

**RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
CENTRAL OFFICE
Mumbai 400 001**

Notification No. FEMA.3(R)/2018-RB

December 17, 2018

(Amended up to February 16, 2026)

(Amended up to October 09, 2025)

(Amended up to July 29, 2022)

(Amended up to May 28, 2021)

(Amended up to February 27, 2019)

Foreign Exchange Management (Borrowing and Lending) Regulations, 2018

In exercise of the powers conferred by clauses (a), (d) and (e) of Sub-Section (3) of Section 6, sub-section (2) of Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in supersession of [Notification No. FEMA. 3/2000-RB dated May 3, 2000](#), as amended from time to time, [Notification No. FEMA. 4/2000-RB dated May 3, 2000](#), as amended from time to time and Regulation 21 of [Notification No. FEMA. 120/RB-2004 dated July 7, 2004](#) as amended from time to time, the Reserve Bank makes the following regulations for borrowing and lending between a person resident in India and a person resident outside India, namely:

1. Short Title and Commencement: -

- i) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.
- ii) They shall come into force from the date of their publication in the Official Gazette.

2. Definitions: -

(1) In these regulations, unless the context otherwise requires:

- (a) "Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);
- (b) "arm's length basis" means a transaction between two related parties that is conducted as if the transacting parties were unrelated, so that there is no conflict of interest;
- (c) "Authorised Bank" shall have the same meaning as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);
- (d) "Authorised Dealer (AD)" means a person authorised as an Authorised Dealer under sub-section (1) of section 10 of the Act;

(e) “benchmark rate” means any widely accepted interbank rate or Alternative Reference Rate (ARR) of 6-month tenor, applicable to the currency of borrowing, in case of foreign currency (FCY) external commercial borrowing (ECB) / trade credit (TC). Further, it means prevailing yield of the Government of India security of corresponding maturity in case of Indian Rupees (INR) denominated ECB / TC;

(f) “control” –

(i) in case of companies, control shall have the same meaning as assigned to it in the Companies Act, 2013; and

(ii) in case of LLPs, control means the right to appoint majority of the designated partners, where such partners, with specific exclusion to others have control over all the policies of the LLP.

(g) “cost of borrowing” means rate of interest, other fees, expenses, charges, guarantee fees and export credit agency charges, whether paid in FCY or INR, but shall not include commitment fees and statutory taxes payable in India;

(h) “Designated Authorised Dealer (AD) Category I Bank” means the AD Category I bank designated by the borrower for meeting the reporting requirements in respect of ECB and TC and monitoring of such transactions;

(i) “exchange earners’ foreign currency (EEFC) account” shall have the same meaning as assigned to it in the [Foreign Exchange Management \(Foreign Currency Accounts by a Person Resident in India\) Regulations, 2015](#);

(j) “external commercial borrowing (ECB)” means borrowing by an eligible borrower from a recognised lender in accordance with Schedule I to these Regulations;

(k) “external commercial lending (ECL)” means lending by a person resident in India to a person resident outside India in accordance with Schedule III to these Regulations;

(l) “Foreign Currency Non-Resident (Bank) (FCNR (B)) account” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);

(m) “financial sector regulator” means a financial regulatory body established under any law in force in India and includes the Reserve Bank of India, Securities and Exchange

Board of India, Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority;

(n) “foreign currency convertible bond (FCCB)” shall have the same meaning as assigned to it in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993;

(o) “foreign currency exchangeable bond (FCEB)” shall have the same meaning as assigned to it in the Issue of Foreign Currency Exchangeable Bonds Scheme, 2008;

(p) “Housing Finance Institution” shall have the same meaning as assigned to it in the National Housing Bank Act, 1987 (53 of 1987);

(q) “Indian Entity” means a company incorporated in India under the Companies Act, 2013 (18 of 2013) or a body corporate established in India under a Central / State Act or a Limited Liability Partnership formed and registered in India under the Limited Liability Partnership Act, 2008;

(r) “Industrial Park” means a project in which quality infrastructure in the form of plots of developed land or built-up space or a combination with common facilities is developed and made available to all the allottee units for the purpose of industrial activity;

Explanation: Common Facilities refers to facilities available for all the units located in the industrial park, and include facilities of power, roads (including approach roads), railway line / sidings including electrified railway lines and connectivity to the main railway line, water supply and sewerage, common effluent treatment, common testing, telecom services, air conditioning, common facility buildings, industrial canteens, convention / conference halls, parking, travel desks, security service, first aid centre, ambulance and other safety services, training facilities and such other facilities meant for common use of the units located in the Industrial Park.

(s) “infrastructure sector” shall have the same meaning as assigned to it in the ‘Harmonised Master List of Infrastructure Sub-Sectors’ approved by Government of India vide Notification F. No. 13/06/2009-INF and as amended from time to time. For the purpose of these regulations, “Exploration, Mining and Refinery” sectors will be deemed as infrastructure sector;

(t) “International Financial Service Centre (IFSC)” shall have the same meaning as assigned to it under the International Financial Services Centres Authority Act, 2019 (50 of 2019);

(u) ‘Liberalised Remittance Scheme’ means the scheme formulated in terms of [circular A.P. \(DIR Series\) Circular No. 64 dated February 4, 2004](#);

(v) “Non-Resident External (NRE) Account” shall have the same meaning as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);

(w) “Non-Resident Ordinary (NRO) Account” shall have the same meaning as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);

(x) “National Housing Bank” shall have the same meaning as assigned to it in the National Housing Bank Act, 1987 (53 of 1987);

(y) “net worth” –

(i) In case of companies, net worth shall have the same meaning as assigned to it in the Companies Act, 2013 (18 of 2013); and

(ii) In case of other entities, net worth shall be the sum of the funds recorded in the balance sheet under capital and undistributed profits after deducting therefrom the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the last audited balance sheet.

(z) “Non-Resident Indian (NRI)” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);

(aa) “Overseas Citizen of India (OCI) Cardholder” shall have the same meaning as assigned to it in the Citizenship Act, 1955;

(ab) “real estate business” means purchase, sale or lease of land or immovable property with a view to earning profit from there and does not include purchase, sale and lease (not amounting to transfer) of land or immovable property for the following purposes:

(i) construction and development of industrial parks, integrated townships and SEZ;

(ii) development of new industrial project, modernisation and expansion of existing units;

- (iii) any activity under 'infrastructure sector';
- (iv) construction-development project;
- (v) commercial or residential properties for own use of the borrower;
- (vi) real estate broking services.

