

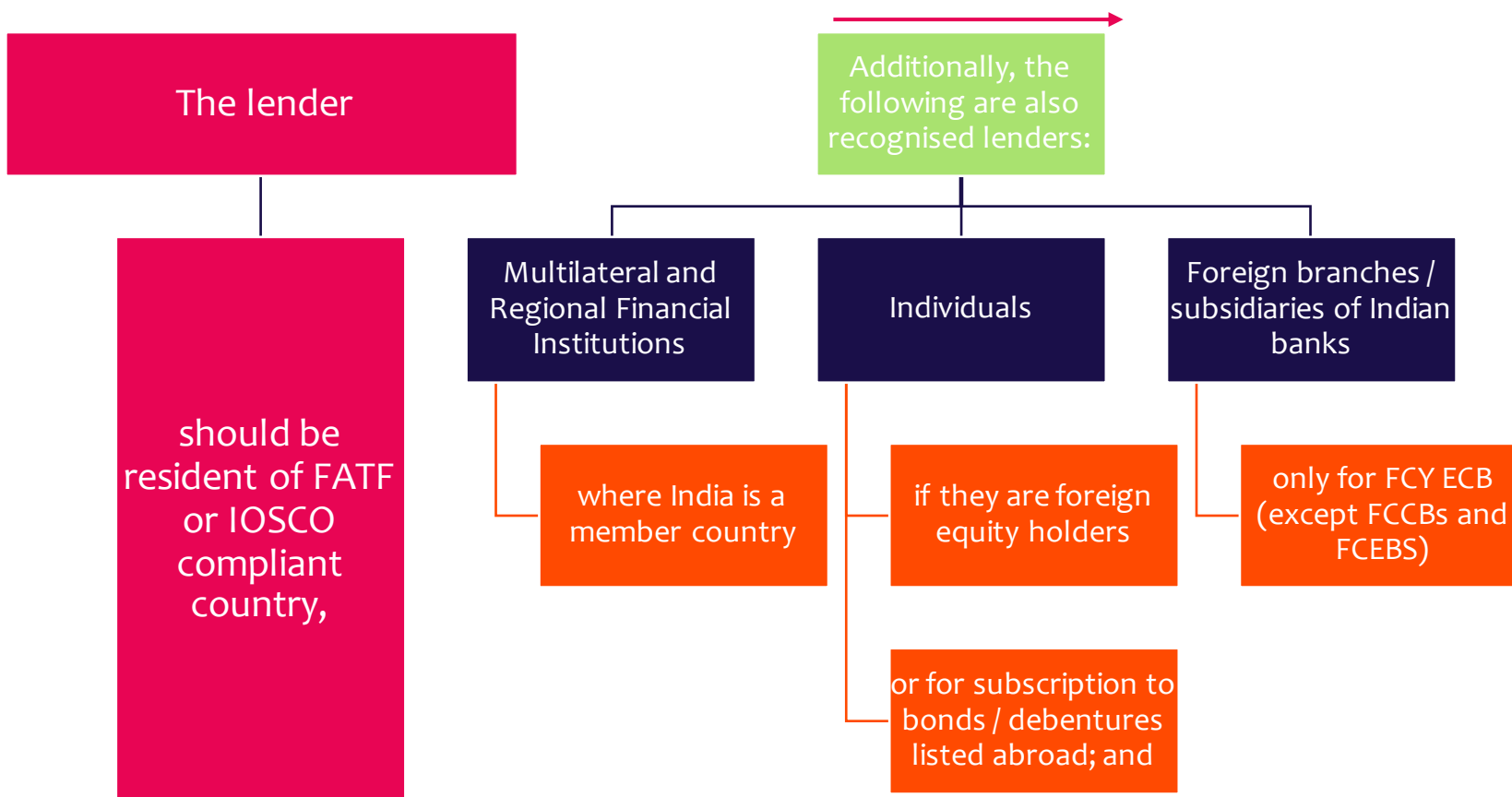


DAY 8 || Comprehensive Course on Foreign Exchange Management, 1999

Faculty: CA Sudha G. Bhushan

Sudha@taxpertpro.com || 09769033172

Recognised Lenders



FATF compliant country: A country that is a member of the Financial Action Task Force (FATF) or a member of a FATF-Style Regional Body; 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.

IOSCO compliant country: A country 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.

Data on ECB/FCCB for the month of January 2021

I AUTOMATIC ROUTE*							
	ECB/ FCCB	Borrower	Economic sector of borrower	Equivalent Amount in USD	Purpose	Maturity Period (Appx)	Lender Category
1	ECB	Eternity Innovations & Technologies Private Limited	Computer programming, consultancy and related activities	4,54,822	Modernisation	22 Years 10 Months	Foreign Collaborator / Foreign Equity Holder
2	ECB	Mangalam Alloys Ltd.	Manufacture of basic metals	13,97,744	Import of capital goods	5 Years	Supplier of Equipment
3	ECB	Toyota Kirloskar Auto Parts Private Limited	Manufacture of motor vehicles, trailers and semi-trailers	6,84,00,000	New project	7 Years 2 Months	Foreign Collaborator / Foreign Equity Holder
4	ECB	Micronclean India Private Limited	Rental and leasing activities	39,66,658	Import of capital goods	11 Years	Foreign Collaborator / Foreign Equity Holder
5	ECB	Giovanni Food Company Private Limited	Food and beverage service activities	1,25,000	Working Capital	5 Years 5 Months	Foreign Collaborator / Foreign Equity Holder
6	ECB	Lithan Private Limited	Education	1,84,655	Working Capital	9 Years 2 Months	Foreign Collaborator / Foreign Equity Holder
7	ECB	Sayatva Industrial Private Limited	Manufacture of fabricated metal products, except machinery and equipment	9,56,242	Import of capital goods	5 Years	Leasing Company
8	ECB	Forsee Power India Private Limited	Manufacture of electrical equipment	7,11,263	New project	1 Year	Foreign Collaborator / Foreign Equity Holder
9	ECB	Kerry Ingredients India Private Limited	Manufacture of food products	80,83,776	Working Capital	9 Years 8 Months	Foreign Collaborator / Foreign Equity Holder
10	ECB	Gulbrandsen Technologies (India) Private Limited	Manufacture of chemicals and chemical products	80,00,000	New project	9 Years 9 Months	Foreign Collaborator / Foreign Equity Holder
11	ECB	Rotary Master Manufacturing Private Limited	Manufacture of machinery and equipment n.e.c.	2,00,000	Rupee Expenditure Loc.CG	6 Years 3 Months	Others
12	ECB	Shriram Transport Finance Company Limited	Financial service activities, except insurance and pension funding	75,00,00,000	On-lending/Sub-lending.	3 Years	International Capital Market
13	ECB	Mohalla Tech Private Limited	Information service activities	6,00,00,000	Working Capital	10 Years 1 Month	Others
14	ECB	Momoe Technologies Private Limited	Wholesale trade, except of motor vehicles and motorcycles	20,00,000	Working Capital	5 Years	Foreign Collaborator / Foreign Equity Holder
15	ECB	Advanced Medtech Solutions Private Limited	Manufacture of pharmaceuticals, medicinal chemical and botanical products	6,00,000	Working Capital	5 Years 3 Months	Foreign Collaborator / Foreign Equity Holder
16	ECB	Friemann & Wolf India Private Limited	Manufacture of electrical equipment	21,03,834	Working Capital	8 Years 3 Months	Foreign Collaborator / Foreign

direct foreign equity holder

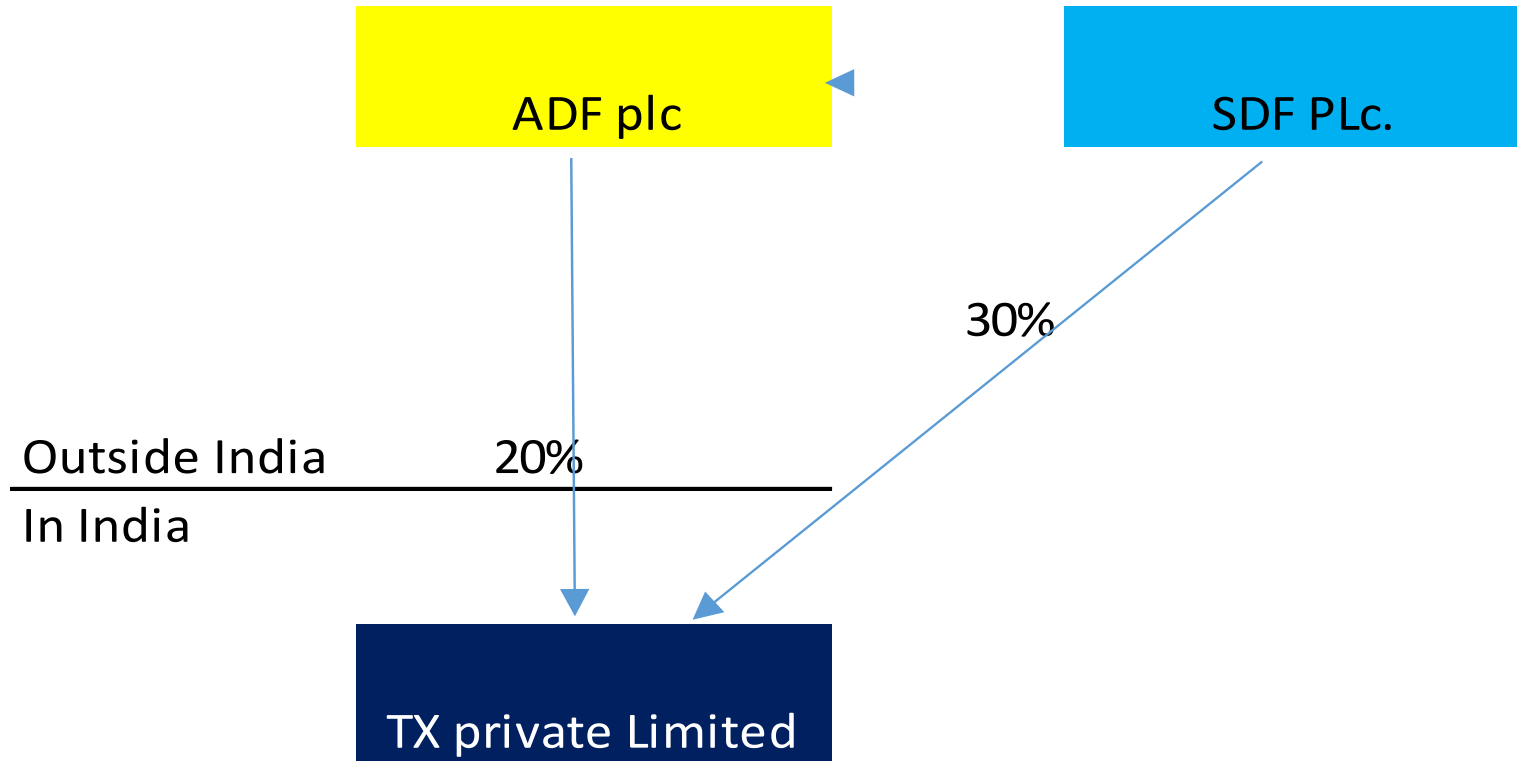
- with minimum 25% direct equity holding in the borrowing entity

indirect equity holder

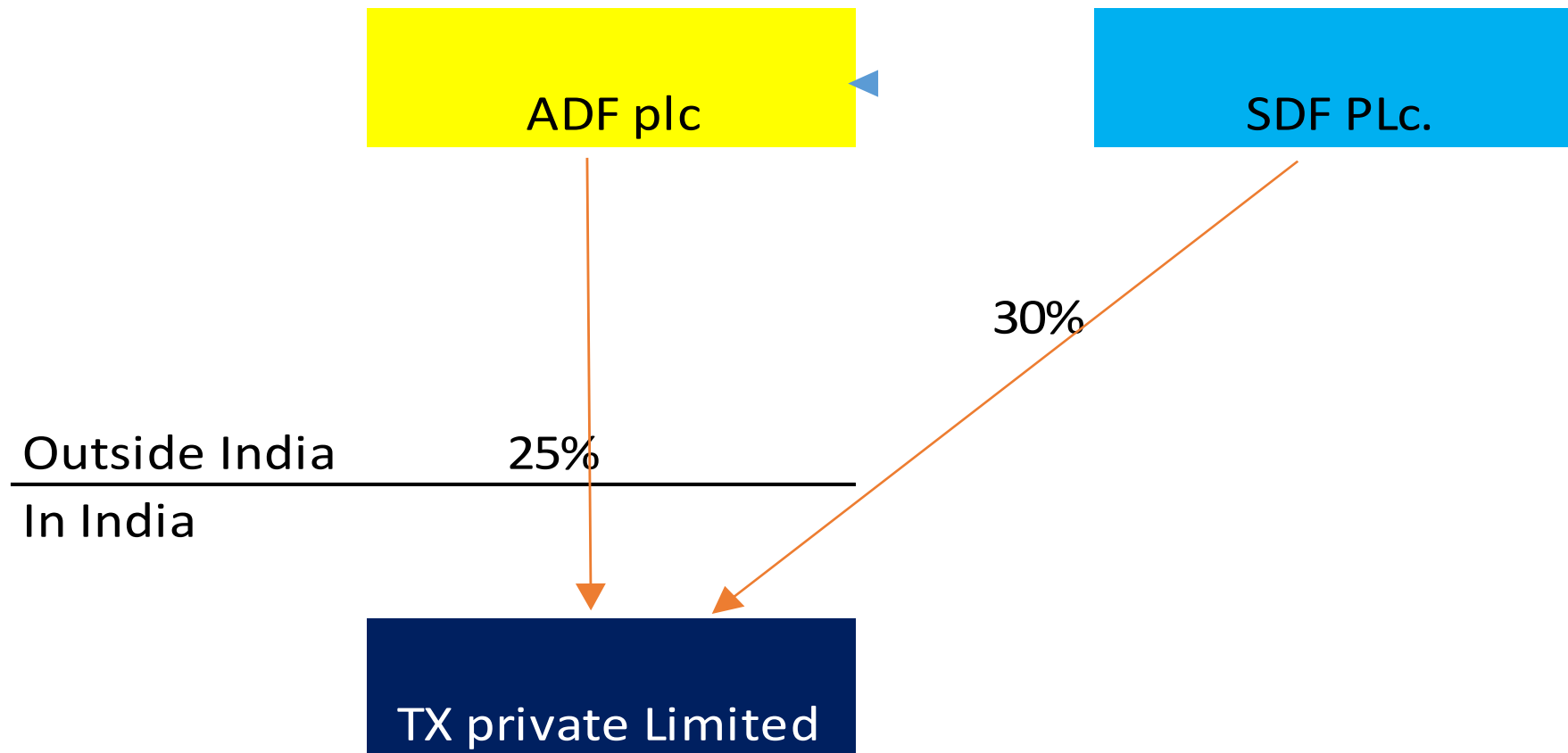
- with minimum indirect equity holding of 51%

