated bonds overseas will be within the aggregate limit of foreign investment permitted in corporate debt as notified from time to time.

2. According to the Monetary Policy Statement, the current limit of USD 51 billion for foreign investment in corporate debt, as was given in [A.P. \(DIR Series\) circular No. 94 dated April 01, 2013](#), has been fixed in Rupee terms at Rs. 2443.23 billion. Issuance of

Rupee denominated bonds overseas will be within this aggregate limit of foreign investment in corporate debt.

3. With fixing of aggregate limit of foreign investment in corporate debt in Rupee terms, the provision at Sr. No. 7 of the table in the Annex to the aforesaid circular dated September 29, 2015 regarding the amount of borrowing by issuance of Rupee denominated bonds overseas has also been modified. As the overall limit is now prescribed in Rupee terms, the maximum amount which can be borrowed by an entity in a financial year under the automatic route by issuance of these bonds will be Rs. 50 billion and not USD 750 million as given in the circular. Proposals to borrow beyond Rs. 50 billion in a financial year will require prior approval of the Reserve Bank.

4. Further, in order to have consistency regarding eligibility of foreign investors in corporate debt, the criteria for investors and location for issuance of these bonds has been modified. The Rupee denominated bonds can **only** be issued in a country **and** can **only** be subscribed by a resident of a country:

- that is a member of Financial Action Task Force (FATF) or a member of a FATF-Style Regional Body; **and**
- whose securities market regulator is a signatory to the International Organization of Securities Commission's (IOSCO's) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India (SEBI) for information sharing arrangements; **and**
- should not be a country identified in the public statement of the FATF as:
 - (i) A jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
 - (ii) A jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

5. It has been decided to reduce the minimum maturity period for Rupee denominated bonds issued overseas to three years in order to align with the maturity prescription

regarding foreign investment in corporate bonds through the Foreign Portfolio Investment (FPI) route.

6. Accordingly, the criteria mentioned at Sr. No. 3 and 4 of the table in the Annex to the aforesaid circular dated September 29, 2015 for recognized investors and maturity respectively, stands modified.

7. Borrowers issuing Rupee denominated bonds overseas should incorporate clause in the agreement / offer document so as to enable them to obtain the list of primary bond holders and provide the same to the regulatory authorities in India as and when required. The agreement / offer document should also state that the bonds can only be sold / transferred / offered as security overseas subject to compliance with aforesaid IOSCO / FATF jurisdictional requirements.

8. In order to capture inflows/ outflows (principal only) on account of the borrowing by issuance of these bonds, AD Category – I banks should report to the Foreign Exchange Department, External Commercial Borrowings Division, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001, the figures of actual drawdown(s) / repayment(s) by their constituent borrowers quoting the related loan registration number. Such reporting by [email](#) shall be made on the date of transaction itself. This reporting will be in addition to the returns filed with the Department of Statistics and Information Management of the Reserve Bank (viz Form 83 and ECB 2 Return) as in the case of availment of External Commercial Borrowings (ECB).

9. All other provisions of Circular dated September 29, 2015 remain unchanged. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

10. The changes / revised instructions in respect of issuance of Rupee denominated bonds as mentioned at paragraph no. 3 to 7 above, will be applicable from the date of issuance of this Circular. Transactions already carried out as per earlier instructions / pipe line transactions where LRN has already been obtained / proposals where agreement have already been signed and / or offer document already issued may be concluded as per provisions contained in Circular dated September 29, 2015. Post-facto

reporting of actual transactions, already undertaken shall, however, be made to the Foreign Exchange Department immediately at the email given in paragraph no.8 above.

11. Relevant paragraphs of the Master Directions No. 5 dated January 01, 2016 issued by RBI are being updated to reflect the changes.

12. The directions contained in this circular have been issued under section 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

Shekhar Bhatnagar
Chief General Manager-in-Charge