Explanation:

(a) Construction-development projects includes development of townships, construction of residential /commercial premises, roads or bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure, townships;

(b) Transfer, in relation to real estate business includes,-

(i) the sale, exchange or relinquishment of the asset; or

(ii) the extinguishment of any rights therein; or

(iii) the compulsory acquisition thereof under any law; or

(iv) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882) ; or

(v) any transaction, by acquiring capital instruments in a company or by way of any agreement or any arrangement or in any other manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property.

(ac) "related party" means an entity which qualifies as a related party as per the provisions of the Companies Act, 2013 (18 of 2013). For a person other than a company, this definition shall apply *mutatis mutandis*;

(ad) "relative" shall have the same meaning as assigned to it in the Companies Act, 2013 (18 of 2013);

(ae) “securities” shall have the same meaning as assigned to it in the Securities Contracts (Regulation) Act, 1956;

(af) “Special Economic Zone (SEZ) shall have the same meaning as assigned to it in the Special Economic Zones Act 2005;

(ag) “Special Non-Resident Rupee Account (SNRR) account” shall have the same meanings as assigned to it in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);

(ah) “trade credit (TC)” means credit extended by the overseas supplier or financial institution for permissible imports into India and includes both suppliers’ credit and buyers’ credit;

Explanation: Suppliers’ credit relates to the credit for imports into India extended by the overseas supplier, while buyers’ credit refers to loans for payment of imports into India arranged by the importer from an overseas bank or financial institution.

(ai) “transferable development rights” shall have the same meaning as assigned to it in the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.

(2) The words and expressions used but not defined in these Regulations shall have the same meaning respectively assigned to them in the Act.]

3. Prohibition to Borrow or Lend: -

Save as otherwise provided in the Act, Rules or Regulations made thereunder, no person resident in India shall borrow or lend in foreign exchange from or to a person resident in or outside India and no person resident in India shall borrow in rupees from, or lend in rupees to, a person resident outside India:

Provided that the Reserve Bank may, for sufficient reasons, permit a person resident in India to borrow or lend in foreign exchange from or to a person resident in or outside India and/or permit a person resident in India to borrow in rupees from, or lend in rupees to, a person resident outside India.

Explanation: Use of Credit Card (a) in India by a person resident outside India or (b) outside India by a person resident in India shall not be deemed as borrowing or lending in Indian Rupee/foreign exchange.

ⁱⁱ[3A. Restriction on end-use of borrowed funds: -

(1) Funds borrowed in terms of these Regulations shall not be utilised for the following purposes in India:

(a) Chit funds;

(b) Nidhi Company;

(c) Real estate business and construction of farmhouses, provided that:

(i) in case of a borrowing for construction-development project, the borrower shall sell plots only after ensuring development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage.

(ii) in case of borrowing for industrial parks, such parks shall comprise of a minimum of 10 units with no single unit occupying more than 50 percent of the allocable area and the minimum percentage of the area to be allocated for industrial activity shall not be less than 66 percent of the total allocable area.

Explanation: "Allocable area" in the Industrial Park means—

(i) in the case of plots of developed land - the net site area available for allocation to the units, excluding the area for common facilities.

(ii) in the case of built-up space - the floor area and built-up space utilized for providing common facilities.

(iii) in the case of a combination of developed land and built-up space - the net site and floor area available for allocation to the units excluding the site area and built-up space utilized for providing common facilities.

(d) Agricultural and animal husbandry, except –

(i) Floriculture, horticulture and cultivation of vegetables and mushrooms under controlled conditions;

(ii) Development and production of seeds and planting material;

(iii) Animal husbandry (including breeding of dogs), pisciculture, aquaculture and apiculture; and

(iv) Services related to agro and allied sectors

Explanation: The term 'under controlled conditions' covers the 'cultivation under controlled conditions' for the categories of floriculture, horticulture, cultivation of vegetables and mushrooms which is the practice of cultivation wherein rainfall, temperature, solar radiation, air humidity and culture medium are controlled artificially. Control in these parameters may be effected through protected cultivation under green houses, net houses, poly houses or any other improved infrastructure facilities where micro-climatic conditions are regulated anthropogenically.

(e) Plantation except tea, coffee, rubber, cardamom, palm oil tree, olive oil tree plantation

(f) Trading in Transferrable Development Rights (TDR);

(g) Transacting in listed/unlisted securities, except for transactions undertaken by an Indian entity for corporate actions such as merger, demerger, amalgamation, arrangement, or acquisition of control in accordance with the Act under which the entity is incorporated/established, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Insolvency and Bankruptcy Code, 2016, as applicable;

Explanation: For sub-regulation 1(g), borrowing shall be availed for strategic purposes only, i.e. those driven by the core objective of creating long-term value through potential synergies, rather than for short-term gains.

(h) Repayment of a domestic INR loan (i) which was availed for an end-use restricted under this regulation; or (ii) which is classified as a non-performing asset (NPA) as per the applicable prudential norms.

(i) On-lending for any of the purposes for which funds cannot be borrowed and utilised in this regulation.]

4. Borrowing from outside India in Foreign Exchange by a Person Resident in India: -

A. Borrowing by an Authorised Dealer or its branch outside India

- i) An AD may borrow from its Head Office or branch or correspondent outside India or any other entity up to limit specified and subject to terms and conditions as specified by the Reserve Bank from time to time, in consultation with Government of India.
- ii) A branch outside India of an AD being a bank incorporated or constituted in India, may borrow in foreign exchange in the normal course of its banking business from outside India, subject to the directions or guidelines issued by the Reserve Bank from time to time, and the Regulatory Authority of the country where the branch is located.
- iii) An AD may borrow in foreign exchange from a bank or a financial institution outside India, for the purpose of granting pre-shipment or post-shipment credit in foreign exchange to its exporter constituent, subject to compliance with the guidelines issued by the Reserve Bank in this regard.
- iv) An AD may raise ECB from outside India in accordance with the provisions contained in Schedule I.