group company

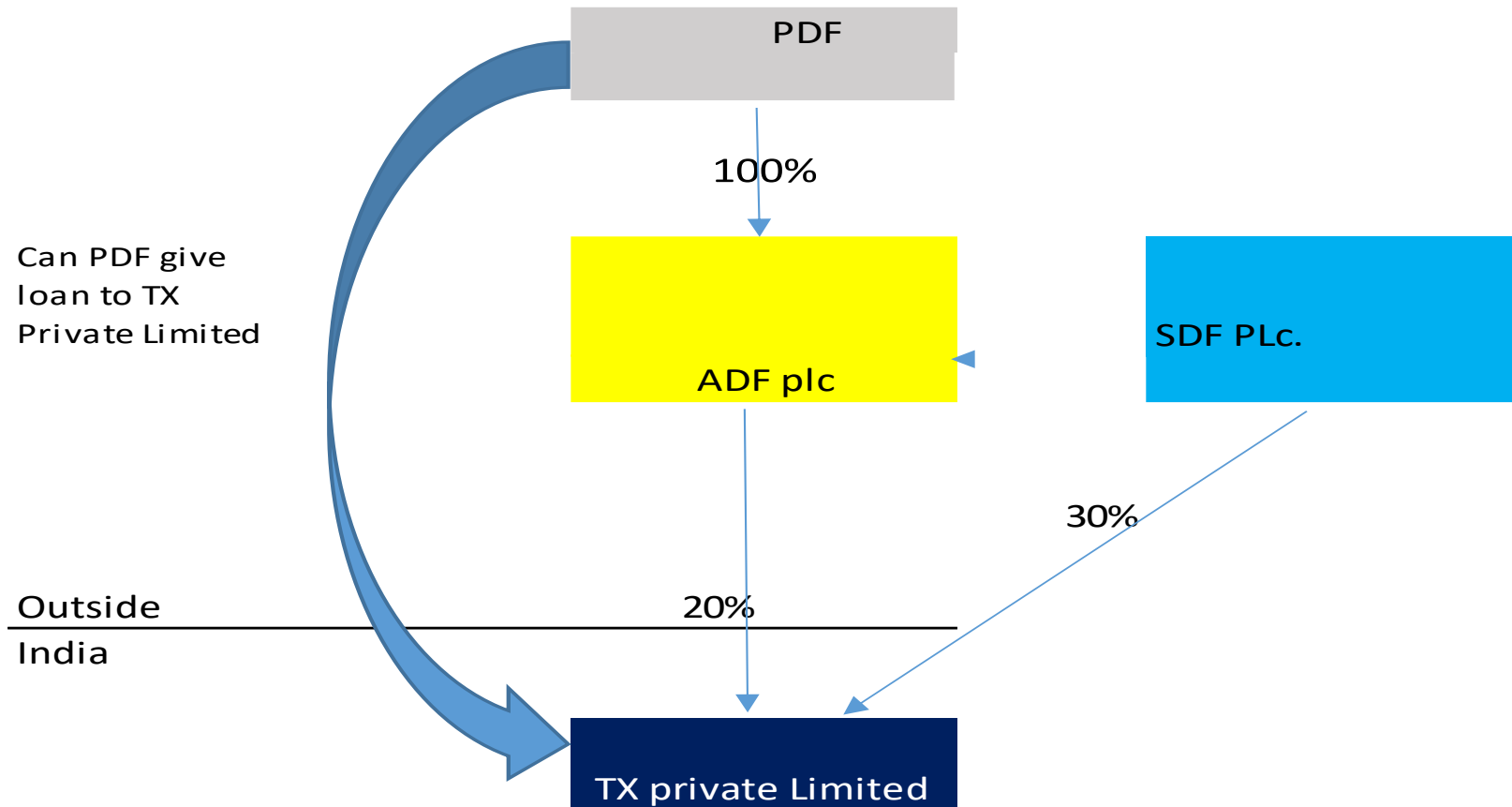
- with common overseas parent



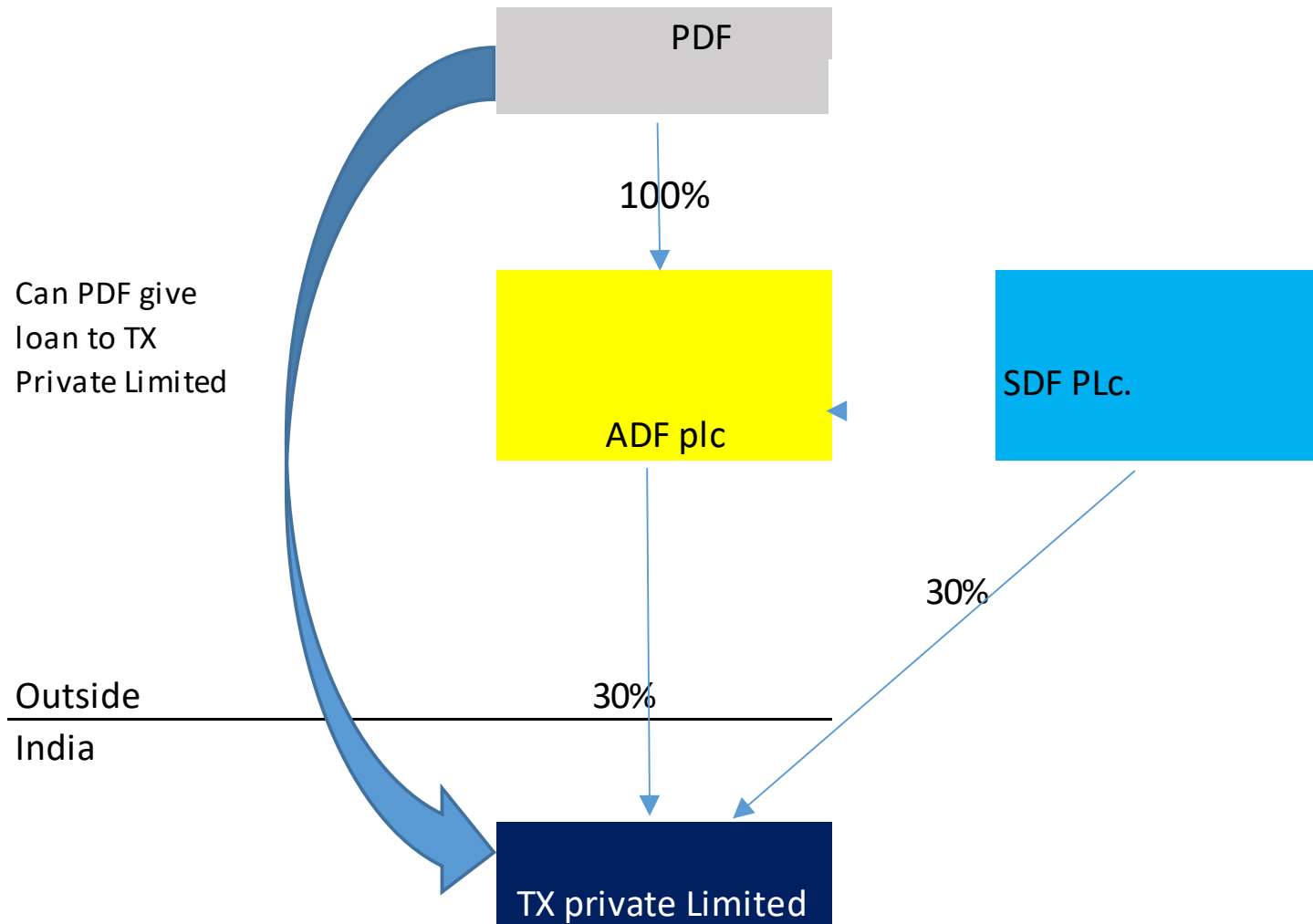
Case Study



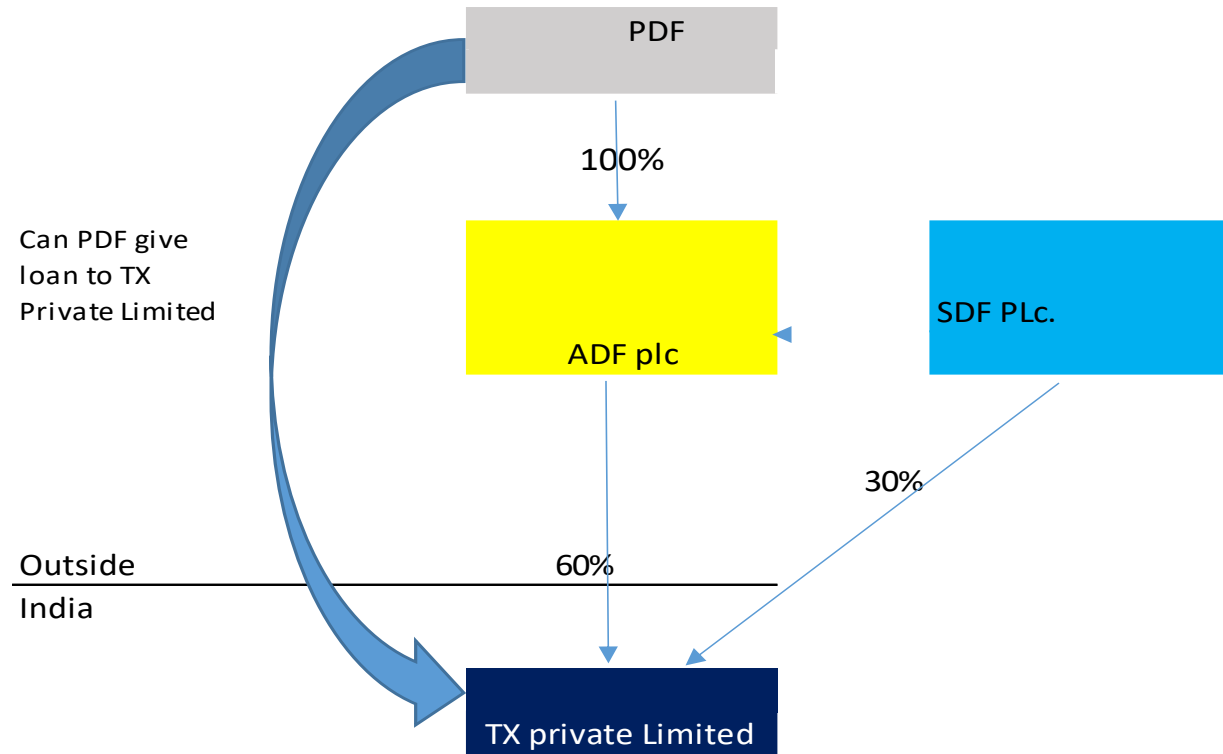
Case Study



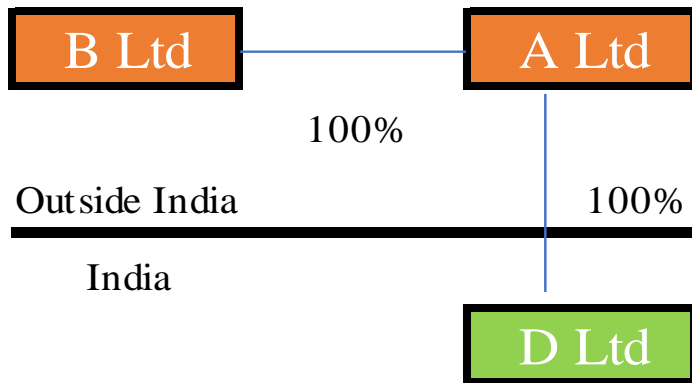
Case Study



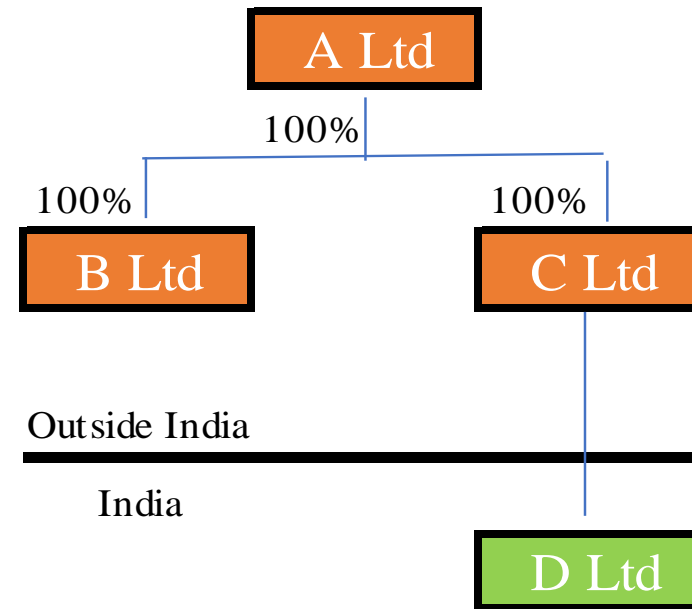
Case Study



Recognised Lenders || Foreign Equity Holder

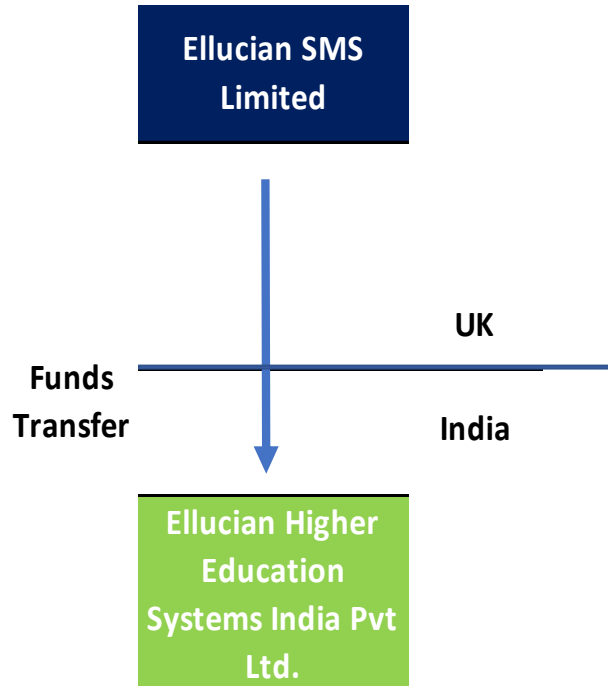


ECB from B Ltd - considered as ECB from Foreign equity holder as A Ltd being group company with common overseas parent

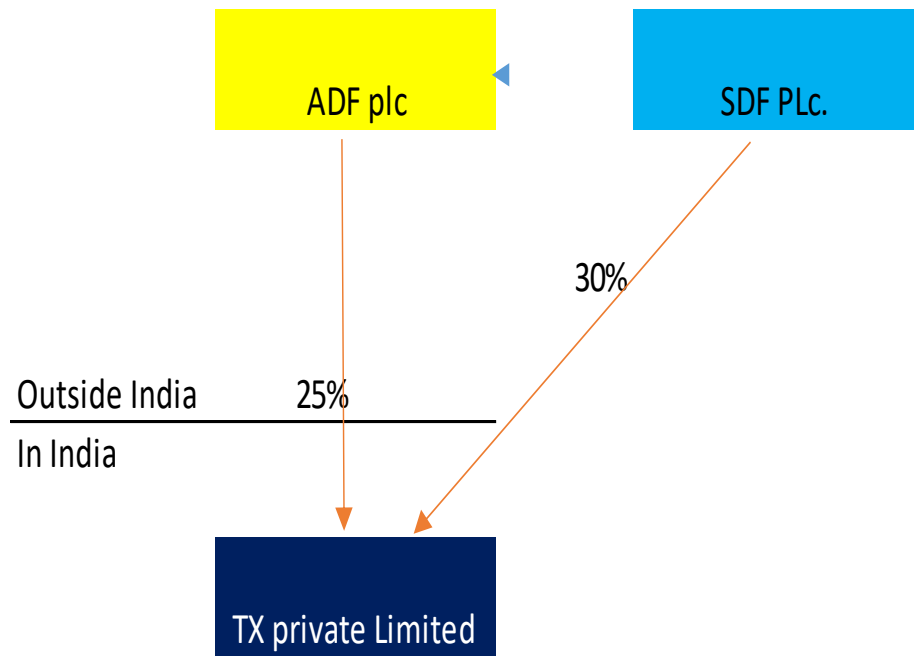


ECB from B Ltd - Whether will be considered as ECB from Foreign equity holder being Common Ultimate parent?

CA No 4351 / 2017 - Ellucian Higher Education Systems India Private Limited.



- Applicant, Ellucian Higher Education Systems India Private Limited is a wholly owned subsidiary of Ellucian SMS Limited, UK and is engaged in the business of providing software development services, professional services and application support services to all Ellucian group entities.
- Applicant borrowed funds from Ellucian Support Gobal, a group entity to execute a lease agreement.
- Group entity was not a recognized lender under the automatic route and the end use of the transaction was not permitted under the FEMA Regulations.
- Contravened the provisions of Regulation 6 of FEMA.3/2000-RB dated May 03, 2000 for borrowing in contravention to the FEMA Regulations.



Facts of the case

- As on 31 March 2020 the shareholding of ADF in TX private Limited was 25%.
- There was an ECB availed by TX private limited from ADF in April 2020
- In June 2020, under the restructuring process holding of ADF Plc was transferred from ADF to SDF

Recognised Lenders || Foreign Equity Holder

A foreign equity holder holding minimum 25% direct equity holding in the borrowing entity or minimum indirect equity holding of 51% in the borrowing entity is a recognised lender.

Can the foreign equity holder dispose-off the holding once ECB is contracted?

No, all ECB guidelines including those related to minimum equity holding, are to be fulfilled during the whole tenure of the ECB and not only at the time of contracting of ECB.

Recognised Lenders || Foreign Equity Holder

- **Whose responsibility is it to ensure compliance with ECB guidelines?**

Recognised Lenders || Foreign Equity Holder

- **Whose responsibility is it to ensure compliance with ECB guidelines?**
- The primary responsibility for ensuring that the borrowing is in compliance with the applicable ECB guidelines is that of the borrower concerned. Structures which bypass/ circumvent ECB guidelines in any manner and / or raising borrowings in any other manner which is not permitted / disguising borrowing under the wrap of other kind of transactions and / or contravening provisions of Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2018 would also invite penal action under FEMA.

ECB Liability: Equity Ratio

Conditions

- in case of FCY denominated ECB raised from direct foreign equity holder ECB liability-equity ratio for ECBs raised under the automatic route cannot exceed 7:1.
- Not applicable - if outstanding amount of all ECBs, including proposed one, is up to USD 5 million or equivalent.
- Further, the borrowing entities will also be governed by the guidelines on debt equity ratio issued, if any, by the sectoral or prudential regulator concerned.

calculation

- **ECB liability-equity ratio = 7:1**
 - ✓ Wherein,
 - ✓ ECB = All ECBs raised in the financial year including the proposed one apart from ECB raised for refinancing
 - ✓ Equity = Paid-up capital plus free reserves (incl. proportionate share premium received in Foreign Currency as per latest audited balance sheet).

ECB Liability: Equity Ratio

Conditions

- in case of FCY denominated ECB raised from direct foreign equity holder ECB liability-equity ratio for ECBs raised under the automatic route cannot exceed 7:1.
- Not applicable - if outstanding amount of all ECBs, including proposed one, is up to USD 5 million or equivalent.
- Further, the borrowing entities will also be governed by the guidelines on debt equity ratio issued, if any, by the sectoral or prudential regulator concerned.

calculation

- ECB amount will include all outstanding amount of all ECBs (other than INR denominated) and the proposed one (only outstanding ECB amounts in case of refinancing)
- while equity will include the paid-up capital and free reserves (including the share premium received in foreign currency) as per the latest audited balance sheet.
- Both ECB and equity amounts will be calculated with respect to the foreign equity holder.
- Where there are more than one foreign equity holders in the borrowing company, the portion of the share premium in foreign currency brought in by the lender(s) concerned shall only be considered for calculating the ratio.
- The ratio will be calculated as per latest audited balance sheet.

ECB Liability: Equity Ratio

- Ratio does not apply to INR ECB and INR ECB to be excluded from denominator as well for computing the Ratio
- Ratio does not apply if ECB to be raised from Indirect Foreign Equity Holder & and Group Company with common overseas Parent

FAQ 16. Does the equity in “ECB liability to Equity ratio” include non-convertible preference capital?

- No.

ECB Liability: Equity Ratio

Should the proposed ECB be added to all outstanding ECBs for the purpose of ECB liability to equity ratio?

- Yes, apart from ECB raised for refinancing where the proposed ECB amount may not be taken into account to avoid double counting.

Does the equity in “ECB liability to Equity ratio” include non-convertible preference capital?

- No.

Should the proposed ECB be added to all outstanding ECBs for arriving at the individual limit for raising of ECBs?

The individual limit for raising ECB under the automatic route will take into account all ECBs raised in the financial year including the proposed one. However, refinancing of ECB amount will not be considered for arriving at individual limit per financial year. Also, the limit will be restored at the beginning of new financial year.

ECB Liability: Equity Ratio

Is the debit balance in the profit and loss account for losses incurred by the Eligible Borrower, if any, required to be deducted from the free reserve while calculating the ECB liability-equity ratio?

- Yes. Any debit balance in the profit and loss account as per the latest audited balance sheet of the Eligible Borrower should be deducted from the equity for computing the ECB liability-equity ratio.

Can an eligible borrower simultaneously raise both Foreign Currency and INR denominated ECBs?

- Yes, as long as the ECBs are in compliance with the ECB guidelines for the respective currencies as per RBI guidelines. The individual limit will include all ECBs raised, whether in foreign currency or INR.

