ECB Norms for Corporates, NBFCs Relaxed

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With a view to further liberalise the External Commercial Borrowing **(ECB) framework**, **Reserve Bank of India (RBI)** has recently decided to relax the end-use restrictions relating to external commercial borrowings for Working Capital requirements, General Corporate purposes and Repayment of rupee loans.

- It is a move aimed at providing **access to cheaper and longer term funds** for the corporate sector, especially liquidity-starved **Non Banking Finance Companies (NBFCs).**
- RBI has allowed eligible borrowers to raise ECBs with a maturity period of 10 years from recognised lenders, **except foreign branches and overseas subsidiaries** of Indian banks.
- ECBs with a minimum average maturity period of 10 years will be allowed for working capital purposes and general corporate purposes.
- **Borrowing for on-lending** (When an organization lends money that they have borrowed from another organization or person) by non-banking financial companies for the 10 year maturity and end-use of funds is also permitted.
- For **repayment of rupee loans availed domestically** for purposes other than capital expenditure and for on-lending by NBFCs for the same, the minimum average maturity period of the ECB would have to be 10 years.
- RBI also allowed ECBs with a minimum **average maturity period of 7 years** for repayment of rupee loans availed domestically for capital expenditure.
- The **borrowings for on-lending** by NBFCs for the repayment of rupee loans would also be permitted.

Source: IE