RBI operationalises automatic route for ECBs

September 4, 2000

The Reserve Bank of India (RBI) has decided to operationalise the automatic route for fresh external commercial borrowings (ECBs) up to USD 50 million and all refinancing of existing ECBs with immediate effect. Under the automatic route arrangement, any legal entity, registered under the Companies Act, Societies Registration Act, Co-operative Societies Act, including proprietorship/partnership concerns, will now be eligible to enter into loan agreements with overseas lender(s) for raising fresh ECB with an average maturity of not less than three years for an amount upto USD 50 million and for refinancing of an existing ECB contracted in compliance with both the ECB guidelines framed by the Ministry of Finance and the regulations/directions/circulars issued by the Reserve Bank of India in this regard. Corporates would not be required to obtain prior approval for the purpose.

It may be recalled that the Government of India issued a press release on September 1, 2000, permitting fresh external commercial borrowings upto USD 50 million and refinancing of existing ECBs under the automatic route. According to the press release, corporates availing of fresh ECB upto USD 50 million and for refinancing of an existing ECB under the automatic route would be required to submit **only** three copies of the loan agreement so executed to the concerned Regional Office of the Reserve Bank through an authorised dealer of their choice. Corporates can also make necessary draw-downs under the automatic route without prior permission from the Reserve Bank of India. The requirement of filing quarterly returns in a prescribed format through their authorised dealers would continue. The withholding tax exemption would continue to be granted by the Ministry of Finance (Department of Revenue/Department of Economic Affairs).

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