Case Study

XYZ Co. Ltd.
(Company in India)

<i>Liabilities</i>	<i>Amount in USD</i>	<i>Assets</i>	<i>Amount in USD</i>
<u>Equity Share Capital</u>	<u>7,700</u>	<u>Fixed Assets</u>	48,000
Equity Shares in A	2,000		
Equity Shares in B	1,100	<u>Current Assets</u>	6,080
Equity Shares in C	100		
Equity Shares in D	4,500		
<u>Long Term Borrowings</u>	<u>46,300</u>		
A	1,200		
B	4,000		
C	600		
D	40,500		
Current Liabilities	80		
Total	54,080	Total	54,080

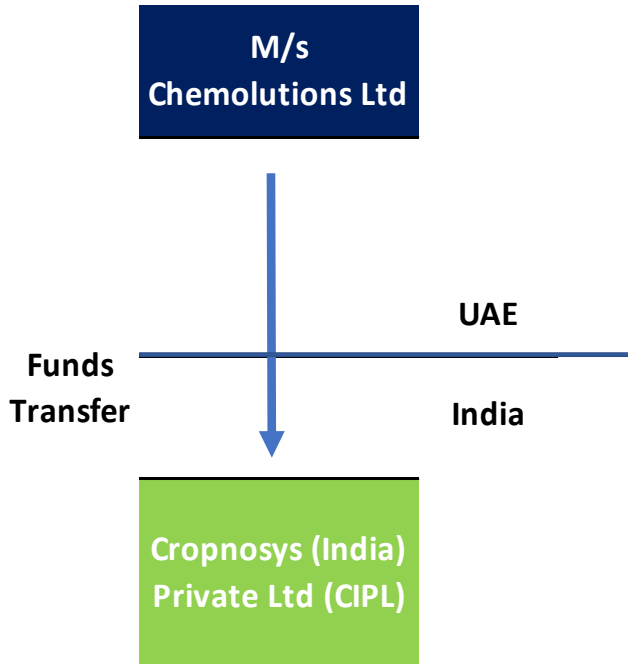
Case Study

Particulars	Foreign Equity Holder	Whether Condition satisfied?	ECB Liability/Equity Ratio (7:1)	Whether Condition satisfied?
A	25.97	Yes	0.60	Yes
B	14.29	No	3.64	Yes
C	1.30	No	6	Yes
D	58.44	Yes	9	No

Misc. Issues

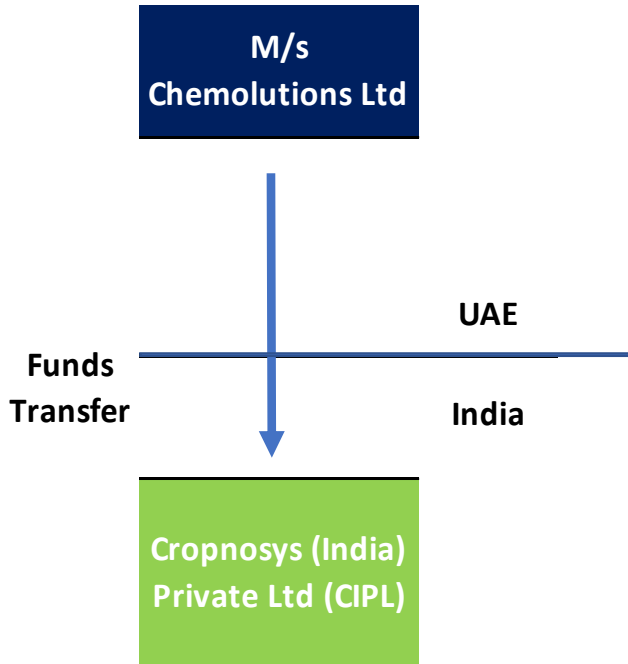
- **Can persons resident in India subscribe to bonds (foreign currency/INR) issued by eligible ECB borrowers in overseas centres or IFSCs as permitted in the ECB framework?**
- No. AD banks should ensure that persons resident in India do not have any exposure to borrowings by eligible entities under this framework either directly or indirectly except foreign branches/ subsidiaries of Indian banks abroad or any other permitted entities. Further, establishing borrowing structures/modalities which contravene the guidelines shall render themselves liable for penal action as prescribed under FEMA.

CA No 4484/2017 - Cropnosys (India) Private Limited.



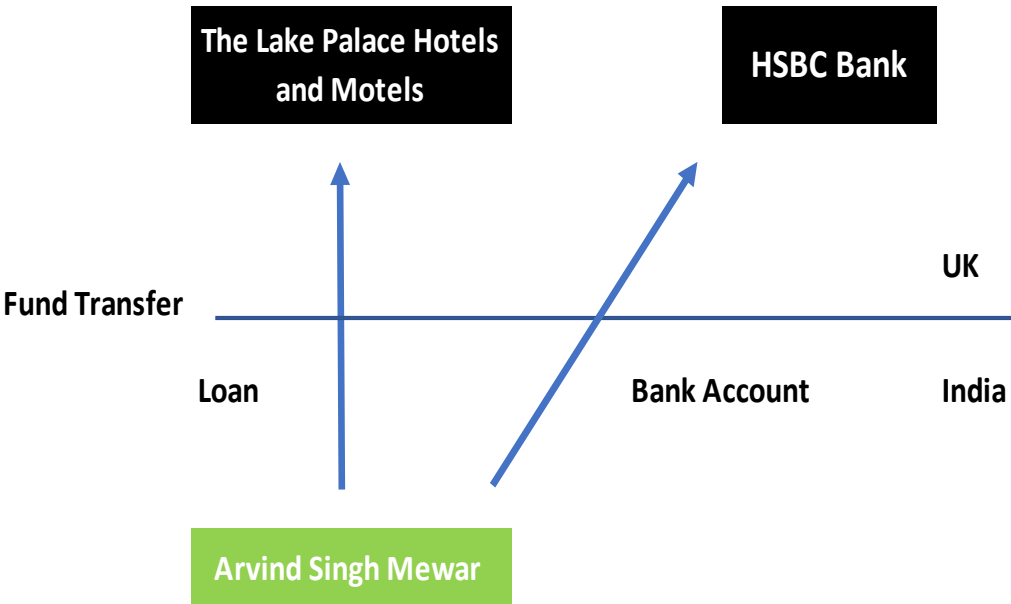
- Applicant, Cropnosys (India) Private Ltd (CIPL) is engaged in the business of manufacturing of pesticides and fungicides for crops, agro-chemical goods, acids, salts, alkalis, antibiotics etc.
- Applicant borrowed money in the form of ECB from M/s Chemolutions Ltd, UAE against issuance of **redeemable non-cumulative preference shares**.

CA No 4484/2017 - Cropnosys (India) Private Limited.



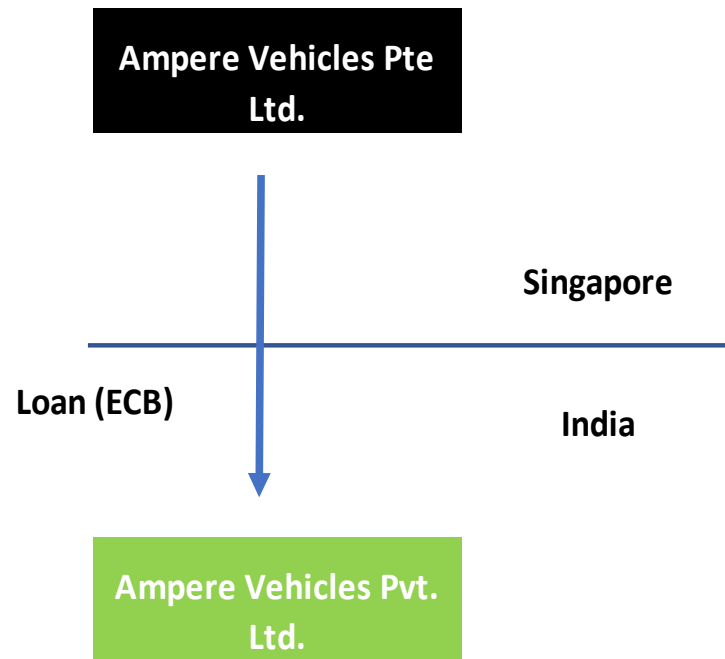
- Applicant, Cropnosys (India) Private Ltd (CIPL) is engaged in the business of manufacturing of pesticides and fungicides for crops, agro-chemical goods, acids, salts, alkalis, antibiotics etc.
- Applicant borrowed money in the form of ECB from M/s Chemolutions Ltd, UAE against issuance of **redeemable non-cumulative preference shares**.
- Funds borrowed by the Applicant are in the form of debt
- The borrowing by way of issue of preference shares on or after April 30, 2007, other than those which are fully and mandatorily convertible into equity within a specified time and issue of convertible debentures on or after June 07, 2007, other than those which are fully and mandatorily convertible into equity within a specified time, to a person resident outside India shall be considered as debt and shall have to conform to Regulation 6 of Notification No. FEMA 3/2000-RB.
- Contravened the provisions of Regulation 6 of FEMA.3/2000-RB dated May 03, 2000 for borrowing funds without the prior approval of Reserve Bank and deploying the funds in contravention with the ECB guidelines.

CA No 4623/2018, Arvind Singh Mewar



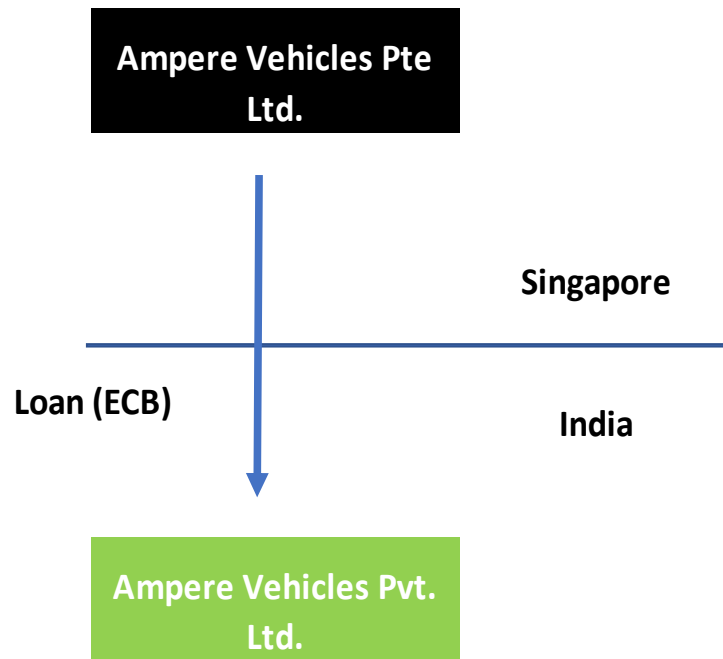
- Applicant, Arvind Singh Mewar is an Indian resident.
- Applicant opened multiple bank accounts with HSBC Bank on his visit to U.K under the Liberalized Remittance Scheme .
- Applicant extended loan to a Foreign entity (The Lake Palace Hotels & Motels UK Limited) from the bank accounts in contravention to the provisions of FEMA Regulations.
- Contravened the provisions of Regulation 5(1) of FEMA.3/2000-RB dated dated May 03, 2000 and Regulation 3 of FEMA.9/2000-RB dated 3rd May 2000 for lending money abroad in derogation to the FEMA Regulations and non-repatriation of Foreign Exchange to India.

CA No 3919 / 2016 - Ampere Vehicles Private Limited.



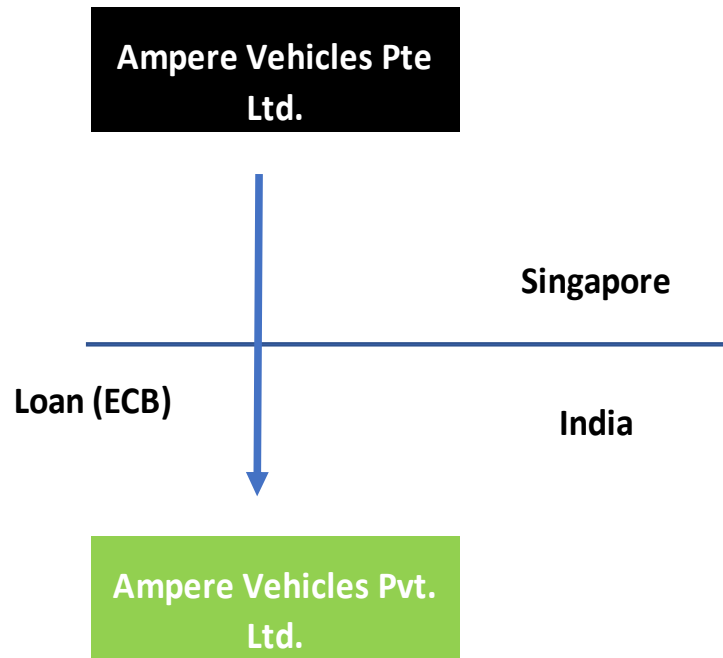
- Applicant, Ampere Vehicles Pvt. Ltd. is a wholly-owned subsidiary of Ampere Vehicles Pte. Ltd., Singapore and is in the business of research and development, design, manufacture and sale of electric battery operated vehicles and spares in the Indian market.
- Applicant obtained loan in the form of ECB from its foreign counterpart to purchase raw materials.

CA No 3919 / 2016 - Ampere Vehicles Private Limited.



- Applicant, Ampere Vehicles Pvt. Ltd. is a wholly-owned subsidiary of Ampere Vehicles Pte. Ltd., Singapore and is in the business of research and development, design, manufacture and sale of electric battery operated vehicles and spares in the Indian market.
- Applicant obtained loan in the form of ECB from its foreign counterpart to purchase raw materials.
- Applicant company failed to report the stakeholding of Foreign company to Reserve Bank of India.
- No Loan Registration Number (LRN) was obtained from RBI by the applicant before drawdown of the ECB instalments..

CA No 3919 / 2016 - Ampere Vehicles Private Limited.



- Applicant, Ampere Vehicles Pvt. Ltd. is a wholly-owned subsidiary of Ampere Vehicles Pte. Ltd., Singapore and is in the business of research and development, design, manufacture and sale of electric battery operated vehicles and spares in the Indian market.
- Applicant obtained loan in the form of ECB from its foreign counterpart to purchase raw materials.
- Applicant company failed to report the stakeholding of Foreign company to Reserve Bank of India.
- No Loan Registration Number (LRN) was obtained from RBI by the applicant before drawdown of the ECB instalments..
- Contravened the provisions of Regulation 6 of FEMA.3/2000-RB dated May 03, 2000 for non reporting of Foreign equity holder to RBI.

Minimum Average Maturity Period ('MAMP)

MAMP for ECB is 3 years

except for specified categories mentioned below for which separate MAMPs are prescribed.

Sr	Category	MAMP
a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per FY	1 YEAR
b)	ECB raised from foreign equity holder for (i) working capital purposes, general corporate purposes; or (ii) (ii) for repayment of Rupees loans	5 YEAR
c)	ECB raised for (I) working capital purposes or general corporate purposes; or (on-lending by NBFCs for working capital purposes or general corporate purposes	10 YEAR
d)	ECB raised for (I) Repayment of Rupees loans availed domestically for capital expenditure (ii) on-lending by NBFCs for the same purpose	7 YEAR
e)	ECB raised for (I) Repayment of Rupees loans availed domestically for purposes other than capital expenditure; (ii) on-lending by NBFCs for the same purpose	10 YEAR

Minimum Average Maturity Period ('MAMP)

MAMP for ECB is 3 years

except for specified categories mentioned below for which separate MAMPs are prescribed.

Sr	Category	MAMP
a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per FY	1 YEAR
b)	ECB raised from foreign equity holder for (i) working capital purposes, general corporate purposes; or (ii) (ii) for repayment of Rupees loans	5 YEAR
c)	ECB raised for working capital purposes or general corporate purposes; or on-lending by NBFCs for working capital purposes or general corporate purposes	10 YEAR
d)	ECB raised for (I) Repayment of Rupees loans availed domestically for their same purposes	7 YEAR
e)	ECB raised for (I) Repayment of Rupees loans availed domestically for purposes other than capital expenditure; (ii) on-lending by NBFCs for the same purpose	10 YEAR

Minimum Average Maturity Period ('MAMP)

MAMP for ECB is 3 years

except for specified categories mentioned below for which separate MAMPs are prescribed.

Sr	Category	MAMP
a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per FY	1 YEAR
b)	ECB raised from foreign equity holder for (i) working capital purposes, general corporate purposes; or (ii) (ii) for repayment of Rupees loans	5 YEAR
c)	ECB raised for working capital purposes or general corporate purposes; or on-lending by NBFCs for working capital purposes or general corporate purposes	10 YEAR
d)	ECB raised for (I) Repayment of Rupees loans availed domestically for capital expenditure (ii) on-lending by NBFCs for the same purpose	7 YEAR
e)	ECB raised for (I) Repayment of Rupees loans availed domestically for purposes other than capital expenditure; (ii) on-lending by NBFCs for the same purpose	10 YEAR

Minimum Average Maturity Period ('MAMP)

MAMP for ECB is 3 years

except for specified categories mentioned below for which separate MAMPs are prescribed.

Sr	Category	MAMP
a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per FY	1 YEAR
b)	ECB raised from foreign equity holder for (i) working capital purposes, general corporate purposes; or (ii) (ii) for repayment of Rupees loans	5 YEAR
c)	ECB raised for working capital purposes or general corporate purposes; or on-lending by NBFCs for working capital purposes or general corporate purposes	10 YEAR
d)	ECB raised for (I) Repayment of Rupees loans availed domestically for capital expenditure (ii) on-lending by NBFCs for the same purpose	7 YEAR
e)	ECB raised for (I) Repayment of Rupees loans availed domestically for purposes other than capital expenditure ; (ii) on-lending by NBFCs for the same purpose	10 YEAR

Minimum Average Maturity Period ('MAMP)

MAMP for ECB is 3 years

except for specified categories mentioned below for which separate MAMPs are prescribed.

Sr	Category	MAMP
a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per FY	1 YEAR
b)	ECB raised from foreign equity holder for (i) working capital purposes, general corporate purposes; or (ii) for repayment of Rupees loans	5 YEAR
c)	ECB raised for (I) working capital purposes or general corporate purposes; or (onlending by NBFCs for working capital purposes or general corporate purposes	10 YEAR
d)	ECB raised for (I) Repayment of Rupees loans availed domestically for their same purposes	7 YEAR
e)	ECB raised for (I) Repayment of Rupees loans availed domestically for purposes other than capital expenditure; (ii) on-lending by NBFCs for the same purpose	10 YEAR

ECB cannot be raised from foreign branches / subsidiaries of Indian banks

the prescribed MAMP will have to be strictly complied with under all circumstances.