B. Borrowing by Persons other than Authorised Dealers

- i) Eligible resident entities may raise ECB from outside India in accordance with the provisions contained in Schedule I.
- ii) Trade Credit may be raised from outside India by importers for import of capital or non-capital goods as permissible under the extant Foreign Trade Policy of the DGFT in accordance with the provisions contained in Schedule II.
- iii) A person resident in India may borrow, whether by way of loan or overdraft or any other credit facility, from a bank situated outside India, where export of goods or services is proposed to be made on deferred payment terms or in execution of a turnkey project or a civil construction contract, provided the terms and conditions stipulated by the authority which has granted the approval to the arrangement are in accordance with the Foreign Exchange Management (Export of goods and services)

Regulations, 2015, notified vide [Notification No. FEMA.23\(R\)/2015-RB dated January 12, 2016](#), as amended from time to time.

- iv) Financial Institutions, set up under an Act of the Indian Parliament, may raise foreign exchange borrowings with the prior approval of the Government of India for the purpose of onward lending.

Explanation: Such borrowings, which are in the nature of ECB, shall be subject to provisions contained in Schedule I.

- v) An individual resident in India may borrow a sum not exceeding USD 250,000/- or its equivalent, or any other amount as decided by the Reserve Bank from time to time, from his/her relatives outside India and subject to such terms and conditions as specified by the Reserve Bank from time to time in consultation with the Government of India.
- vi) An individual resident in India studying abroad may raise loan outside India not exceeding USD 250,000/- or its equivalent, or any other amount as decided by the Reserve Bank from time to time, for the purposes of payment of education fees abroad and maintenance subject to terms and conditions as specified by the Reserve Bank from time to time in consultation with the Government of India.

5. Lending in Foreign Exchange by a Person Resident in India: -

A. Lending by an Authorised Dealer in India or its branch outside India

- i) An AD in India or its branch outside India may extend foreign currency denominated ECL to a borrower outside India in accordance with the provisions contained in Schedule III.
- ii) An AD may grant loans to its constituents in India for meeting their foreign exchange requirements or for their rupee working capital requirements or capital expenditure subject to compliance with prudential norms, interest rate directives and guidelines, if any, issued by Reserve Bank in this regard.
- iii) Subject to the directions or guidelines issued by the Reserve Bank from time to time, an AD in India may extend foreign exchange loans to another AD in India.

- iv) Branches outside India of AD banks may extend foreign exchange loans against the security of funds held in NRE/ FCNR deposit accounts or any other account as specified by the Reserve Bank from time to time, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, notified vide [Notification No. FEMA 5\(R\)/2016-RB dated April 1, 2016](#), as amended from time to time.

B. Lending by persons other than Authorised Dealer

Eligible resident entity may extend foreign currency denominated ECL to a borrower outside India in accordance with the provisions contained in Schedule III.

6. Borrowing in Indian Rupees by a Person Resident in India: -

A. Borrowing by an Authorised Dealer

An AD may raise Rupee denominated ECB from outside India in accordance with the provisions contained in Schedule I.

B. Borrowing by persons other than Authorised Dealer

- i) Eligible resident entities may raise Rupee denominated ECB from outside India in accordance with the provisions contained in Schedule I.
- ii) Eligible resident entities, as defined by the Government of India, may borrow from overseas Multilateral Financial Institutions/International Development Financial Institutions, where the source of funds of such institutions is Rupee denominated bonds issued overseas or resources raised domestically, or any other source as approved by the Government of India.
- iii) Trade Credit may be raised from outside India in Indian Rupees by importers for import of capital or non-capital goods as permissible under the extant Foreign Trade Policy of the DGFT in accordance with the provisions contained in Schedule II.
- iv) Any foreign investment in the nature of debt arising out of transfer or issue of security, not covered under the above sub-regulations, should be in compliance with Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside

India) Regulations, 2017, notified vide [Notification No. FEMA 20\(R\)/ 2017-RB dated November 07, 2017](#), as amended from time to time.

- v) Any person resident in India accepting any deposit from, or making any deposit with, a person resident outside India, including loans/ overdrafts against security of funds held in such accounts, should be in compliance with Foreign Exchange Management (Deposit) Regulations, 2016, notified vide [Notification No. FEMA 5\(R\)/2016-RB dated April 1, 2016](#), as amended from time to time.
- vi) ⁱⁱⁱ[A person resident in India being an individual may borrow in INR from an NRI or a relative who is an OCI cardholder for utilization in India, subject to the following terms and conditions:
 - (a) The amount of loan should be received either by inward remittance from outside India or by debit to NRE / NRO / FCNR(B) / SNRR account of the lender; and
 - (b) Borrowing shall be on non-repatriation basis i.e. payment of interest and repayment of principal shall be made only to the NRO account of the lender;]
- vii) Financial Institutions, set up under an Act of the Indian Parliament, may raise Rupee denominated borrowings from outside India with the prior approval of the Government of India for the purpose of onward lending.

Explanation: Such borrowings which are in the nature of ECBs shall be subject to provisions contained in Schedule I.

7. Lending in Indian Rupees by a Person Resident in India: -

A. Lending by an Authorised Dealer

- i) An AD in India may grant loan to a NRI/OCI Cardholder for meeting the borrower's personal requirements/own business purposes/acquisition of a residential accommodation in India/ acquisition of motor vehicle in India / or for any purpose as per the loan policy laid down by the Board of Directors of the AD and in compliance with prudential guidelines of Reserve Bank of India. The AD bank should ensure that the borrowed funds are not used for restricted end uses.
- ii) Overdraft in rupee account maintained with AD in India by a bank outside India: An AD may permit a temporary overdraft, for value not exceeding Rupees 5 billion or any other amount as prescribed by the Reserve Bank from time to time, in rupee accounts

maintained with it by its overseas branch or correspondent or Head Office outside India, subject to such terms and conditions as the Reserve Bank may direct from time to time.

- iii) ^{iv}[An AD in India may lend to a person resident outside India for making margin payments in respect of settlement of transactions involving Government Securities by the person resident outside India, subject to such terms and conditions as may be specified by the Reserve Bank.

Explanation: The expression 'Government Security' shall have the same meaning as assigned to it in Section 2(f) of Government Securities Act, 2006, and the word 'securities' shall be construed accordingly]

- iv) ^v[An AD bank may lend in Indian Rupees to a person resident outside India being a resident in Bhutan, Nepal or Sri Lanka, including a bank in these jurisdictions, for cross border trade transactions.]

