



August 2022

The Reserve Bank of India ("RBI") temporarily raises all-in-cost ceiling and automatic route borrowing limit for External Commercial Borrowings ("ECBs")

Pursuant to the RBI's press release on Liberalisation of Forex Flows on July 6, 2022, it issued a circular on August 1, 2022 ("**ECB Circular**") liberalizing some aspects of ECBs.

The RBI's Master Directions on External Commercial Borrowings, Trade Credits and Structured Obligations dated March 26, 2019 ("**RBI Master Directions on ECB**") permit all eligible borrowers to raise ECBs up to USD 750 (US Dollar seven hundred fifty) million or equivalent per financial year under the automatic route. Further, the all-in-cost ceiling for:

- (i) existing foreign currency denominated ECBs (where LIBOR benchmarking is now changed to alternative investment rate) is benchmark rate plus 550 (five hundred fifty) bps;
- (ii) foreign currency denominated new ECBs is benchmark rate plus 500 (five hundred) bps; and
- (iii) Indian currency denominated ECBs is benchmark rate plus 450 (four hundred fifty) bps.

Pursuant to the ECB Circular, the RBI has -

- increased the automatic route limit from USD 750 (US Dollar seven hundred fifty) million or equivalent to USD 1.5 (US Dollar one and half) billion or equivalent; and
- increased the all-in-cost ceiling by 100 (one hundred) bps. However, the enhanced all-in-cost ceiling is available only to the eligible borrowers of investment grade rating from Indian credit rating agencies. Other eligible borrowers may continue to raise ECBs within the existing all-in-cost ceiling as mentioned under the RBI Master Directions on ECB.

These relaxations are applicable for ECBs to be raised till December 31, 2022.

JSA Comment

The RBI's move comes in the wake of the global outlook being clouded by recession risks. Though India's growth prospects remain strong and resilient, the RBI has been closely and continuously monitoring the liquidity conditions in the forex market and has stepped in as needed in all its segments for ensuring orderly market functioning. The RBI has decided to undertake these measures to enhance forex inflows while ensuring overall macroeconomic and financial stability.

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This Prism has been prepared by:



Soumitra Majumdar

Partner



Deboshree Mukherjee

Associate



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18 Ranked Lawyers



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