

**Reserve Bank of India
Foreign Exchange Department**

Feedback Statement

The Reserve Bank of India had issued a draft amendment to Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 on October 03, 2025, inviting feedback from stakeholders on changes proposed in the External Commercial Borrowing (ECB) Framework. Major feedback received and response to the same are summarised below:

Sr. No.	Feedback/clarification sought/concerns raised	Comments
1	Requirement of maintenance of 'current account' to be eligible for becoming designated AD Bank may be removed.	Accepted. Please refer to regulation 2(1)(h) of the amended Regulations.
2	Clarify that whether funds raised through ECB can be used to purchase land and immovable property.	Accepted. Please refer to regulation 3A(1)(c) of the amended Regulations. This regulation (read with regulation 2(1)(ab)) specifies the restrictions (as well as cases where restrictions are not applicable) on utilisation of funds raised through ECB for purchase of land and immovable property.
3	Clarify the kind of acquisition permitted from funds raised through ECB.	Accepted. Please refer to regulation 3A(1)(g) of the amended Regulations. As per this regulation, acquisition of "control" is the permitted end-use of funds raised through ECB.
4	RBI regulated entities may be allowed to use funds raised through ECB for on-lending to individuals.	Accepted. Please refer to regulation 3(A)(i) of the amended Regulations. As per this regulation, while there are restrictions on the purpose of loans given by regulated

		entities using funds raised through ECB, there is no restriction on such on-lending to an individual.
5	Clarify that whether RBI regulated entities are allowed to use funds raised through ECB for on-lending for real estate business.	Not accepted. Please refer to regulation 3(A)(i) read with Regulation 2(1)(ab) of the amended Regulations. As per this regulation, on-lending is not allowed for real estate business as defined under Reg 2(1)(ab) of the amended Regulations. Further, RBI regulated entities shall also have to comply with the directions issued by Department of Regulation, RBI.
6	(a) Type of entities eligible to raise ECB may be specified. (b) Clarify that whether trusts are eligible borrowers.	Not accepted. Please refer to paragraph 1(1) of Schedule I of the Regulations. Eligibility of a borrower should be determined based on the principle laid down in this provision.
7	Operational guidelines may be provided for due diligence in case of borrowing from FATF non-compliant jurisdictions.	Not accepted. Authorised Dealers are required to comply with the directions on KYC/AML issued by Department of Regulation, RBI.
8	Clarify whether investments by FVCI in debt securities is to be treated as ECB or FDI. OCD being debt instruments, investments by FVCI may fall under ECB. However, investments by FVCI are being governed under chapter VII of FEM(NDI) Rules, 2019 so consider providing an exception to such investments from ECB framework.	Accepted. Please refer to para 4(3)(e) of Schedule I of the amended Regulations.

9	Since manufacturing companies are already permitted to raise short term borrowing upto USD 50 million per financial year (flow based limit), the stock limit for short-term borrowing by manufacturing companies may be increased beyond the proposed stock limit of USD 50 million.	Accepted. Please refer to para 6(2) of Schedule I of the amended Regulations.
10	Clarify about treatment of instruments like compulsorily convertible preference shares, compulsorily convertible debentures, optionally convertible debentures, etc., for calculating outstanding borrowing	Accepted. Please refer to explanation associated with para 5(1) of Schedule I of the amended Regulations.
11	Clarify about treatment of non-fund based credit and refinancing ECB for calculating outstanding borrowing.	Accepted. Please refer to explanation associated with para 5(1) of Schedule I of the amended Regulations.
12	Manner of computing Minimum Average Maturity may be provided in the regulations.	Accepted. Please refer to the Annex I to the amended Regulations.
13	Requirement of assessment by designated AD bank to ensure that borrowing and other costs are in line with prevailing market conditions may be removed.	Accepted. Please refer to para 7(1) and 8 of Schedule I of the amended Regulations.
14	Requirement of compliance with arm's length principle may be removed as the transfer pricing related issues are already addressed under tax laws	Not accepted. This is an important provision from the perspective of enforcement under FEMA, 1999.

15	In light of removal of all-in-cost cap, requirement of cost of borrowing (under existing framework) / credit spread (under draft framework) to be lower in case of refinancing ECB may be removed.	Accepted. Please refer to para 12 of Schedule I of the amended Regulations.
16	Benefits of the revised ECB Framework may be made available to the existing ECBs also.	<p>Not accepted. The amended regulations are applicable prospectively only.</p> <p>The existing ECBs shall be governed by the regulations under which the same were availed. However, for reporting, returns for all existing ECBs shall be reported as per timelines in Para 16 of Schedule I of the amended Regulations.</p>
17	The standard operating procedure (SOP) for handling untraceable entities contained in the master direction may be incorporated in the regulations.	Accepted. Please refer to para 16(6) of Schedule I of the amended Regulations.