B. Lending by persons other than Authorised Dealer

- i) A registered non-banking financial company in India or a registered housing finance institution in India or any other financial institution as may be specified by the Reserve Bank from time to time, may provide housing loan or vehicle loan, as the case may be, to a NRI/OCI Cardholder subject to such terms and conditions as prescribed by the Reserve Bank from time to time. The borrower should ensure that the borrowed funds are not used for restricted end uses.
- ii) An Indian entity may grant loan in Indian Rupees to its employee who is a NRI/OCI Cardholder in accordance with the Staff Welfare Scheme subject to such terms and conditions as prescribed by the Reserve Bank from time to time. The borrower should ensure that the borrowed funds are not used for restricted end uses.
- iii) A resident individual may grant Rupee loan to a NRI/OCI Cardholder relative within the overall limit under the Liberalised Remittance Scheme subject to such terms and conditions as prescribed by the Reserve Bank from time to time. The borrower should ensure that the borrowed funds are not used for restricted end uses.

vi7-A. Borrowing and lending by persons resident outside India: -

A person resident outside India may undertake repo or reverse repo transactions in Rupees to borrow or lend money, subject to such terms and conditions as may be specified by the Reserve Bank.

Explanation:

Repo shall have the same meaning as defined in Section 45U (c) of RBI Act, 1934

Reverse Repo shall have the same meaning as defined in Section 45U (d) of RBI Act, 1934]

8. Continuation of loan in the event of change in the residential status of the lender/borrower:

- i) An authorised dealer/authorised bank, may allow continuance of loans granted to a resident individual who subsequently becomes a person resident outside India, subject to such terms and conditions as specified by the Reserve Bank from time to time.
- ii) In case a loan was granted by a resident individual to another resident individual and the lender subsequently becomes a non-resident, the repayment of the loan by the resident borrower should be made by credit to the NRO account or any other account of the lender maintained with a bank in India as specified by the Reserve Bank from time to time, at the option of the lender.
- iii) In case a loan was granted by a NRI/OCI Cardholder to a person resident in India in accordance with the provisions contained in these regulations and the lender subsequently becomes a resident, the repayment of the loan may be made to the designated account of the lender maintained with a bank in India as specified by the Reserve Bank from time to time, at the option of the lender.
- iv) A resident individual will be permitted to service loans taken overseas earlier as a person resident outside India subject to terms and conditions and limit as specified by the Reserve Bank from time to time.

9. Any borrowing under erstwhile regulations can be continued as permitted up to the due date of repayment.

(Dr. Aditya Gaiha)
Chief General Manager-in-Charge

Foot Note:

The principal Regulations [Notification no. FEMA 3(R)/2018-RB dated December 17, 2018] were published in the [official gazette](#) of the Government of India [Extraordinary, Part II, Section 3, Sub-Section (i)], *vide* G.S.R.No.1213(E) dated December 17, 2018 and subsequently amended, *vide*

- (i) Notification no. FEMA 3(R)1/2019-RB dated February 26, 2019 [Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2019] published in the [official gazette](#) of Government of India (Extraordinary, Part II – Section 3, sub-Section (i)), *vide* G.S.R 163(E) dated February 27, 2019; and
- (ii) Notification no. FEMA 3(R)2/2021-RB dated May 24, 2021 [Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2021] published in the [official gazette](#) of Government of India (Extraordinary, Part III – Section 4) dated May 28, 2021.
- (iii) [Notification No. FEMA.3\(R\)\(3\)/2022-RB dated July 28, 2022](#) [Foreign Exchange Management (Borrowing and Lending) (Third Amendment) Regulations, 2022] published in the [official gazette](#) of Government of India (Extraordinary, Part III – Section 4) dated July 29, 2022.
- (iv) [Notification No. FEMA.3\(R\)\(4\)/2025-RB dated October 06, 2025](#) [Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022] published in the [official gazette](#) of Government of India (Extraordinary, Part III – Section 4) dated October 09, 2025.
- (v) [Notification No. FEMA.3\(R\)\(5\)/2026-RB dated February 09, 2026](#) [Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026] published in the [official gazette](#) of Government of India (Extraordinary, Part III – Section 4) dated February 16, 2026.

^{vii}[**SCHEDULE I**
[See Regulations 4(A)(iv), 4(B)(i), 4(B)(iv), 6(A), 6(B)(i), 6(B)(vii)]
External Commercial Borrowing (ECB) Framework

1. Eligible borrowers –

(1) Any person resident in India (other than an individual) that is incorporated, established or registered under a Central or State Act is an eligible borrower, subject to the condition that such person is permitted for ECB in terms of applicable Act(s).

(2) An eligible borrower that is under a restructuring scheme or corporate insolvency resolution process may raise ECB only if specifically permitted under the restructuring or resolution plan.

(3) An eligible borrower against whom any investigation, adjudication or appeal by a law enforcement agency for contravention of any rule, regulation or direction issued under the Act is pending, may raise ECB notwithstanding the pending investigation or adjudication or appeal and without prejudice to the outcome of such investigation or adjudication or appeal. The borrower shall, however, disclose information about the pending investigation, adjudication or appeal under 'Form ECB 1' (or 'Revised Form ECB 1' in case there is existing ECB).

2. Recognised lenders – An eligible borrower may raise ECB from –

(a) A person resident outside India;

(b) A branch outside India of an entity whose lending business is regulated by the Reserve Bank; and

(c) A financial institution or a branch of a financial institution set up in IFSC.

Explanation: For the purpose of this paragraph, financial institution shall have the same meaning as assigned to it under the [Foreign Exchange Management \(International Financial Services Centre\) Regulations, 2015](#).

3. Currency of borrowing –

(1) An eligible borrower may raise ECB denominated in foreign currency (FCY) or Indian Rupee (INR).

(2) Currency of ECB may be changed from one FCY to another FCY, an FCY to INR and INR to an FCY.

(3) Change of currency shall be at the exchange rate prevailing on the date of the agreement for such change or at an exchange rate which does not result in a liability higher than that arrived at by using the exchange rate prevailing on the date of the agreement.

4. Forms of borrowing –

(1) An eligible borrower may raise ECB in any form of commercial borrowing arrangement that involves payment of agreed interest, if any, by whatever name called, and repayment of principal.

Explanation: ECB includes borrowing by issuance of a Foreign Currency Convertible Bond (FCCB) and Foreign Currency Exchangeable Bond (FCEB).

(2) Funds received from a person resident outside India, on or after April 30, 2007, against issuance of preference shares or debentures which are not fully and mandatorily convertible to equity shares shall be treated as ECB.

