

RESERVE BANK OF INDIA
Financial Markets Regulation Department
Central Office
Mumbai - 400 001

RBI/2014-15/608

A. P. (DIR Series) Circular No. 103

May 21, 2015

To
All Category-I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) denominated in Indian Rupees (INR) – Mobilisation of INR

Attention of Authorized Dealers Category – I (AD Cat – I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 [[Notification No. FEMA 25/RB-2000 dated May 3, 2000](#)], as amended from time to time, A.P. (DIR Series) Circular No.63 dated December 29, 2011 and A.P. (DIR Series) Circular No. 25 dated September 3, 2014.

2. In terms of [A.P. \(DIR Series\) Circular No. 25 dated September 3, 2014](#), recognised non-resident ECB lenders may extend loans in Indian Rupees subject to, *inter alia*, the lender mobilising Indian Rupees through a swap undertaken with an AD Cat-I bank in India. To facilitate ECB lending denominated in INR by overseas lenders, it has now been decided that such lenders may enter into swap transactions with their overseas bank which shall, in turn, enter into a back-to-back swap transaction with any AD Cat-I bank in India as per the procedure given below:

(i) The recognised non-resident lender approaches his overseas bank with appropriate documentation as evidence of an underlying ECB denominated in INR with a request for a swap rate for mobilising INR for onward lending to the Indian borrower.

(ii) The overseas bank, in turn, approaches an AD Cat-I bank for a swap rate along with documentation furnished by the customer that will enable the AD bank in India

to satisfy itself that there is an underlying ECB in INR (scanned copies would be acceptable).

(iii) A KYC certification on the end client shall also be taken by the AD bank in India as a one-time document from the overseas bank.

(iv) Based on the documents received from the overseas bank, the AD bank in India should satisfy itself about the existence of the underlying ECB in INR and offer an indicative swap rate to the overseas bank which, in turn, will offer the same to the non-resident lender on a back-to-back basis.

(v) The continuation of the swap shall be subject to the existence of the underlying ECB at all times.

(vi) On the due date, settlement may be done through the Vostro account of the overseas bank maintained with its correspondent bank in India.

(vii) All other Operational Guidelines, Terms and Conditions as contained in the annex to [A.P. \(DIR Series\) Circular No.63 dated December 29, 2011](#) governing hedging of ECBs denominated in INR shall apply, *mutatis mutandis*.

(viii) The concerned AD Cat-I bank shall keep on record all related documentation for verification by Reserve Bank.

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

4. 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,

(R Subramanian)
Chief General Manager