Minimum Average Maturity Period ('MAMP)

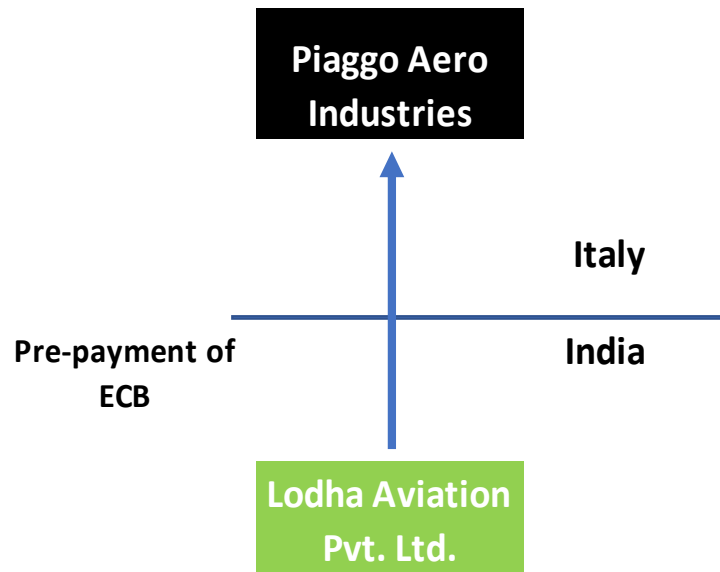
- Casio Private limited is a company registered in India in 2009
- It is the wholly owned subsidiary of Casio USA
- There was financial problem faced by Casio Private Limited for Casio USA had given Loan of 40000 Euro to Casio Private Limited in 2019
- The purpose of loan for Working capital requirements of Casio Private Limited
- The period of loan for which it was given was 3 years
- Now, in March 2021 casio private Limited has again started again the profits. Therefore, it wants to repay the amount of loan back to Casio USA
- So, they have initiated the payment

Please comment

Minimum Average Maturity Period ('MAMP)

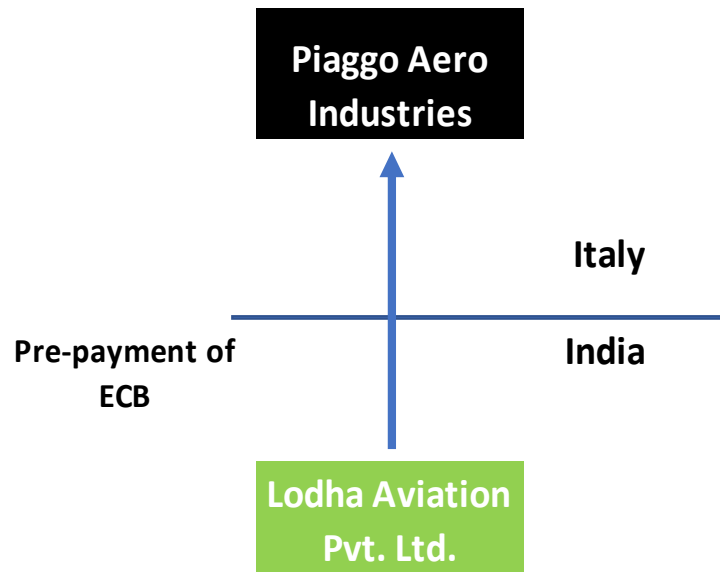
- Call and put options, if any, shall not be exercisable prior to completion of minimum average maturity.

CA No 4004 / 2016 - Lodha Aviation Private Limited.



- Applicant, Lodha Aviation Private Limited is an Indian company engaged in the business of providing chartered aircraft services to clients of Lodha Group's ultra-luxury projects.
- Applicant entered into an agreement with Piaggio Aero Industries for the purchase of an Aircraft.
- Applicant agreed to purchase the aircraft by availing the ECB facility
- Due to delay in the delivery of Aircrafts, applicant cancelled the transaction and repaid the ECB amount.

CA No 4004 / 2016 - Lodha Aviation Private Limited.



- Applicant, Lodha Aviation Private Limited is an Indian company engaged in the business of providing chartered aircraft services to clients of Lodha Group's ultra-luxury projects.
- Applicant entered into an agreement with Piaggio Aero Industries for the purchase of an Aircraft.
- Applicant agreed to purchase the aircraft by availing the ECB facility
- Due to delay in the delivery of Aircrafts, applicant cancelled the transaction and repaid the ECB amount.
- The prepayment of the ECB without obtaining prior approval of the RBI and the resultant non-adherence to the minimum average maturity period of the loan, as applicable, was in contravention of Regulation 6 of Notification No. FEMA 3/2000-RB read with Paragraphs 1(v) and (viii) of Schedule I to this Regulation.
- Contravened the provisions of Regulation 6 of FEMA.3/2000-RB dated May 03, 2000 for prepayment of the ECB without obtaining prior approval of the Reserve Bank and failure to adhere with the minimum average maturity period of the loan.

Minimum Average Maturity Period ('MAMP)

- In case of an ECB raised from foreign equity holder and utilized for general corporate purpose/working capital/repayment of Rupee loans, can repayment of principal of ECB start before the completion of 5 years?

Minimum Average Maturity Period ('MAMP)

- In case of an ECB raised from foreign equity holder and utilized for general corporate purpose/working capital/repayment of Rupee loans, can repayment of principal of ECB start before the completion of 5 years?
- Yes, however, the ECB should have **minimum average maturity period** of 5 years.

Loan Amount = USD 2 Million

CHART 1

Date of Drawal/ Repayment (MM/DD/YY)	Drawal	Repayment	Balance	No of Days*** Balance with the Borrower	Product= Col4*Col5/(Loan amount* 360)
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6
5/11/2017	0.75		0.75	24	0.025
6/5/2017	0.5		1.25	85	0.1476
8/31/2017	0.75		2	477	1.325
12/27/2018		0.2	1.8	180	0.45
6/27/2019		0.25	1.55	180	0.3875
12/27/2019		0.25	1.3	180	0.325
6/27/2020		0.3	1	180	0.25
12/27/2020		0.25	0.75	180	0.1875
6/27/2021		0.25	0.5	180	0.125
12/27/2021		0.25	0.25	180	0.0625
6/27/2022		0.25	0	180	

Average Maturity= 3.2851

***Calculated by using the formula = (First Date , Second Date, 360)

Minimum Average Maturity Period ('MAMP) || Example

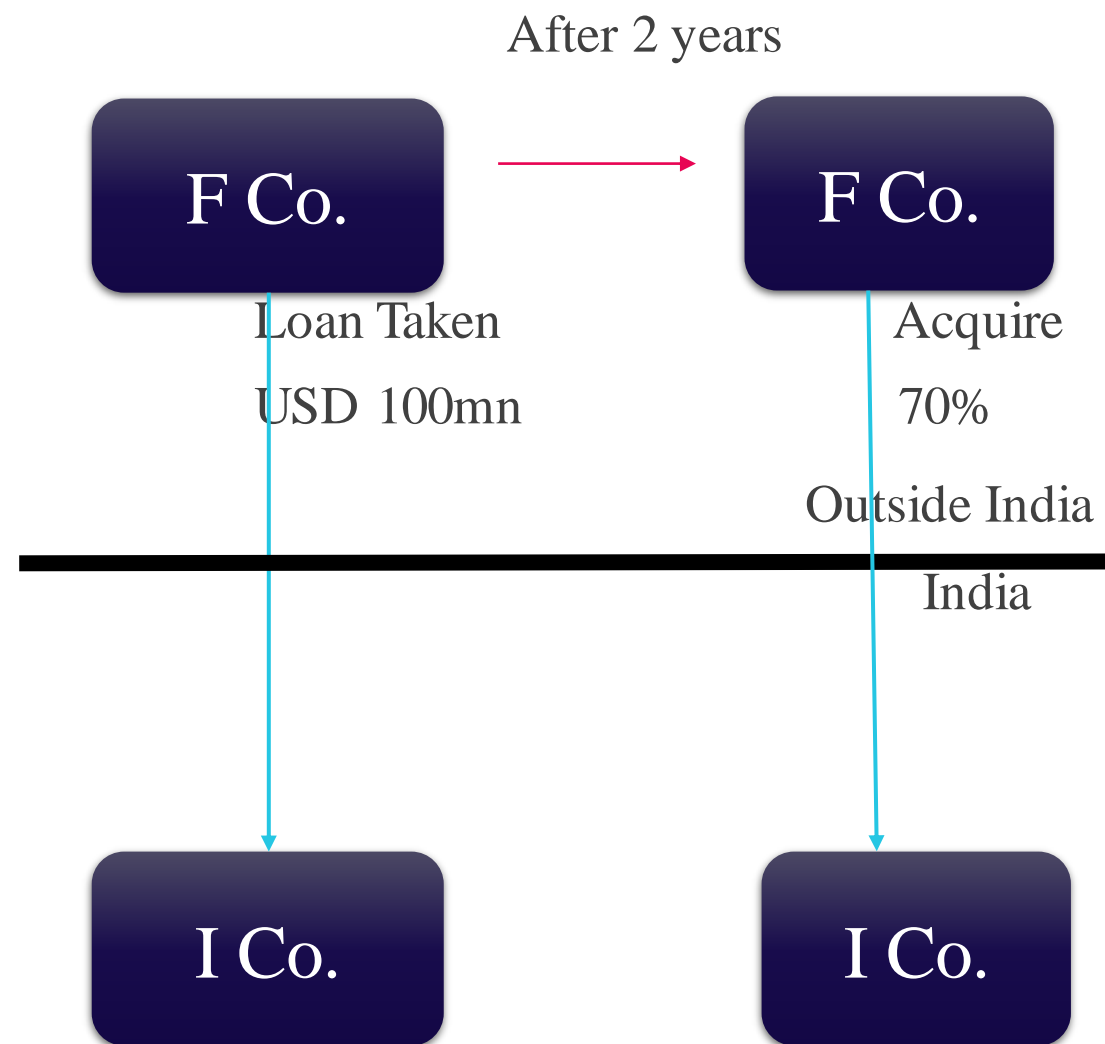
F Co. is an eligible lender and I Co. is an eligible borrower

F Co. and I Co. are not related

I Co. raises an ECB of USD 100 million for working capital purpose for MAMP of 10 years

Post 2 years, F Co. acquires 70% holding in I Co. and has become foreign equity holder (Direct)

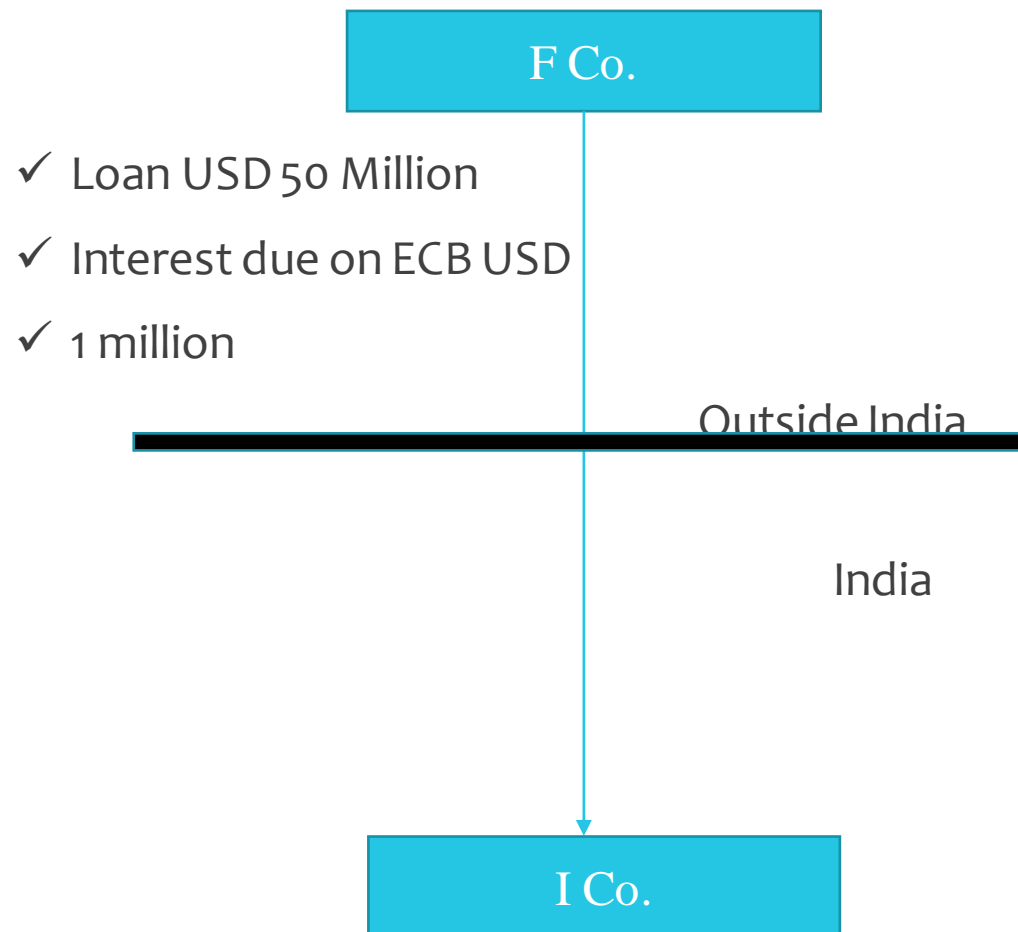
Whether the prescribed MAMP can be reduced to 5 years post acquisition?



Minimum Average Maturity Period ('MAMP) || Example

- F Co. is an eligible lender and I Co. is an eligible borrower
- I Co is not able to comply with its original repayment schedule and interest obligations
- Loan USD 50 million Interest due on ECB USD 1 million
- Outside India
- F Co. wants to convert the loan along with interest into equity before MAMP of say 3 years

Whether conversion into equity before MAMP is permissible?

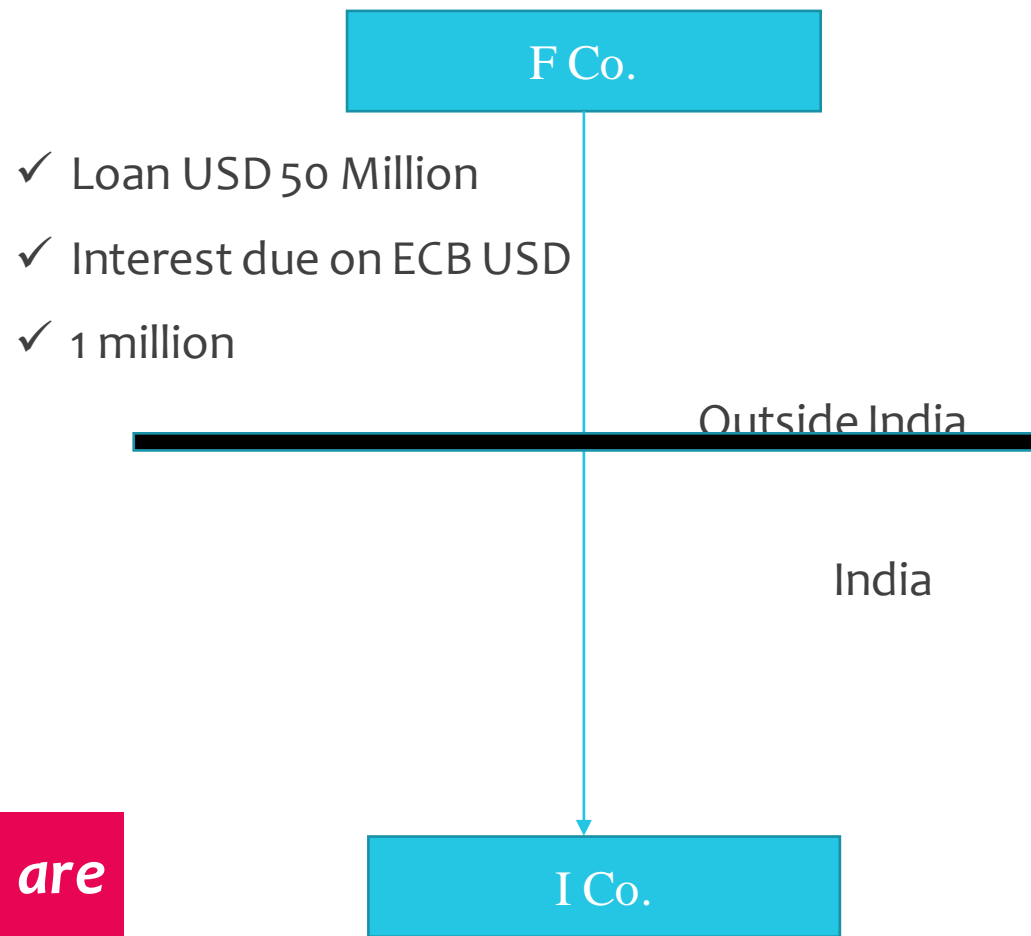


Minimum Average Maturity Period ('MAMP) || Example

- F Co. is an eligible lender and I Co. is an eligible borrower
- I Co is not able to comply with its original repayment schedule and interest obligations
- Loan USD 50 million Interest due on ECB USD 1 million
- Outside India
- F Co. wants to convert the loan along with interest into equity before MAMP of say 3 years

Whether conversion into equity before MAMP is permissible?