(3) The following funds raised by an eligible borrower shall not be treated as ECB:

(a) Trade Credit with original maturity up to three years, raised in terms of these Regulations;

(b) Export advance received in terms of these Regulations and [Foreign Exchange Management \(Export of Goods & Services\) Regulations, 2015](#);

(c) Investments received in terms of the [Foreign Exchange Management \(Debt Instruments\) Regulations, 2019](#);

(d) Investments received through Convertible Notes issued in terms of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019; and

(e) Investments received from Foreign Venture Capital Investor (FVCI) through debt instruments in terms of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

5. Borrowing limit –

(1) An eligible borrower may raise ECB up to the higher of (a) outstanding ECB up to USD 1 billion; or (b) total outstanding borrowing (external and domestic) up to 300 per cent of net worth as per the last audited standalone balance sheet of the borrower.

Explanation: Outstanding borrowing shall not include non-fund based credit and funds raised through issuance of securities which are mandatorily convertible to equity.

(2) The proposed ECB (other than ECB for refinancing) shall be taken into consideration while checking for compliance with the borrowing limit.

(3) The borrowing limit specified in the sub-paragraph (1) shall not be applicable on eligible borrowers that are regulated by financial sector regulators.

6. Maturity –

(1) An eligible borrower shall raise ECB with minimum average maturity period (MAMP) of three years.

Explanation: Average Maturity Period for an ECB shall be computed in a manner illustrated in the Annex I to these Regulations.

(2) An eligible borrower engaged in manufacturing sector may also raise ECB with average maturity period between one year and three years, subject to the condition that outstanding amount of such ECBs shall not exceed USD 150 million.

(3) Call and put options, if any, shall not be exercisable prior to completion of MAMP.

(4) The MAMP specified at sub-paragraph (1) and (2) shall not be required to be met in case of –

(a) Conversion of ECB (including FCCB and FCEB) to non-debt instruments in accordance with the rules and regulations issued under the Act;

(b) Repayment of ECB using the proceeds from non-debt instruments issued in terms of Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 on repatriation basis, provided the proceeds are received after the drawdown of the ECB;

(c) Refinance of ECB in terms of these Regulations;

(d) Waiver of debt by the lender; and

(e) Repayment of ECB, if required, for undertaking corporate actions such as closure, merger, demerger, arrangement, acquisition of control, amalgamation, resolution or liquidation by the lender or the borrower.

7. Cost of borrowing –

(1) The cost of borrowing shall be in line with prevailing market conditions.

(2) In case of eligible ECBs with average maturity period of less than three years, the cost of borrowing shall be in compliance with cost ceiling specified for Trade Credit under these regulations. In the case of fixed rate loans, the floating rate plus spread of the corresponding swap shall not be more than the ceiling.

8. Other costs – Prepayment charges or penal interest, if any, for default or breach of covenants shall be in line with prevailing market conditions.

9. Arm's length principle – ECB from a related party shall be carried out on an arm's length basis.

10. Receipt of ECB proceeds –

(1) An eligible borrower shall drawdown ECB only after obtaining the Loan Registration Number (LRN) from Reserve Bank through the designated AD Category I bank.

(2) ECB proceeds meant to be utilized for a permitted INR expenditure in India, shall be credited to an INR account held in India with the designated AD Category I bank by the end of the succeeding month from the date of receipt. Pending utilisation, the funds may be invested in an unencumbered fixed deposit of tenor up to one year with the designated AD Category I bank.

(3) ECB proceeds meant to be utilized for a permitted foreign currency expenditure may be credited to an FCY account held in India with the designated AD Category I bank or an FCY account held outside India, in terms of the [Foreign Exchange Management \(Foreign Currency Accounts by a Person Resident in India\) Regulation, 2015](#). Pending utilisation, the funds may be invested outside India in an unencumbered fixed deposit of tenor up to one year or an unencumbered debt instrument with original maturity up to one year.

11. Security –

(1) ECBs may be secured by –

(a) Creation of charge on immovable assets, movable assets, financial assets and intangible assets (including intellectual property rights) in favour of the non-resident lender or security trustee; and

(b) Issue of guarantee in favour of the lender or security trustee in accordance with the [Foreign Exchange Management \(Guarantees\) Regulations, 2026](#).

(2) Securing ECBs shall be subject to the following terms and conditions:

- (a) The borrowing agreement contains a clause requiring the borrower to provide such security;
- (b) 'No objection certificate', as applicable, from the existing lender(s) in India shall be obtained before creation of charge on an encumbered asset; and
- (c) Creation of charge on an asset shall not be construed as a permission to acquire the asset in India, by the overseas lender / security trustee.

(3) Entities regulated by the Reserve Bank shall not provide (issue) any type of guarantee.

(4) In the event of enforcement / invocation of the security –

- (a) the claim of the lender shall be restricted to the outstanding claim against the ECB;
- (b) transfer of any asset / property shall be in compliance with the Act or Rules, Regulations or Directions issued thereunder. Encumbered moveable assets may be taken out of the country subject to obtaining a 'No objection certificate' from the existing lender(s) in India, if any; and
- (c) where the acquisition of the asset / property by the lender is not permitted under the Act or Rules or Regulations or Directions issued thereunder, the sale proceeds from transfer of such asset to a person resident in India may be remitted to the lender for extinguishing the outstanding claim against the ECB.

12. Refinancing – An eligible borrower may refinance an existing ECB, in part or full, by a fresh ECB, subject to the condition that refinancing doesn't result in failure to meet MAMP requirement applicable on the original borrowing (weighted outstanding maturity in case of multiple borrowings).

13. Conversion of ECB into non-debt instrument –

(1) An ECB (including those which is matured but unpaid) may be converted into a non-debt instrument, subject to compliance with the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

(2) Conversion of ECB into a non-debt instrument shall be subject to the following terms and conditions:

- (a) No additional costs payable to the lender for enabling such conversion;
- (b) Consent of the lender is in place; and

(c) Consent of other lenders, if any, is available or at least information regarding conversions is exchanged with other lenders.

(3) The prudential regulations, including those on restructuring, shall also be applicable if borrower has availed credit facilities from an entity (including its foreign branch or subsidiary) regulated by the Reserve Bank.

