



RESERVE BANK OF INDIA
Mumbai - 400 001

RBI/2013-14/126
A.P. (DIR Series) Circular No. 6

July 8, 2013

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) Policy - Non-Banking Finance Company –
Asset Finance Companies (NBFC - AFCs)**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#) and [A.P. \(DIR Series\) Circular No. 69 dated January 7, 2013](#) relating to External Commercial Borrowings (ECB).

2. As per the extant guidelines, non-banking financial companies (NBFCs) are allowed to avail of ECB under approval route from multilateral financial institutions, reputable regional financial institutions, official export credit agencies and international banks with minimum average maturity of 5 years to finance import of infrastructure equipment for leasing to infrastructure projects. Further, NBFC – Infrastructure Finance Companies (IFCs) have been permitted to avail of ECB for on-lending to infrastructure sector both under automatic and approval routes subject to certain terms and conditions.

3. On a review of ECB policy, it has been decided to allow NBFCs, categorised as Asset Finance Companies (AFCs) by the Reserve Bank and complying with the norms prescribed in the [Circular DNBS. PD. CC. No. 85/03.02.089/2006-07 dated December 6, 2006](#) of the Bank, as amended from time to time, to avail of ECB subject to following conditions:

(i) NBFC-AFCs are allowed to avail of ECB under the automatic route from all recognised lenders as per the extant ECB guidelines with minimum average maturity

period of five years in order to finance the import of infrastructure equipment for leasing to infrastructure projects;

(ii) in cases, where the NBFC-AFCs avail of ECB in the form of Foreign Currency Bonds from international capital markets, such ECBs will be permitted to be raised only from those international capital markets that are subject to regulations prescribed by the host country regulator in a Financial Action Task Force (FATF) member country compliant with FATF guidelines;

(iii) such ECBs (including outstanding ECBs) under the automatic route can be availed upto 75 per cent of owned funds of NBFC-AFCs, subject to a maximum of USD 200 million or its equivalent per financial year;

(iv) ECBs by AFCs above 75 per cent of their owned funds will be considered under approval route by Reserve Bank; and

(v) the currency risk of such ECBs is required to be hedged in full.

4. The above modifications to the ECB guidelines will come into force with immediate effect. All other aspects of extant ECB guidelines shall 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

(Rudra Narayan Kar)

Chief General Manager-in-Charge