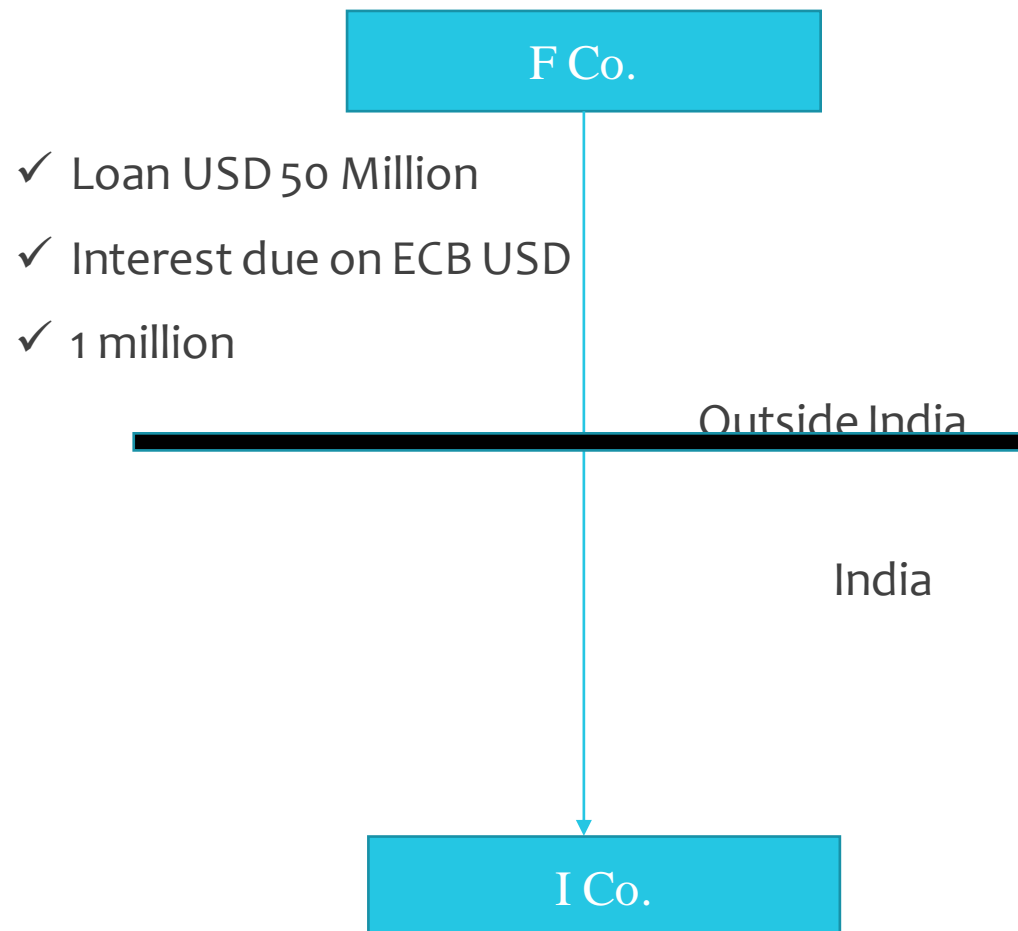
Conversion of ECB, including those which are matured but unpaid



Minimum Average Maturity Period ('MAMP) || Example

- F Co. is an eligible lender and I Co. is an eligible borrower
- I Co is not able to comply with its original repayment schedule and interest obligations
- Loan USD 50 million Interest due on ECB USD 1 million
- Outside India
- F Co. wants to convert the loan along with interest into equity before MAMP of say 3 years

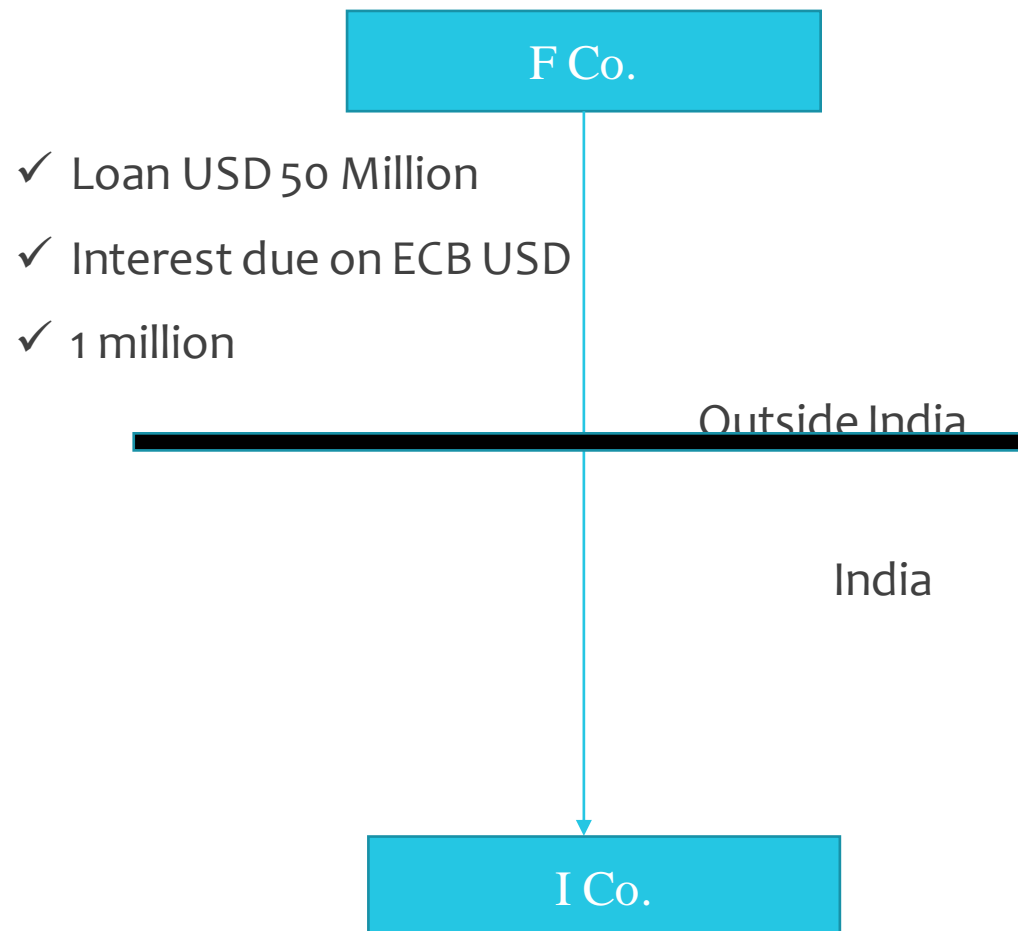
If I Co. wants to write off the interest amount, is it permissible?



Minimum Average Maturity Period ('MAMP) || Example

- F Co. is an eligible lender and I Co. is an eligible borrower
- I Co is not able to comply with its original repayment schedule and interest obligations
- Loan USD 50 million Interest due on ECB USD 1 million
- Outside India
- F Co. wants to convert the loan along with interest into equity before MAMP of say 3 years

Can I co. convert the accrued interest into the Equity?

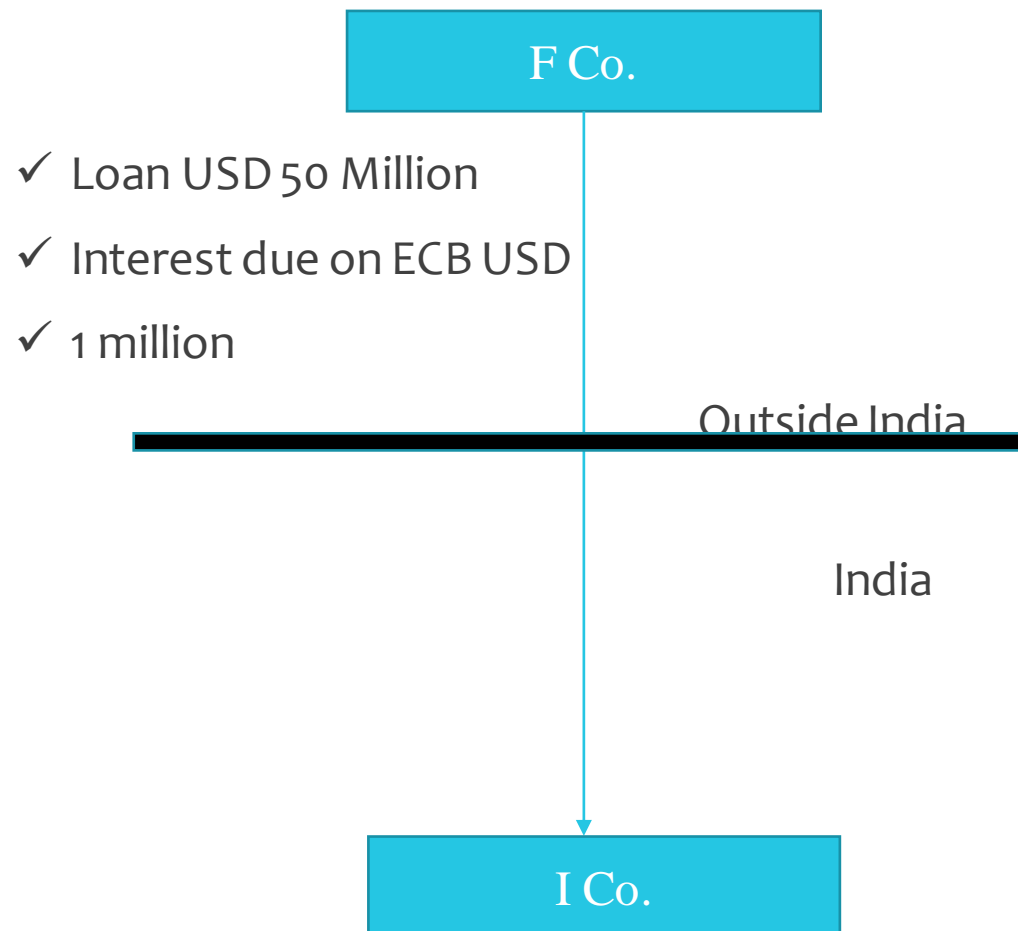


Minimum Average Maturity Period ('MAMP) || Example

- F Co. is an eligible lender and I Co. is an eligible borrower
- I Co is not able to comply with its original repayment schedule and interest obligations
- Loan USD 50 million Interest due on ECB USD 1 million
- Outside India
- F Co. wants to convert the loan along with interest into equity before MAMP of say 3 years

Can I co. convert the accrued interest into the Equity?

Yes, FAQ 41 on External Commercial Borrowings



Minimum Average Maturity Period ('MAMP) || Example

F Co. is an eligible lender and I Co. is an eligible borrower

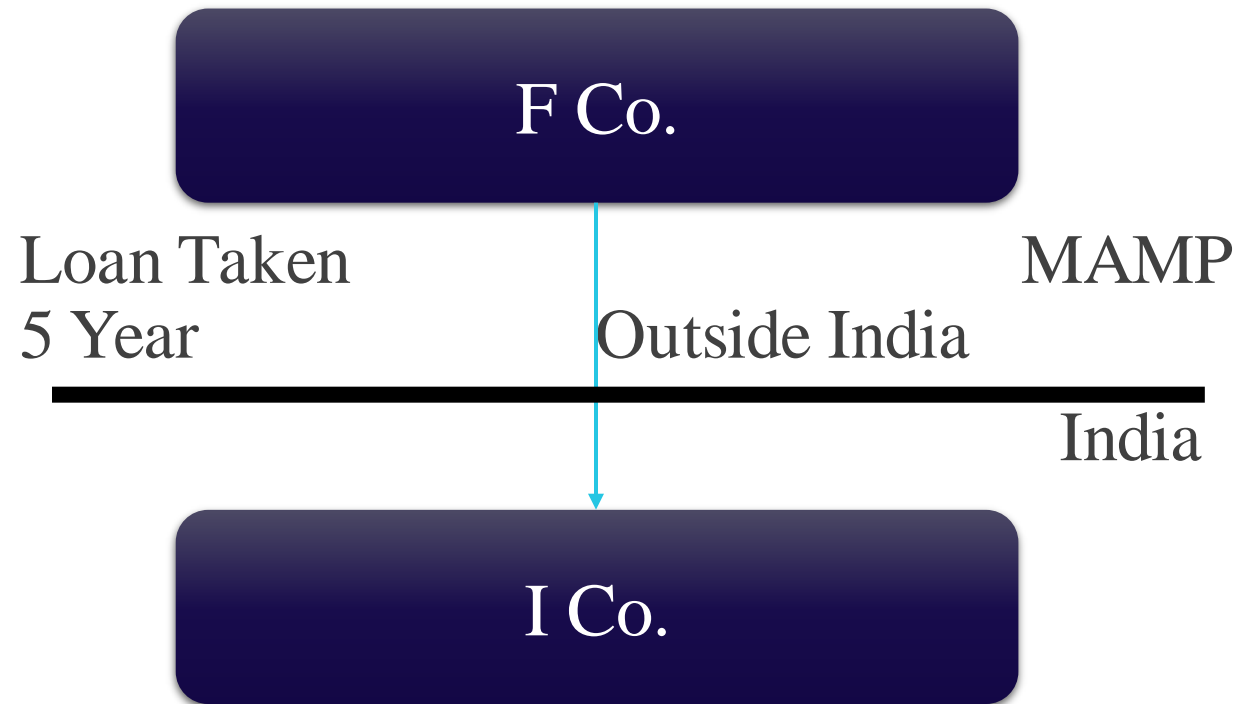


Under the erstwhile FEMA regulations, i Co. raises an ECB of USD 100 million for MAMP of 5 years

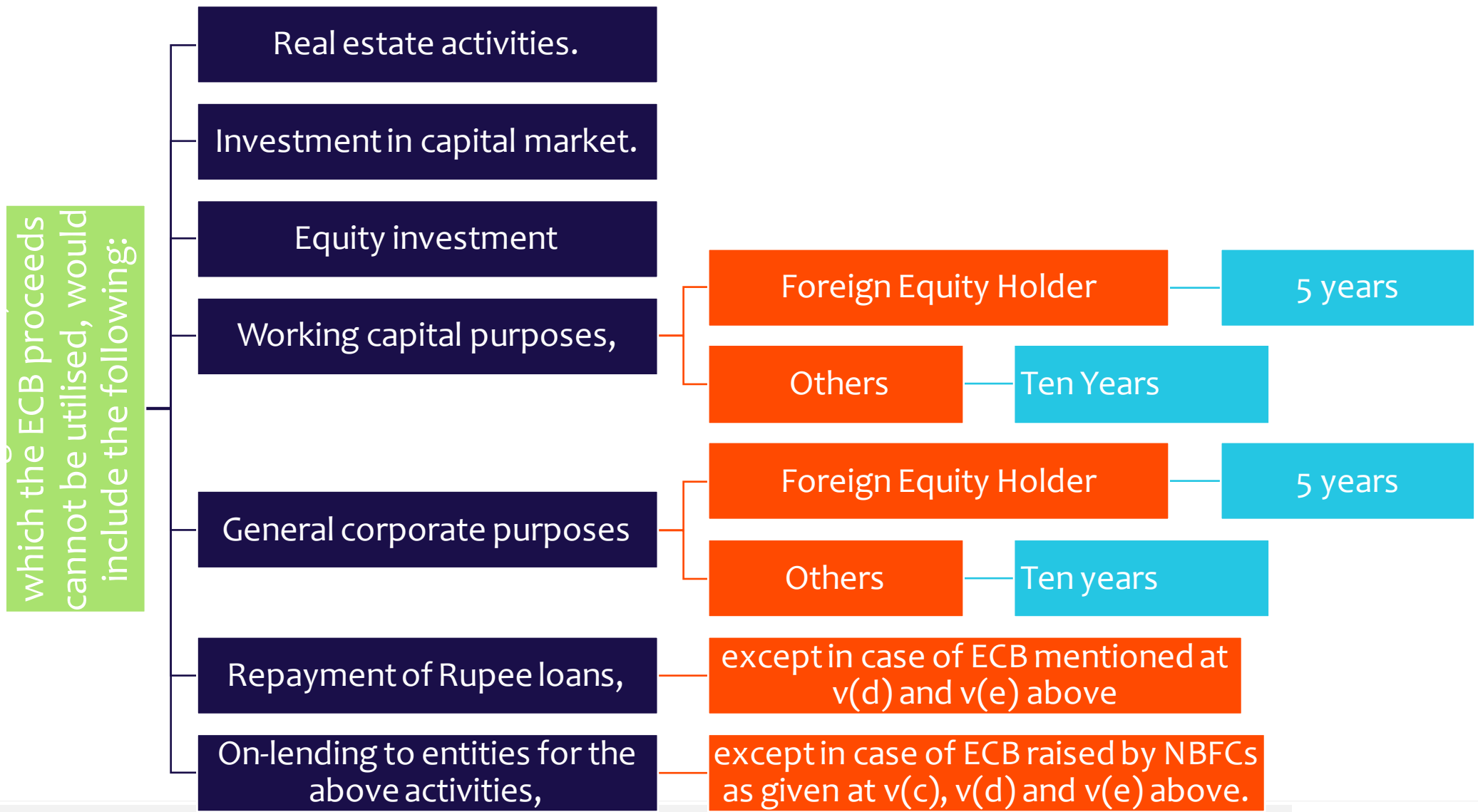


Under the new ECB framework, the MAMP for the above purpose is reduced from 5 years to 3 years

Whether MAMP can be revised to 3 years?



End Use



Working capital purposes and General Corporate Purposes

Sr.No.	Category	MAMP
(a)	ECB raised by manufacturing companies up to USD 50 million or its equivalent per financial year.	1 year
(b)	ECB raised from foreign equity holder for working capital purposes, general corporate purposes or for repayment of Rupee loans	5 years
(c)	ECB raised for (i) working capital purposes or general corporate purposes (ii) on-lending by NBFCs for working capital purposes or general corporate purposes	10 years
(d)	ECB raised for (i) repayment of Rupee loans availed domestically for capital expenditure (ii) on-lending by NBFCs for the same purpose	7 years
(e)	ECB raised for (i) repayment of Rupee loans availed domestically for purposes other than capital expenditure (ii) on-lending by NBFCs for the same purpose	10 years

for the categories mentioned at (b) to (e) –

(i) ECB cannot be raised from foreign branches / subsidiaries of Indian banks

(ii) the prescribed MAMP will have to be strictly complied with under all circumstances.

Working capital purposes and General Corporate Purposes

Is the reimbursement of expenditure incurred in the past a permissible end-use under the ECB framework?

- This is not a permissible end-use under the ECB framework.

Can ECB be availed of for making equity investment domestically or buying goodwill?

- No. Equity investment either directly or indirectly (through purchase of goodwill) is not permitted.

Can ECB be availed of for making contribution in an LLP?

- No, it is not permitted.

Can ECB proceeds be used by eligible resident borrowers for investment in their overseas JV/WOS as per the extant overseas investment guidelines?

- Yes. ECB proceeds can be utilized for overseas investment as permitted under the overseas investment guidelines.

Working capital purposes and General Corporate Purposes

Is on-lending treated as working capital for borrowers who are engaged in the business of on lending?

For the purpose of ECB, on-lending by borrowers who are engaged in the business of on-lending is not treated as working capital. Additionally, the borrowers shall need to adhere to the guidelines issued by the concerned sectorial or prudential regulator in this regard.

Can the housing finance companies raise ECB for on-lending to individual borrowers exclusively for flats/units in the affordable housing projects as defined in Harmonized Master List of Infrastructure Sub-sectors notified by Government of India?

Yes.

- Whether the FCCBs are also required to maintain the minimum average maturity period?

FCCBs

Foreign Currency Convertible Bonds and Ordinary Shares
(Through Depository Receipt Mechanism) Scheme, 1993.