(4) ECB liability eligible for conversion into non-debt instruments shall be determined basis the exchange rate prevailing on the date of the agreement for such conversion between the parties concerned or at an exchange rate which does not result in a liability higher than that arrived at by using the exchange rate prevailing on the date of such agreement.

14. Change of parameters, terms and conditions –

(1) Changes to the parameters, terms and conditions governing the ECB may be made, subject to lender's consent and compliance with the provisions of this Schedule.

(2) In case of extension of tenor of the borrowing, the prudential regulations, including those on restructuring, shall also be applicable if the borrower has availed credit facilities from an entity (including its foreign branch or subsidiary) regulated by the Reserve Bank.

(3) Change of designated AD Category I bank shall be subject to the obtaining 'no objection certificate' from the existing designated AD Category I bank.

15. Debt servicing –

(1) Principal, interest, and other charges, in respect of ECBs undertaken in compliance with the ECB framework, may be remitted.

(2) Repayment in case of an ECB availed from the NRO account of the lender shall be credited to the NRO account only.

16. Reporting –

(1) Eligible borrowers shall submit the following application/return through the designated AD Category I bank in the format provided by the Reserve Bank to the designated AD Category I bank:

(a) 'Form ECB 1' for providing details of the ECB and obtaining LRN;

(b) 'Revised Form ECB 1' for reporting any change in previously reported ECB parameters in 'Form ECB 1', within seven calendar days from the end of the month in which such change was given effect; and

Explanation: A 'Revised Form ECB 1' may also be submitted to intimate any change in any other information previously reported in 'Form ECB 1'.

(c) 'Form ECB 2' for reporting receipt of ECB proceeds and debt servicing, within seven calendar days from the end of the month in which the proceeds were received or debt servicing was undertaken.

Explanation: Any event or transaction that alters the outstanding borrowing under an LRN shall be reported in 'Form ECB 2.'

(2) In case of non-adherence with reporting timelines, the borrower may pay late submission fee as per the guidelines issued by the Reserve Bank in this regard after completing the reporting.

(3) The designated AD Category I bank shall submit the application/return received from the eligible borrower, along with due certification, to the Reserve Bank in the manner and format advised for this purpose.

(4) In case an eligible borrower reports a pending investigation or adjudication or appeal by the law enforcing agencies for contravention of any rule or regulation or direction issued under the Act in 'Form ECB 1' / 'Revised Form ECB 1', the designated AD Category I bank shall provide complete details of the borrowing to the agencies concerned.

(5) The designated AD Category I banks may approach the Reserve Bank for cancellation of an allotted LRN at the request of the borrower, subject to the condition that no draw down has taken place.

(6) Any borrower with an active LRN shall be treated as an untraceable borrower -

(a) in case such borrower fails to submit any of the specified return(s) for four consecutive quarters or more after the quarter in which a drawdown or debt servicing was scheduled to be made as per the last reported 'Form ECB 1'; and

(b) the designated AD category I bank, after completion of such period of four quarters, is satisfied that:

(i) neither the borrower nor its auditor(s)/director(s)/ promoter(s) were reachable or responsive despite multiple attempts of communication undertaken and documented by the bank; and

(ii) borrower was not found to be operative at the registered office address as per the records available with the bank.

(7) In case a borrower qualifies as untraceable after occurrence of a drawdown, the designated AD Category I banks shall inform the same to both, the Reserve Bank and the Directorate of Enforcement.]

SCHEDULE II
[See Regulations 4(B)(ii) & 6(B)(iii)]
Trade Credit for Imports

Importers may raise trade credits from outside India in accordance with the provisions contained in this Schedule.

1. Purpose

Trade Credits can be raised for the purpose of import of non-capital and capital goods as permitted under the extant Foreign Trade Policy of the DGFT and for purchase of non-capital and capital goods within a Special Economic Zone (SEZ) or from a different SEZ subject to terms and conditions as stipulated by the Reserve Bank from time to time.

Explanation: SEZ is as defined in the SEZ Act, 2005.

2. Currency of borrowing

Trade credits can be raised in any freely convertible foreign currency as well as in Indian Rupees or any other currency as specified by the Reserve Bank in consultation with the Government of India.

3. Amount of borrowing

Importers can raise trade credit up to USD 50 million equivalent per import transaction for import of capital or non-capital goods or any other amount as decided by the Reserve Bank in consultation with the Government of India.

4. Period

The period of trade credit reckoned from the date of shipment shall be as under:

- i. For import of non-capital goods – Maximum period of up to one year and linked with the operating cycle, or for a period as per the guidelines issued by the Reserve Bank from time to time for any import of any goods / for import by any specific sector.
- ii. For import of capital goods – Maximum period of three years or for a period as per the guidelines issued by the Reserve Bank from time to time.

5. Recognised Lenders

Overseas suppliers, banks and other financial institutions, foreign equity holders and financial institutions in International Financial Services Centres (IFSCs) in India or any other entities as decided by the Reserve Bank in consultation with the Government of India.

6. Cost:

- i. For trade credits in foreign exchange, the maximum spread over the benchmark of 6-month LIBOR or applicable benchmark for the respective currency will be 250 basis points per annum or as prescribed by the Reserve Bank in consultation with the Government of India.
- ii. For Rupee denominated trade credit, the all-in-cost shall be commensurate with prevailing market conditions or as prescribed by the Reserve Bank in consultation with the Government of India.

7. Security and guarantee

The borrower covered in this Schedule may provide security to the lender / suppliers, as specified by the Reserve Bank from time to time in terms of these regulations or under any other Regulations framed under the Act. The borrower may also provide corporate and / or personal guarantee as security for the borrowing subject to terms and conditions as specified by the Reserve Bank from time to time. Further, AD Category I banks are permitted to issue bank guarantees in favour of overseas supplier, bank or financial institution duly ensuring the underlying import /trade credit complies with extant norms.

8. Reporting requirements

The reporting requirement and procedure will be as specified by the Reserve Bank from time to time.

SCHEDULE III
[See Regulations 5(A)(i), 5(B)]
Lending to borrowers outside India by a person resident in India

Eligible entities may extend External Commercial Lending (ECL) to borrowers outside India in accordance with the provisions contained in this Schedule.

1. An AD in India may extend External Commercial Lending (ECL) in foreign exchange to a foreign entity in which an Indian entity has made overseas direct investment in accordance with Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004, as amended from time to time.

