

Amendments in the extant ECB policy of the RBI

- An outcome of the improvement in international financial markets

The Reserve Bank of India has issued a Circular **A.P. (DIR Series) Circular No.19 on December 9, 2009** modifying some aspects of the ECB policy which have been briefly summarized below:

- The first thrust lies on the 'All-in-cost ceilings'. The extant ECB policy had dispensed the 'All-in-cost-ceilings' under the approval route until December 31, 2009. But on a review of the credit market scenario all across the globe, the same ceilings, as where applicable under the automatic route, have come in place w.e.f January 1, 2010 for Loan Agreements signed on or after January 1, 2010.
- The second development is an attempt to facilitate access to funds for the housing sector. Permission for the 'development of integrated townships' as an eligible end-use of the ECB, under the approval route of RBI has been extended until December 31, 2010.
- The RBI has decided to discontinue the facility for Indian corporates to buyback their own FCCBs both under the automatic and approval route with effect from January 1, 2010.
- In order to give a boost to the development of infrastructure sector, NBFCs exclusively involved in the financing of the infrastructure sector, are permitted with immediate effect to avail of ECBs from the recognized lender category including international banks under the approval route, subject to complying with the prudential standards prescribed by the RBI and the borrowing entities fully hedging their currency risk.
- It has now been decided with immediate effect to permit eligible borrowers in the telecommunication sector to avail of ECB for the purpose of payment for Spectrum allocation.

Full text of the circular is available at:

http://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=5410