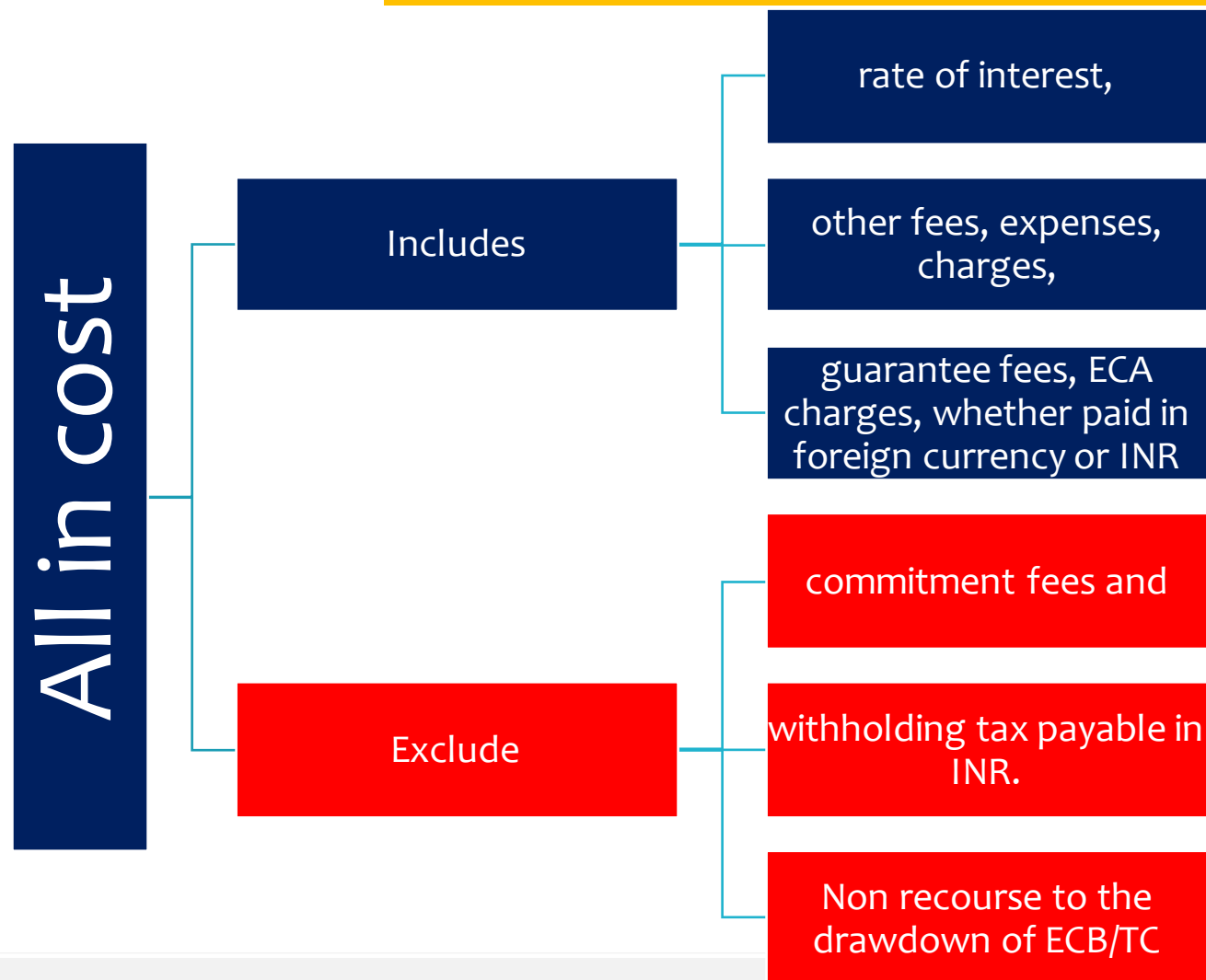
DRs may be issued in
accordance with the
Scheme for issue

DR Scheme 2014 respectively, as per the guidelines issued by the
Government of India there under from time to time

- Sectoral cap i.e. the maximum amount which can be invested by foreign investors in an entity, unless provided otherwise, is composite and includes all types of foreign investments, direct and indirect, regardless of whether the said investments have been made under Schedules I (FDI), II (FPI), III (NRI), VI (LLPs), VII (FVCI), VIII(Investment Vehicles), and IX (DRs), respectively, of Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. FCCBs and DRs having underlying of instruments which can be issued under Schedule IX, being in the nature of debt, shall not be treated as foreign investment. However, any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned as foreign investment under the composite cap.

All in cost ceiling

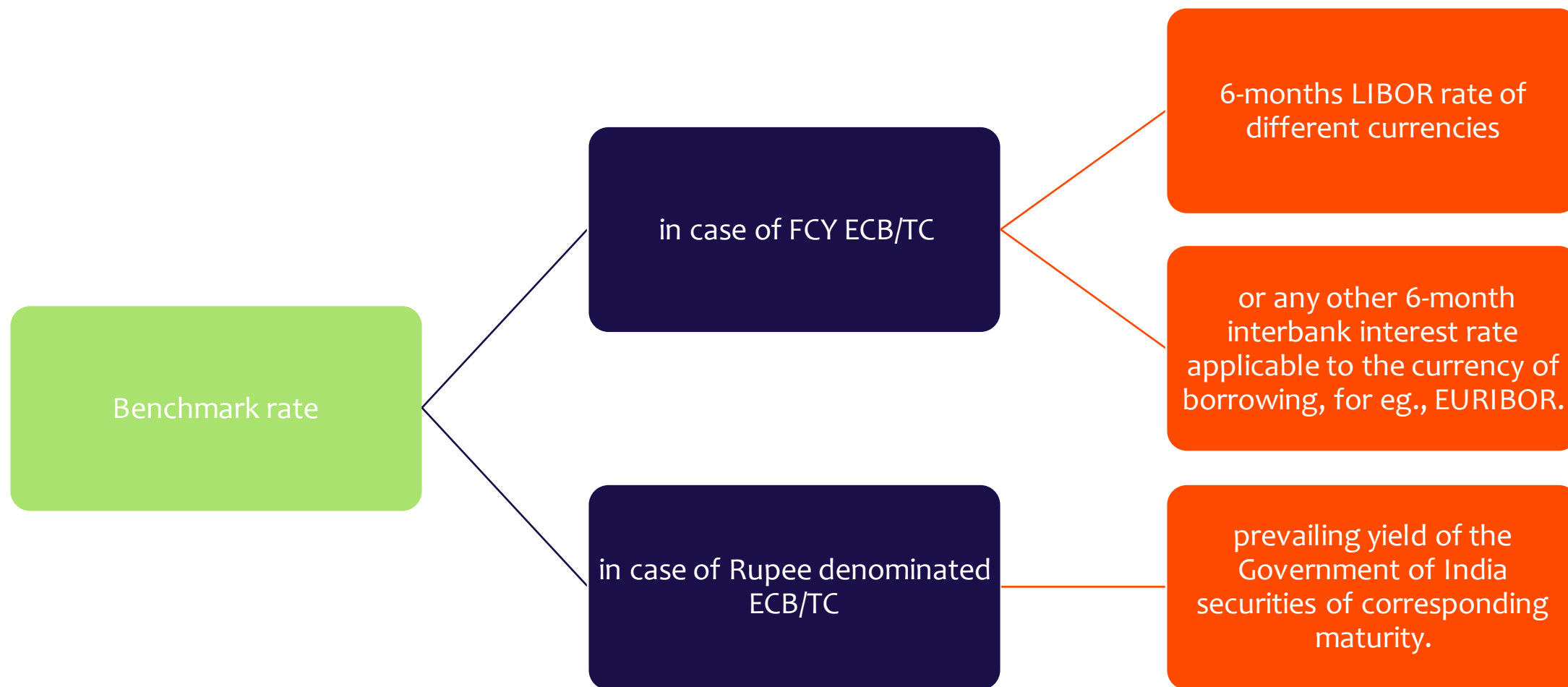
Benchmark rate plus 450 bps spread



Prepayment charge/ Penal interest, if any, for default or breach of covenants, should not be more than 2 per cent over and above the contracted rate of interest on the outstanding principal amount and will be outside the all in-cost ceiling.

All in cost ceiling

Benchmark rate plus 450 bps spread



AIC - Example

Particulars	6-month LIBOR	6- month SIBOR	Yield of GOI-Sec (Same Maturity)
<u>ECB AIC</u>			
	<i>Foreign Currency</i>		<i>INR</i>
Benchmark Rate	0.36425 % (in USD)	0.71563 % (in SGD)	3.17 %
ECB Spread (450 bps)	4.5 %	4.5 %	4.5 %
ECB AIC	4.86425%	5.21563%	7.67%
<u>TC AIC</u>			
Benchmark Rate	0.36425 % (in USD)	0.71563 % (in SGD)	3.17%
TC Spread (250 bps)	2.5 %	2.5 %	2.5 %
TC AIC	2.86425%	3.21563%	5.67%

All in cost ceiling

Others

In the case of fixed rate loans,

the swap cost plus spread should not be more than the floating rate plus the applicable spread.

For FCCBs, the issue related

expenses should not exceed 4 per cent of the issue size and in case of private placement, these expenses should not exceed 2 per cent of the issue size, etc.

Under TC Framework, all-in-cost

shall include rate of interest, other fees, expenses, charges, guarantee fees whether paid in foreign currency or INR.

Does all-in-cost ceiling apply on a continuous basis or can it be calculated even on an average basis?

- All-in-cost should be within the applicable ceiling at all times, e.g., breach of all-in-cost ceiling in the first year and a much lower all-in-cost in the second year so as to comply on an average, is not permitted.

Can interest during construction stage be paid out of ECB borrowings?

- The definition of all-in-cost prohibiting use of ECB proceeds for payment of interest/charges is not applicable to ECBs raised for project finance and utilised for payment of guarantee fees (like ECA Premium) and interest during construction, provided the said components are part of project cost and capitalised by the borrower.

Case Study

- **Bisleri India limited is in need of Fund. It need to make the investment outside India in the WOS. It made an arrangement with DBS bank in Singapore to lend the money for making investment.**
- **However, due to some problem the transaction was shifted by 1 month.**
- **Bisleri India had already taken the funds though.**
- **What are the options available to the Bisleri India?**

ECB - Parking of ECB proceeds

Parking of ECB proceeds abroad:

- ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilization.
- Till utilisation, these funds can be invested in the following liquid assets
 - (a) deposits or Certificate of Deposit or other products offered by banks rated not less than AA (-) by Standard and Poor/ Fitch IBCA or Aa3 by Moody's;
 - (b) Treasury bills and other monetary instruments of one-year maturity having minimum rating as indicated above and
 - (c) deposits with foreign branches/ subsidiaries of Indian banks abroad.

Parking of ECB proceeds domestically:

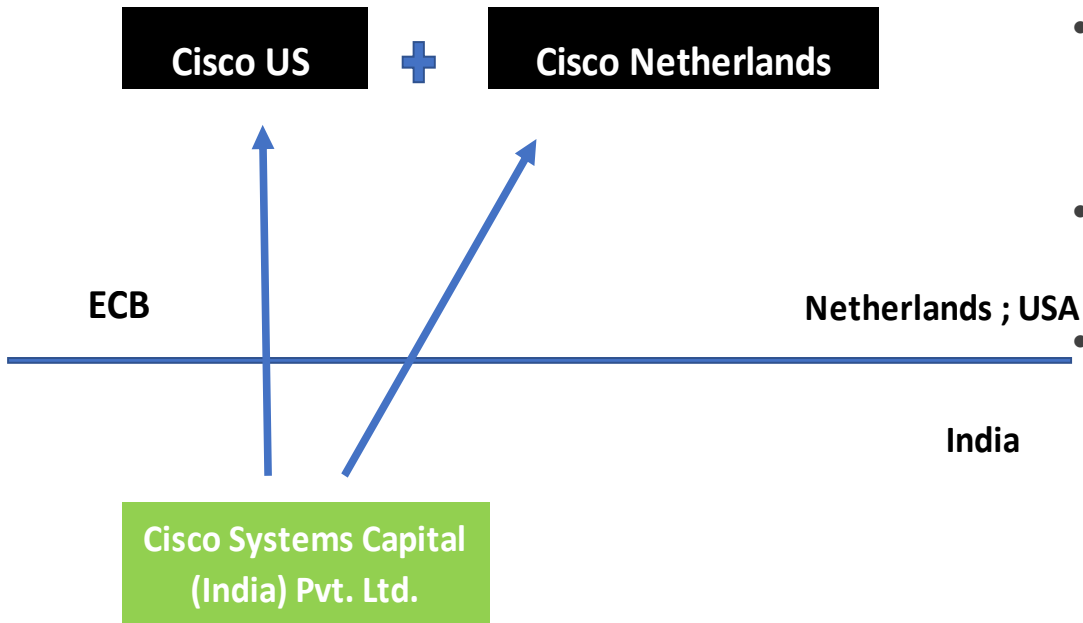
- ECB proceeds meant for Rupee expenditure should be repatriated immediately for credit to their Rupee accounts with AD Category I banks in India.
- ECB borrowers are also allowed to park ECB proceeds in term deposits with AD Category I banks in India
- for a maximum period of 12 months cumulatively. These term deposits should be kept in unencumbered position.

ECB - Parking of ECB proceeds

Can fixed deposits created out of ECB proceeds, pending utilization, be renewed after completion of maximum permitted period?

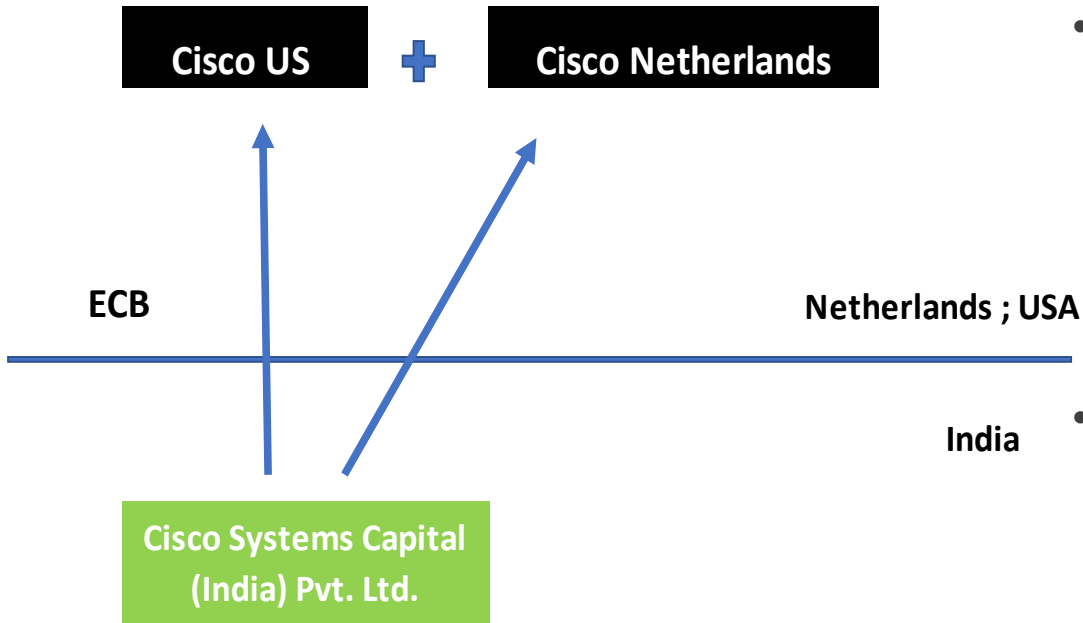
- No.

CA No 4253/2016 - Cisco Systems (India) Private Limited.



- Applicant, Cisco Systems (India) Private Limited is an Indian Company and in the business of providing asset financing classified as NBFC – NDSI under the AFC category.
- Applicant entered into certain transactions with Cisco US (Group Company) and Cisco Netherlands (parent company).
- The amounts in relation to these transactions remained outstanding beyond the stipulated time period. The payments since remitted to the group companies, on January 19, 2017, amounted to external commercial borrowings, thereby contravening Regulation 3 read with Schedule I of Notification No. FEMA 3/2000-RB. The post facto approval was provided by RBI vide its letter dated October 27, 2016, subject to
- Contravened the provisions of Regulation 3 of FEMA 3/2000-RB/ for borrowing funds from person resident outside India.

CA No 4253/2016 - Cisco Systems (India) Private Limited.



- The amounts in relation to these transactions remained outstanding beyond the stipulated time period. The payments since remitted to the group companies, on January 19, 2017, amounted to external commercial borrowings, thereby contravening Regulation 3 read with Schedule I of Notification No. FEMA 3/2000-RB. The post facto approval was provided by RBI vide its letter dated October 27, 2016, subject to
- Contravened the provisions of Regulation 3 of FEMA 3/2000-RB/ for borrowing funds from person resident outside India.

ECB from one convertible foreign currency to any other convertible foreign currency as well as to INR is freely permitted (at an exchange rate prevailing on the date of agreement or less than that rate with consent of ECB Lender).

Change of currency from INR to any foreign currency is, however, not permitted.