2. Foreign branches of the Indian banks may extend foreign exchange loans in the normal course of their banking business outside India.

3. An eligible entity, as defined under Foreign Exchange (Transfer or Issue of any Foreign Security) Regulations, 2004, notified vide [Notification No.FEMA.120/RB-2004 dated July 7, 2004](#), as amended from time to time, may lend in foreign exchange to a foreign entity in which it has made direct investment in accordance with the provisions under the said regulations.

4. A person resident in India may lend in foreign exchange out of funds held in his/her EEFC account, for trade related purposes to his/her overseas importer customer subject to such terms and conditions as stipulated by the Reserve Bank of India from time to time in consultation with Government of India.

5. Indian companies may grant loans in foreign exchange to the employees of their branches outside India for personal purposes provided that the loan shall be granted for personal purposes in accordance with the lender's Staff Welfare Scheme / Loan Rules and other terms and conditions as applicable to its staff resident in India and abroad.

(See paragraph 6 under Schedule I)
Computation of Average Maturity Period - Illustration

Assuming an ECB amount of USD 2 million is proposed to be availed and repaid as per the schedule given below, the average maturing period for such ECB shall be computed in the following manner:

Date of drawal/ repayment (MM/DD/YYYY)	Drawal	Repayment	Balance	No. of Days** balance with the borrower	Product= (Col.4 * Col. 5)/ (Loan amount * 360)
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
05/11/2007	0.75		0.75	24	0.0250
06/05/2007	0.50		1.25	85	0.1476
08/31/2007	0.75		2.00	477	1.3250
12/27/2008		0.20	1.80	180	0.4500
06/27/2009		0.25	1.55	180	0.3875
12/27/2009		0.25	1.30	180	0.3250
06/27/2010		0.30	1.00	180	0.2500
12/27/2010		0.25	0.75	180	0.1875
06/27/2011		0.25	0.50	180	0.1250
12/27/2011		0.25	0.25	180	0.0625
06/27/2012		0.25	0.00		
Average Maturity Period = (Summation of Col.6)					3.2851

** Calculated by = $DAYS360(\text{firstdate}, \text{seconddate}, 360)$

End Note:

ⁱ Substituted with effect from February 16, 2026, vide [Notification No. FEMA 3\(R\)\(5\)/2026-RB dated February 09, 2026](#). Prior to substitution, the words read as:

“2. Definitions: -

In these regulations, unless the context otherwise requires -

- i) “Act” means the Foreign Exchange Management Act, 1999 (42 of 1999);
- ii) “Authorised Dealer (AD)” means a person authorised as an Authorised Dealer under sub-section (1) of section 10 of the Act;

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- iii) “EEFC Account”, “RFC Account” shall have the same meaning as assigned to them respectively in the [Foreign Exchange Management \(Foreign Currency Accounts by a person resident in India\) Regulations, 2015](#), as amended from time to time;
- iv) “External Commercial Borrowings (ECB)” means borrowing by an eligible resident entity from outside India in accordance with framework decided by the Reserve Bank in consultation with the Government of India;
- v) “External Commercial Lending (ECL)” means lending by a person resident in India to a borrower outside India in accordance with framework decided by the Reserve Bank in consultation with the Government of India;
- vi) “Foreign Exchange” shall have the same meaning assigned to it in the Act;
- vii) “Foreign branches/subsidiaries of the Indian banks” means entities established overseas in terms of provisions contained in the Banking Regulation Act, 1949, as amended from time to time;
- viii) ‘Authorised Bank’, ‘Non-resident Indian (NRI)’, ‘FCNR (B) Account’, ‘NRO Account’, and ‘NRE Account’ shall have the same meanings as assigned to them respectively in the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#), as amended from time to time;
- ix) “Housing Finance Institution” and “National Housing Bank” shall have the same meaning as assigned to them in the National Housing Bank Act, 1987, as amended from time to time;
- x) “Indian Entity” means a company incorporated in India under the Companies Act, 2013, as amended from time to time, or a Limited Liability Partnership formed and registered in India under the Limited Liability Partnership Act, 2008, as amended from time to time;
- xi) “Overseas Citizen of India (OCI)” Cardholder shall have the same meaning as assigned to it under Section 7(A) of the Citizenship Act, 1955, as amended from time to time;
- xii) “Real Estate Activity” means any activity involving own or leased property for buying, selling and renting of commercial and residential properties or land and also includes activities either on a fee or contract basis assigning real estate agents for intermediating in buying, selling, letting or managing real estate. However, this would not include development of integrated township, purchase/ long term leasing of industrial land as part of new project/modernisation or expansion of existing units or any activity under ‘infrastructure sub-sectors’ as given in the Harmonised Master List of Infrastructure sub-sectors approved by the Government of India vide Notification F. No. 13/06/2009-INF, as amended/ updated from time to time;
- xiii) “Relative” shall have the same meaning as assigned to it in the Companies Act, 2013, as amended from time to time;
- xiv) “Restricted End Uses” shall mean end uses where borrowed funds cannot be deployed and shall include the following:
- a) In the business of chit fund or Nidhi Company;
 - b) Investment in capital market including margin trading and derivatives;
 - c) Agricultural or plantation activities;
 - d) Real estate activity or construction of farm houses; and

e) *Trading in Transferrable Development Rights (TDR), where TDR shall have the meaning as assigned to it in the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2015.*

xv) *“Schedule” means the Schedule to these Regulations;*

xvi) *“Start-up” means an entity which complies with the conditions laid down in Notification No. G.S.R 180(E) dated February 17, 2016, as amended/ updated from time to time, issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India;*

xvii) *“Trade Credit” refer to the credits extended by the overseas supplier, bank /financial institution for imports into India in accordance with the Trade Credit framework decided by the Reserve Bank in consultation with the Government of India;*

Explanation: *Depending on the source of finance, such trade credits include both suppliers’ credit and buyers’ credit. Suppliers’ credit relates to the credit for imports into India extended by the overseas supplier, while buyers’ credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution. Imports should be as permissible under the extant Foreign Trade Policy of the Director General of Foreign Trade (DGFT).*

xviii) *The words and expressions used but not defined in these Regulations shall have the same meaning respectively assigned to them in the Act.”*

ii Inserted with effect from February 16, 2026, vide [Notification No. FEMA 3\(R\)\(5\)/2026-RB dated February 09, 2026](#).

