



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2011-12/274
A.P. (DIR Series) Circular No. 52

November 23, 2011

To

All Authorised Dealer Category I Banks

Dear Madam / Sir,

External Commercial Borrowings (ECB) Policy – Parking of ECB proceeds

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to [A.P. \(DIR Series\) Circular No. 26 dated October 22, 2008](#) relating to the External Commercial Borrowings (ECB).

2. At present, borrowers are permitted to either keep ECB proceeds abroad or remit these funds to India, pending utilization for permissible end-uses. ECB proceeds parked overseas can be invested in liquid assets, such as, deposits or Certificates of Deposit or other products offered by banks (rated not less than AA (-) by Standard and Poor/Fitch IBCA or Aa3 by Moody's), Treasury bills and other monetary instruments of one year maturity having minimum rating as indicated above and deposits with overseas branches / subsidiaries of Indian banks abroad. The underlying principle is that funds should be invested in such a way that the investments can be liquidated as and when funds are required by the borrower. ECB funds may also be repatriated to India for credit to the borrowers Rupee accounts with AD Category I banks in India pending utilization for the permissible end-uses.

3. Based on a review of the current macro economic conditions, it has been decided that henceforth the proceeds of the ECB raised abroad meant for Rupee expenditure in India, such as, local sourcing of capital goods, on-lending to Self-Help Groups or for micro credit, payment for spectrum allocation, etc. should be brought immediately for credit to their Rupee accounts with AD Category I banks in India. In other words, ECB proceeds meant only for foreign currency expenditure can be retained abroad pending utilization. The rupee funds,

however, will not be permitted to be used for investment in capital markets, real estate or for inter-corporate lending, as hitherto.

4. The amended ECB policy will come into force with immediate effect and is subject to review. All other aspects of ECB policy would remain unchanged.

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

6. 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,

(Rashmi Fauzdar)
Chief General Manager

Related Press Release	
Nov 23, 2011	<u>ECB Policy modified: All-in-cost Ceiling enhanced; ECB raised for Rupee Outlay to be brought in Immediately</u>