For INR ECB, for conversion to Rupee, the exchange rate shall be the rate prevailing on the date of settlement

Change of currency of borrowing	Change of currency of ECB from one freely convertible foreign currency to any other freely convertible foreign currency as well as to INR is freely permitted.	Change of currency from INR to any freely convertible foreign currency is not permitted.
---------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

Refinancing

Conditions	<p>Outstanding maturity of the original borrowing (weighted outstanding maturity in case of multiple borrowings) is not reduced</p> <p>all-in-cost of fresh ECB is lower than the all-in-cost (weighted average cost in case of multiple borrowings) of existing ECB.</p>
ECBs raised under the previous ECB framework	<p>Further, refinancing of ECBs raised under the previous ECB framework may also be permitted, subject to additionally ensuring that the borrower is eligible to raise ECB under the extant framework.</p>
to part refinance	<p>Raising of fresh ECB to part refinance the existing ECB is also permitted subject to same conditions.</p>
Indian banks	<p>are permitted to participate in refinancing of existing ECB, only for highly rated corporates (AAA) and for Maharatna/Navratna public sector undertakings.</p>

RBI FAQs No.26 –
Refinancing of INR
ECB with FCY ECB is
not permitted

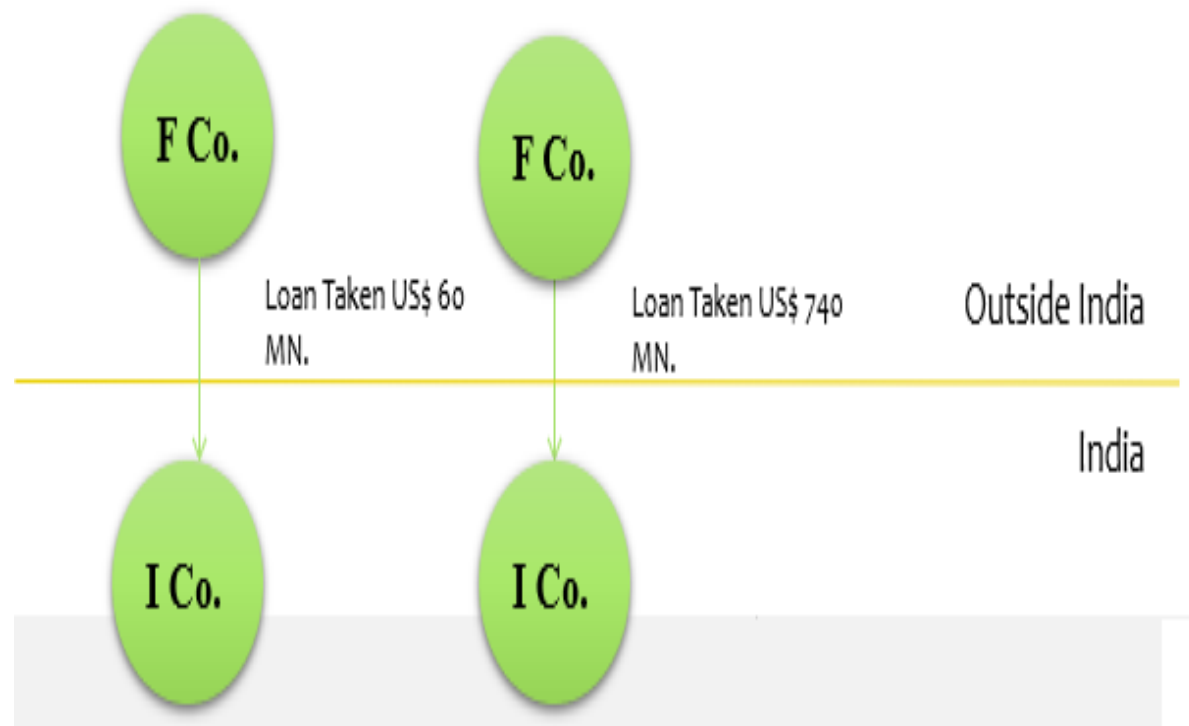
Refinancing & Conversion

F Co. is an eligible lender and I Co. is an eligible 1 borrower

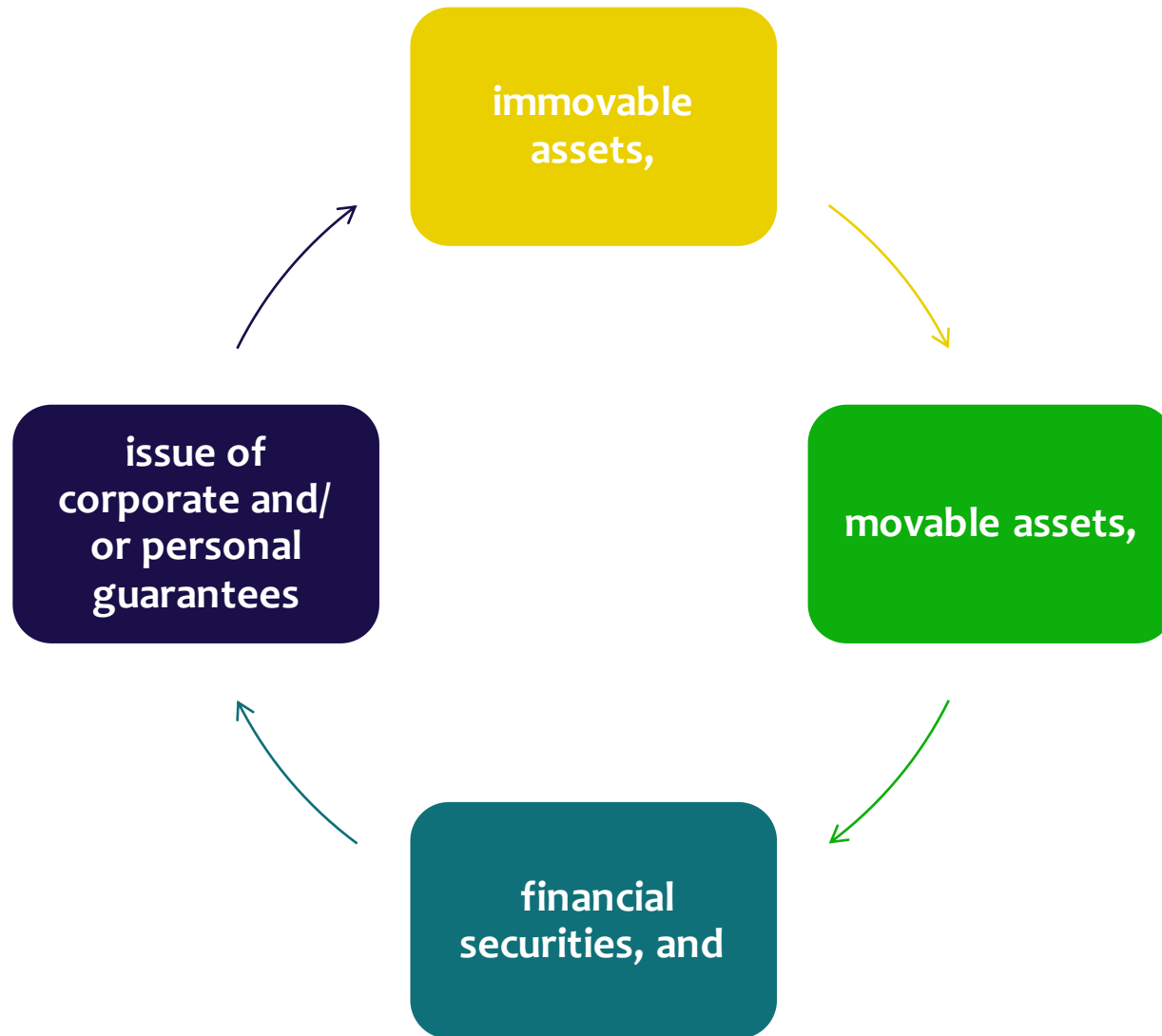
In Year 1, I Co. raised ECB of USD 60 million.

In Year 2, I Co. raised ECB of USD 740 millions

In Year 2, I Co. proposes to refinance its earlier ECB raised in Year 1 of USD 60 millions



Security and conversion of charges



The creation of security to be co-terminus with underlying ECB subject to security clause in Loan Agreement and NOC from Indian Lenders

Security and conversion of charges

- **Creation of Charge on Immovable Assets:** The arrangement shall be subject to the following:
 - a. Such security shall be subject to provisions contained in the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2017, as amended from time to time.
 - b. The permission should not be construed as a permission to acquire immovable asset (property) in India, by the overseas lender/security trustee.
 - c. In the event of enforcement / invocation of the charge, the immovable asset/ property will have to be sold only to a person resident in India and the sale proceeds shall be repatriated to liquidate the outstanding ECB.

Security and conversion of charges

- **Creation of Charge on Movable Assets:** In the event of enforcement/invocation of the charge, the claim of the lender, whether the lender takes over the movable asset or otherwise, will be restricted to the outstanding claim against the ECB. Encumbered movable assets may also be taken out of the country subject to getting 'No Objection Certificate' from domestic lender/s, if any.

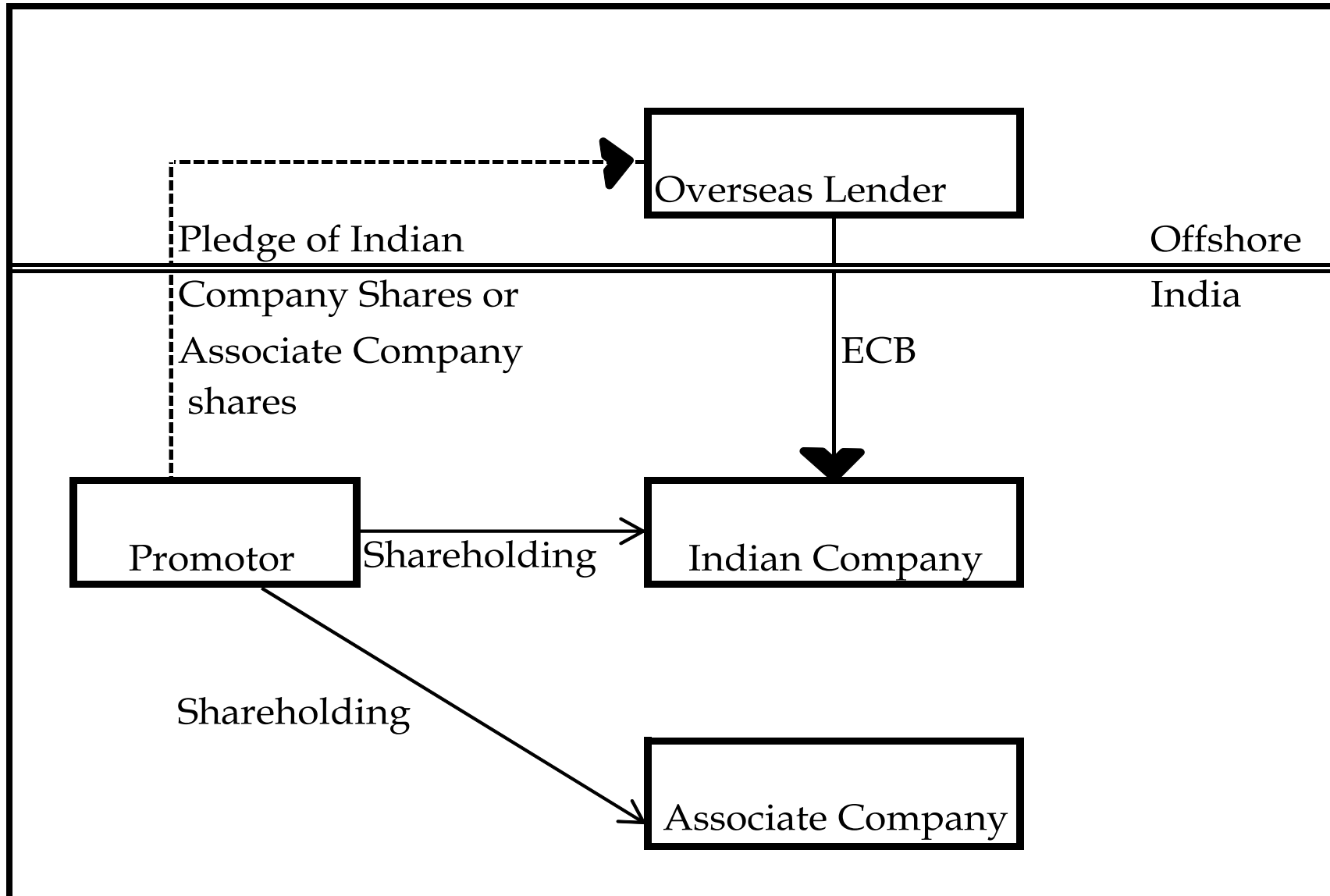
Security and conversion of charges

- **Creation of Charge over Financial Securities:** The arrangements may be permitted subject to the following:
 - a. Pledge of shares of the borrowing company held by the promoters as well as in domestic associate companies of the borrower is permitted. Pledge on other financial securities, viz. bonds and debentures, Government Securities, Government Savings Certificates, deposit receipts of securities and units of the Unit Trust of India or of any mutual funds, standing in the name of ECB borrower/promoter, is also permitted.
 - b. In addition, security interest over all current and future loan assets and all current assets including cash and cash equivalents, including Rupee accounts of the borrower with ADs in India, standing in the name of the borrower/promoter, can be used as security for ECB. The Rupee accounts of the borrower/promoter can also be in the form of escrow arrangement or debt service reserve account.
 - c. In case of invocation of pledge, transfer of financial securities shall be in accordance with the extant FDI/FII policy including provisions relating to sectoral cap and pricing as applicable read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017, as amended from time to time.

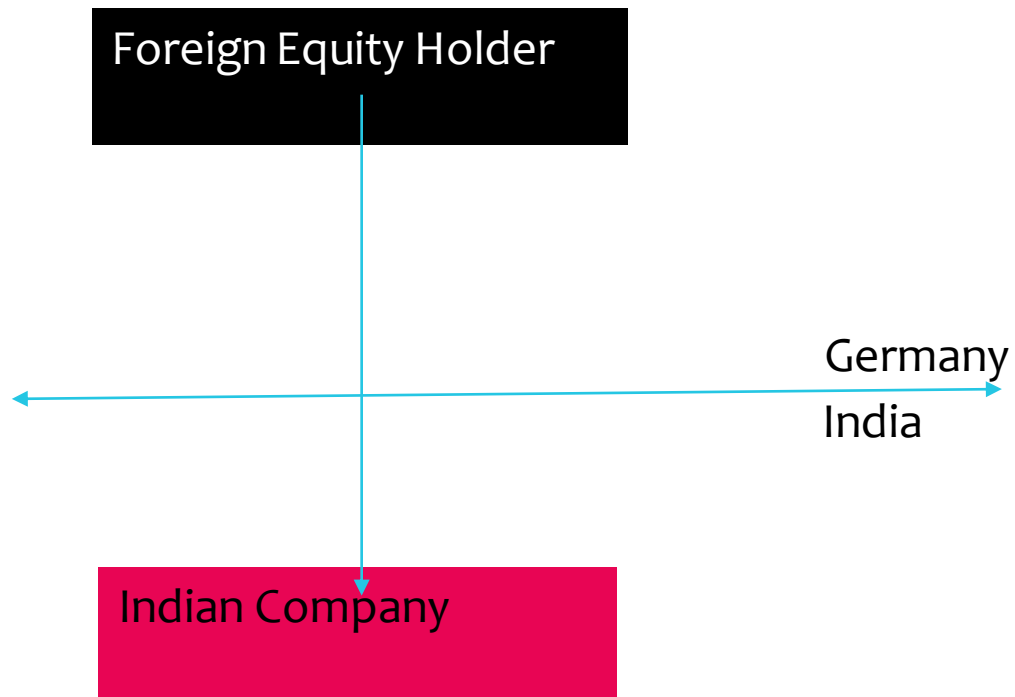
Security and conversion of charges

- **Issue of Corporate or Personal Guarantee:** The arrangement shall be subject to the following:
 - a. A copy of Board Resolution for the issue of corporate guarantee for the company issuing such guarantee, specifying name of the officials authorised to execute such guarantees on behalf of the company or in individual capacity should be obtained.
 - b. Specific requests from individuals to issue personal guarantee indicating details of the ECB should be obtained.
 - c. Such security shall be subject to provisions contained in the Foreign Exchange Management (Guarantees) Regulations, 2000, as amended from time to time.
 - d. ECB can be credit enhanced / guaranteed / insured by overseas party/ parties only if it/ they fulfil/s the criteria of recognised lender under extant ECB guidelines.

Pledge by promoter in favour of overseas lender of Indian Company:



No draw down of ECB



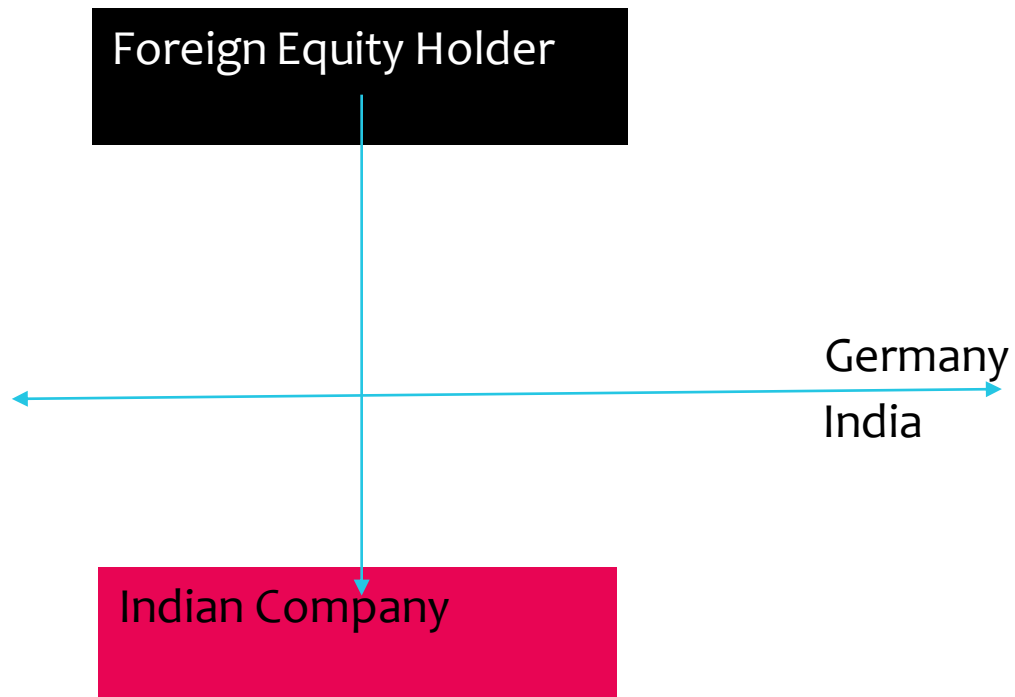
- For the purpose of availing the ECB Indian co. entered into Loan agreement with its FEH for a working capital loan for a period of 5 years.
- The LRN was obtained
- However, the Indian co. did not draw down the ECB.