iii Substituted with effect from February 16, 2026, vide [Notification No. FEMA 3\(R\)\(5\)/2026-RB dated February 09, 2026](#). Prior to substitution the words read as:

“vi) A person resident in India, not being a company incorporated in India, may borrow in Indian Rupees from a NRI/Relatives who are OCI Cardholders outside India, subject to such terms and conditions as specified by the Reserve Bank from time to time in consultation with the Government of India. The borrower should ensure that the borrowed funds are not used for restricted end uses.”

iv Inserted with effect from May 28, 2021, vide [Notification no. FEMA 3\(R\)2/2021-RB dated May 24, 2021](#).

v Inserted with effect from October 09, 2025, vide [Notification No. FEMA 3\(R\)\(4\)/2025-RB dated October 06, 2025](#).

vi Inserted with effect from February 27, 2019, vide [Notification no. FEMA 3\(R\)1/2019-RB dated February 26, 2019](#).

vii Substituted with effect from February 16, 2026 vide [Notification No. FEMA 3\(R\)\(5\)/2026-RB dated February 09, 2026](#). Prior to substitution, the words read as

“SCHEDULE I

[See Regulations 4(A)(iv), 4(B)(i), 4(B)(iv), 6(A), 6(B)(i), 6(B)(vii)]
Borrowings from outside India by a person resident in India

Eligible entities may raise External Commercial Borrowings (ECB) from outside India in accordance with the provisions contained in this Schedule.

1. Currency of borrowing

ECB can be raised in any freely convertible foreign currency as well as in Indian Rupees or any other currency as specified by the Reserve Bank in consultation with the Government of India.

2. Forms

ECB can be raised in the forms as prescribed by the Reserve Bank in consultation with the Government of India. Certain hybrid instruments, such as optionally convertible debentures, presently covered under ECB, would be governed by specific hybrid instruments' Regulations when notified by the Government of India.

3. Eligibility of borrowers

All entities eligible to receive foreign direct investment, in terms of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, notified vide [Notification No. FEMA 20\(R\)/ 2017-RB dated November 07, 2017](#), as amended from time to time, including Start-ups. Further, Reserve Bank, in consultation with the Government of India may specify any other entity/sector eligible to raise ECBs or amend the existing eligibility norms.

4. Maturity

Minimum average maturity will be 3 years. However, Reserve Bank, in consultation with Government of India may prescribe minimum average maturity stipulation for ECBs raised by entities in certain sectors or for certain amount of ECB or for certain end uses or for borrowing from certain recognised lenders.

5. Lenders:

The lender should be resident of FATF or IOSCO compliant country as defined in the ECB policy, including on transfer of ECBs. However, Multilateral and Regional Financial Institutions where India is a member country will also be considered as recognised lenders. Further, Reserve Bank, in consultation with the Government of India may specify any other lender/set of lenders under the schedule or amend the existing provisions.

Explanation: Foreign branches / subsidiaries of Indian banks are permitted as recognised lenders only for ECBs raised in foreign exchange.

6. All-in-cost

- i. For ECBs raised in foreign exchange, the maximum spread over the benchmark of 6-month LIBOR or applicable benchmark for the respective currency will be 450 basis points per annum or as prescribed by the Reserve Bank in consultation with the Government of India.
- ii. For ECBs raised in Indian Rupees, the maximum spread will be 450 basis points per annum over the prevailing yield of the Government of India securities of corresponding maturity or as prescribed by the Reserve Bank in consultation with the Government of India.

7. End-uses

The proceeds of borrowing raised from outside India in terms of this Schedule can be used for all purposes except for those activities prescribed in the negative end-use list by the Reserve Bank in consultation with the Government of India.

8. Individual Limits of borrowing

All eligible borrowers/category of borrowers may raise ECB of up to USD 750 million or equivalent per financial year. For Startups the amount would be limited to USD 3 million or equivalent per financial year. However, Reserve Bank, in consultation with Government of India may prescribe higher limits for ECBs raised by entities in certain sectors or for certain end uses. The said individual limits may be subject to review by the Reserve Bank in consultation with the Government of India.

³[8A: The limit of USD 750 million or equivalent per financial year is temporarily increased to USD 1500 million or equivalent. This dispensation will be available for ECBs raised till December 31, 2022.]

9. Security

The borrower covered in this Schedule may provide security to the lender / suppliers, as specified by the Reserve Bank from time to time in terms of these regulations or under any other Regulations framed under the Act. The borrower may also provide corporate and / or personal guarantee as security for the borrowing, subject to terms and conditions as specified by the Reserve Bank from time to time. However, banks, financial institutions and Non-Banking Finance Companies shall not provide (issue) any type of guarantee in favour of overseas lender on behalf of their constituents for their borrowings under this Schedule, except in accordance with specific stipulations made by the Reserve Bank.

10. Parking of loan amount abroad

The proceeds of borrowings under this Schedule may, pending utilisation for permissible end-uses, be parked abroad or in India as per the directions issued by the Reserve Bank from time to time.

11. Drawal of Loan

Draw-downs of borrowing under this Schedule shall be made only after obtaining the loan registration number from the Reserve Bank or from the ADs, as per the system put in place by the Reserve Bank. For non-adherence, the borrower may be required to pay penalty as specified by the Reserve Bank from time to time.

Provided that non-payment of penalty as above shall be treated as a contravention and shall be subject to compounding or adjudication as provided in the Act or Rules framed thereunder.

12. Reporting

The borrower shall adhere to the reporting procedure as specified by the Reserve Bank from time to time. For non-adherence, the borrower may be required to pay penalty as specified by the Reserve Bank from time to time.

Provided that non-payment of penalty as above shall be treated as a contravention and shall be subject to compounding or adjudication as provided in the Act or Rules framed thereunder.

13. Debt Servicing

The designated AD shall have the general permission to make remittances of principal, interest and other charges in conformity with the guidelines on borrowing under this Schedule.

14. Hedging

Reserve Bank, in consultation with the Government of India, may stipulate hedging requirements for borrowings under this schedule.

15. Available routes for raising ECB

All ECBs can be raised under the automatic route if it conforms to the parameters prescribed under this Schedule and subject to specified reporting conditions. All other cases will be considered by RBI under the approval route.”

^{viii} Inserted with effect from February 16, 2026, vide [Notification No. FEMA 3\(R\)\(5\)/2026-RB dated February 09, 2026](#).