Specific case

What happens in case there is no drawdown

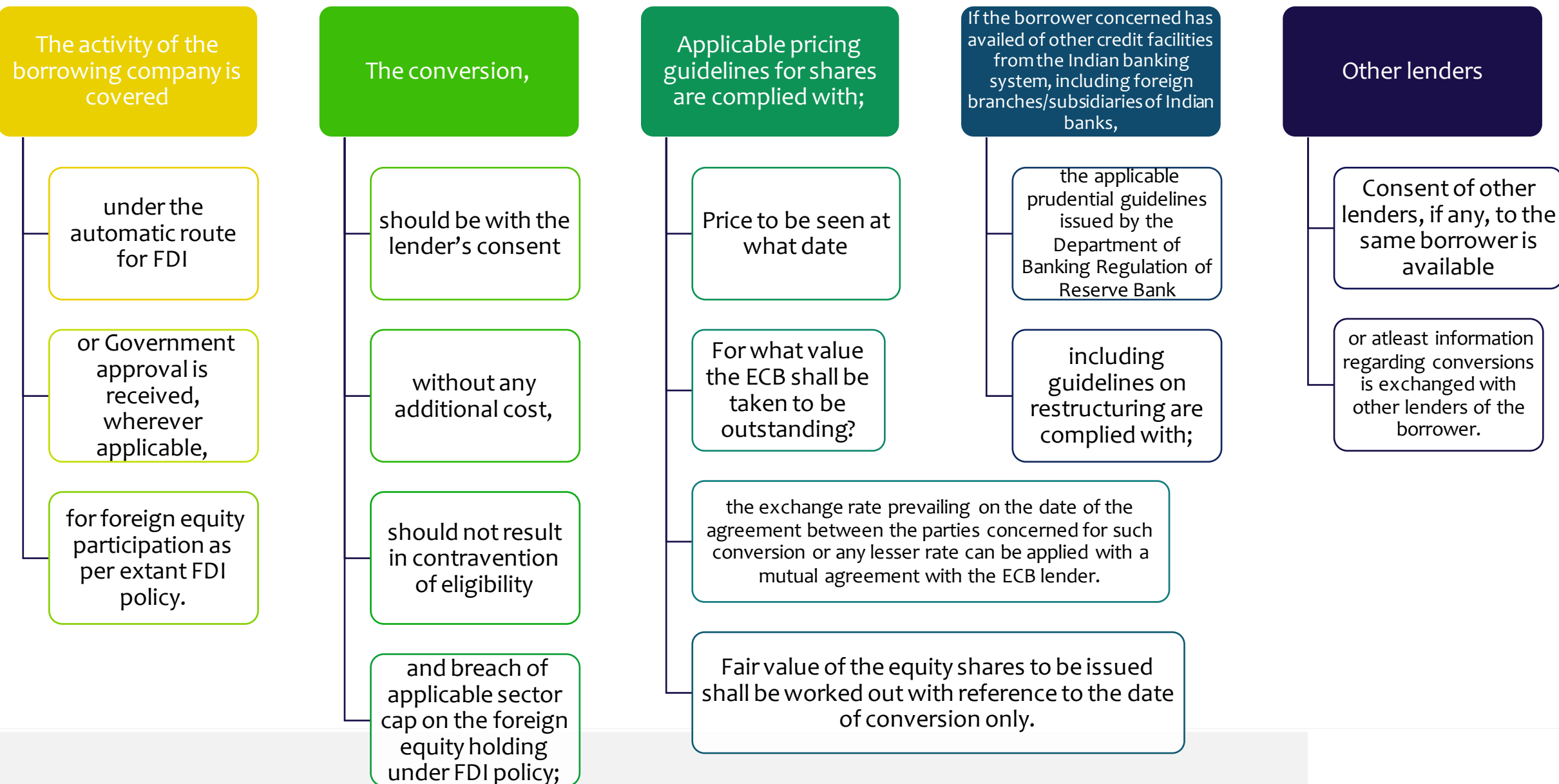
- The designated AD Category I banks may directly approach DSIM for cancellation of LRN for ECB contracted, subject to ensuring that no draw down against the said LRN has taken place and the monthly ECB-2 returns till date in respect of the allotted LRN have been submitted to DSIM.

Non payment of ECB



- Indian co. availed ECB from FEH for a working capital loan for a period of 5 years
- However, the Indian co. could not do any profitable business in India.
- Therefore, it was unable to pay of the ECB due
- Discuss the options available to I.Co.

Conversion of ECB, including those which are matured but unpaid, into equity is permitted subject to the following conditions



Reporting on Conversion of ECB into equity

Partial Conversion -

- Converted portion to be reported in Form FC-GPR
- appropriately reported in monthly Form ECB2 - "ECB Partially converted into Equity"

Full Conversion -

- Entire portion to be reported in Form FC-GPR and appropriately reported in monthly
- Form ECB2 - "ECB fully converted into Equity"

- For conversion of ECB into equity in phases,

- FC GPR
- Reporting through ECB 2 Return will also be in phases.

Power delegated to AD Banks

1.Change / Modification in Drawdown/
Repayment Schedule it.

7.Prepayment of ECB (provided MAMP is
maintained)

2.Change in Currency of Borrowing

8.Cancellation of LRN (only if no draw-down)

Change in AD Bank (subject to no objection
certificate from earlier AD Bank)

9.Change in End-use (only for Automatic Route)

3.Change in name of borrower Company

10.Change in all-in-costs

4.Transfer of ECB (on re-organization at the
borrower level - merger/demerger/ acquisition as per law)

11.Reduction in amount of ECB.

5.Change in Recognised Lender.

12.Refinancing of existing ECB (provided the fresh ECB
is raised at a lower all-in-cost and residual maturity is not
reduced)

6.Change in name of Lender

13.Extension of matured but unpaid ECB (subject to
conditions)

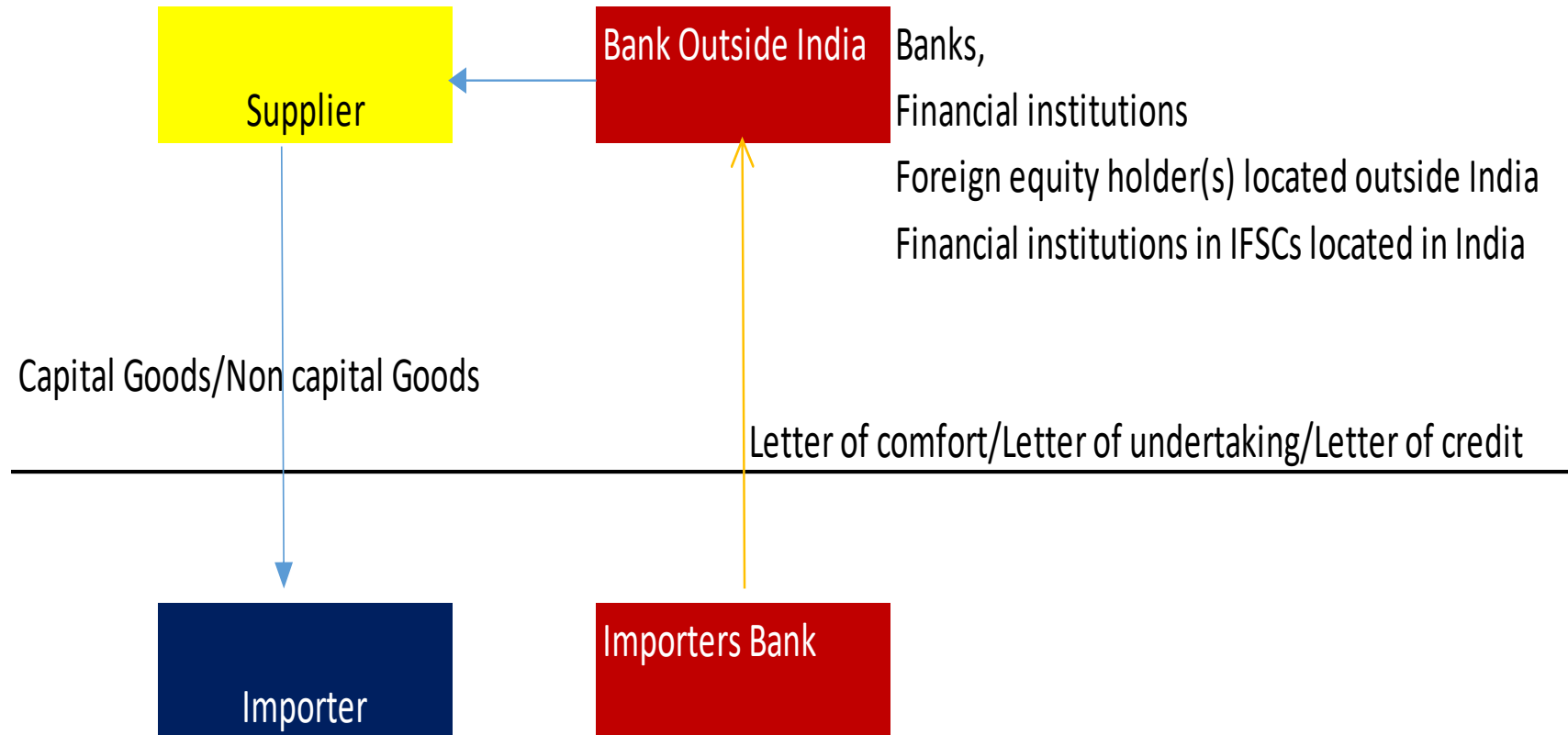
Power delegated to AD Banks

- While permitting changes, AD Bank should ensure –
 - Revised average maturity/all-in-cost are in conformity with applicable guidelines
 - RBI DBR Prudential guidelines complied for credit facilities from Indian Banks or their Overseas Branches/Subs.
 - ECB continues to be in compliance with applicable guidelines.
 - Changes to be communicated in Form ECB / ECB-2 within 7 days of the changes being effected.

Trade Credit



Buyers Credit



WITH LOAN – DETAILED PROCEDURE

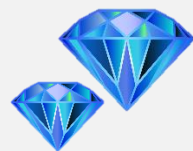
Exporter of Hong Kong



Importer of India



INVOICE & OTHER DOC.



ORDER

Makes payment



LETTER OF



UNDERTAKING (LOU).



Security
Deposit

Invoice &
Other doc.

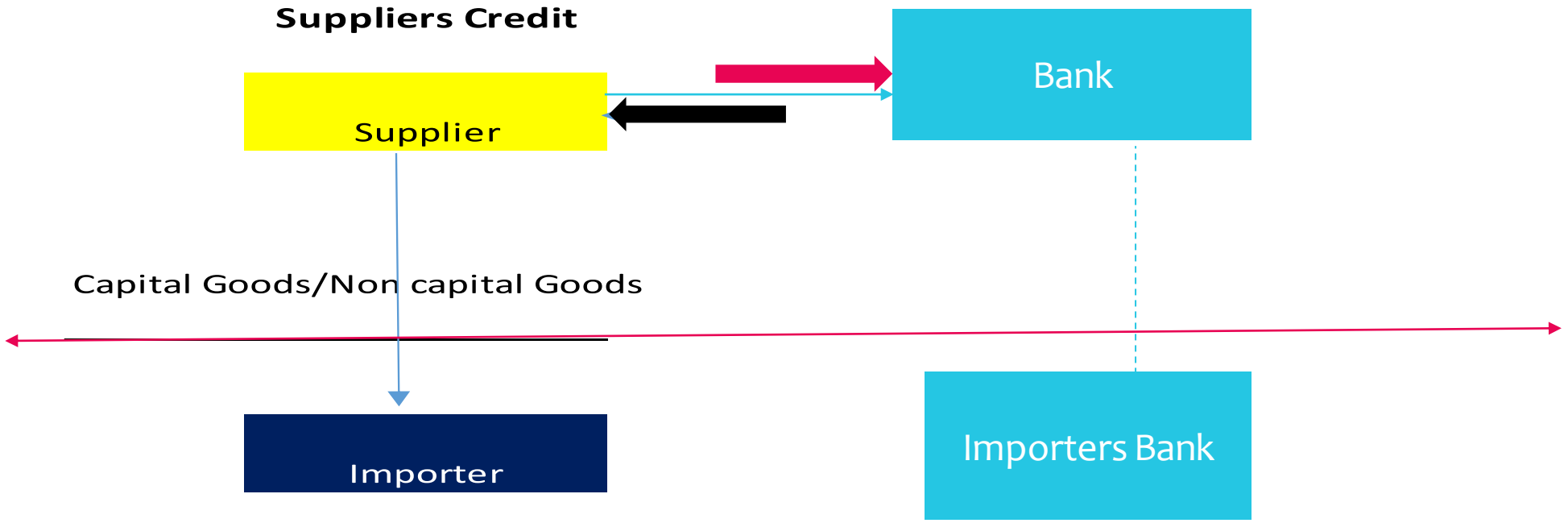


Indian Bank

Due Diligence

Foreign bank

CA. Sudha G. Bhushan || 9769033172



Automatic Route

- AD Bank is permitted to approve TC:
 - **a.** Up to USD 150 mn or equivalent per import transaction for oil / gas refining & marketing, airline & shipping cos.
 - **b.** Up to USD 50 mn or equivalent per import transaction for others

Approval Route

- TC for import of capital and non-capital goods beyond limit specified in automatic route

Import of non-capital goods

- Up to 1 year from the date of shipment or operating cycle whichever is less.

For shipyards / shipbuilders,

- the period of TC for import of non-capital goods can be up to three years.

Import of capital goods

- Up to 3 years from date of shipment.

- All in costs: Benchmark rate plus 250 bps spread.
- Includes rate of interest, other fee, expense, charges, guarantee fee whether in FCY or INR

Reporting requirements || Monthly

AD Category I banks are required to furnish details of TCs like drawal, utilisation, and repayment of TC approved by all its branches, in a consolidated statement, during a month, in Form TC. Each TC may be given a unique identification number by the AD bank.

Suppliers' credit beyond 180 days and up to one year/three years from the date of shipment for non-capital/capital goods respectively, should also be reported by the AD banks. Further, permissions granted by the AD banks/Regional offices of Reserve Bank for settlement of delayed import dues should also be reported by the AD banks as per the aforesaid procedure.



Reporting requirements || Quarterly

- AD Category I banks are also required to furnish data on issuance of bank guarantees for TCs by all its branches, in a consolidated statement, at quarterly intervals on the XBRL platform.

FAQ

- **45. As per the new guidelines AD banks are required to report permissions granted for settlement of delayed import dues as per the applicable procedure. AD banks are also required to report permissions granted for settlement of delayed import dues by Regional offices of Reserve Bank on a similar basis. Is the mandated reporting only for approvals accorded for extensions up to one year/three years for non-capital/capital goods respectively?**
- AD banks are required to report all permissions granted by the AD banks/Regional offices of Reserve Bank for settlement of delayed import dues irrespective of the tenures of extension sought.

STRUCTURED OBLIGATIONS



Non-resident guarantee for domestic fund based and non-fund based facilities

- Borrowing and lending in Indian Rupees between two residents does not attract any provisions of the Foreign Exchange Management Act, 1999. In cases where a Rupee facility which is either fund based or non-fund based (such as letter of credit / guarantee / letter of undertaking / letter of comfort) or is in the form of derivative contract by residents that are subsidiaries of multinational companies, is guaranteed by a non-resident (non-resident group entity in case of derivative contracts), there is no transaction involving foreign exchange until the guarantee is invoked and the non-resident guarantor is required to meet the liability under the guarantee.

- The non-resident guarantor may discharge the liability by i) payment out of rupee balances held in India or ii) by remitting the funds to India or iii) by debit to his FCNR(B)/NRE account maintained with an AD bank in India.
- In such cases, the non-resident guarantor may enforce his claim against the resident borrower to recover the amount and on recovery he may seek repatriation of the amount if the liability is discharged either by inward remittance or by debit to FCNR(B)/NRE account. However, in case the liability is discharged by payment out of Rupee balances, the amount recovered can be credited to the NRO account of the non-resident guarantor.
- General Permission is available to a resident, being a principal debtor to make payment to a person resident outside India, who has met the liability under a guarantee.
- In cases where the liability is met by the non-resident out of funds remitted to India or by debit to his FCNR(B)/NRE account, the repayment may be made by credit to the FCNR(B)/NRE/NRO account of the guarantor provided, the amount remitted/credited shall not exceed the rupee equivalent of the amount paid by the non-resident guarantor against the invoked guarantee.
- AD Category I banks are required to furnish at quarterly interval details of guarantees availed of/ invoked, by all its branches, in a format specified by RBI (Annex I of Part X of [Master Directions – Reporting under Foreign Exchange Management Act dated January 1, 2016](#), as amended from time to time), to the Chief General Manager-in-Charge, Foreign Exchange Department, External Commercial Borrowings Division, Reserve Bank of India, Central Office Building, 11th floor, Fort, Mumbai – 400 001 so as to reach the Department not later than 10th day of the month following quarter to which the data pertain to.

Part X: Guarantees

The reporting requirement in case of guarantees are listed below:

87

⁸⁸Statement for reporting of non-resident guarantees issued and invoked in respect of fund and non-fund based facilities between two persons resident in India (Annex I): A non-resident can guarantee fund and non-fund based facilities availed by one resident from another. A reporting format has been prescribed to capture such guarantees issued and invoked. Authorized Dealer Category-I banks are required to furnish such details by all its branches, in a consolidated statement, during the quarter, as per the format in Annex to the Chief General Manager, Foreign Exchange Department, ECB Division, Reserve Bank of India, Central Office Building, 11th floor, Fort, Mumbai – 400 001 (and in MS-Excel file through email) so as to reach the Department not later than 10th day of the following month.

Part X: Annex I

(Annex to A.P. (DIR Series) Circular No. 20 dated August 29, 2012)

Name of the AD:

Contact Person
Telephone
Fax

Part I- Details of guarantee availed of from non-resident entities for fund and non-fund based activities for the quarter ended _____

sl. no	Name of borrower	Major activity of the borrower	Name of the guarantor	Status of the guarantor (bank/financial institution/ foreign equity holder etc.)	Name of the resident lender availing non-resident guarantee	Amount in INR	Approx equivalent in USD	Type of facility (fund/non fund based)	Guarantee Commission, if any

Part II- Details of Guarantee Invoked availed of from non-resident entities as per FEMA Notification No. 29 for the quarter ended _____

sl. no	Name of borrower	Major activity of the borrower	Name of the guarantor	Status of the guarantor (bank/financial institute/ foreign equity holder etc.)	Name of the resident lender	Amount in INR	Approx equivalent in USD	Type of facility (fund/non fund based)	Reason for invocation	Details of discharge of liability (payment out of rupee balances held in India or by remitting the funds to India or by debit to FCNR/NRE account)	Repayment details

Place

Date

Signature of the Authorised Dealer

Facility of Credit Enhancement

- **Facility of Credit Enhancement:** The facility of credit enhancement by eligible non-resident entities (viz. Multilateral financial institutions (such as, IFC, ADB, etc.) / regional financial institutions and Government owned (either wholly or partially) financial institutions, direct/indirect equity holder) to domestic debt raised through issue of capital market instruments, such as Rupee denominated bonds and debentures, is available to all borrowers eligible to raise ECB under automatic route subject to the following conditions:

Facility of Credit Enhancement

- The underlying debt instrument should have a minimum average maturity of three years;
- Prepayment and call/ put options are not permissible for such capital market instruments up to an average maturity period of 3 years;
- Guarantee fee and other costs in connection with credit enhancement will be restricted to a maximum 2 per cent of the principal amount involved;
- On invocation of the credit enhancement,
 - if the guarantor meets the liability and if the same is permissible to be repaid in foreign currency to the eligible non-resident entity, the all-in-cost ceilings, as applicable to the relevant maturity period of the TC/ECB, as per the extant guidelines, is applicable to the novated loan.
 - In case of default and if the loan is serviced in Indian Rupees, the applicable rate of interest would be the coupon of the bonds or 250 bps over the prevailing secondary market yield of 5 years Government of India Security, as on the date of novation, whichever is higher;
- NBFC-IFC proposing to avail of the credit enhancement facility should comply with the eligibility criteria and prudential norms laid down in the [circular DNBS.PD.CC No.168/03.02.089/2009-10 dated February 12, 2010](#) and in case the novated loan is designated in foreign currency, the IFC should hedge the entire foreign currency exposure; and
- The reporting arrangements as applicable to the ECB would be applicable to the novated loans.

Your Queries please
Sudha@taxpertpro.com

