



Regulatory Alert Tracking change

Amendments in ECB Guidelines for issuance of Rupee Denominated Bonds overseas

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Background

Reserve Bank of India (RBI) had in September 2015 relaxed its policy regarding External Commercial Borrowings (ECB) allowing Indian corporates to raise funds from overseas market by issue of Rupee Denominated Bonds Overseas (RDBOs) popularly known as Masala Bonds.

RBI has, on 13 April 2016, amended ECB Guidelines regarding issuance of RDBOs to align and have consistency with the conditions of foreign investment in corporate debt in India.

The highlights of the amendments made in ECB Guidelines regarding issuance of RDBOs are summarized below.

Highlights of the amendments

Sr. No.	Parameter	Framework
1.	Borrowing Limit	<ul style="list-style-type: none">The maximum limit of ECB through RDBOs by an issuer under automatic route, now prescribed in Rupee Terms i.e. ₹ 50 billion per financial year (earlier USD 750 Million)Issuance of RDBOs beyond ₹ 50 billion by an issuer in a financial year will require prior approval of RBI <p><i>This will facilitate more predictable regime for investment by the foreign investors in corporate debt</i></p>
2.	Recognised investors	<p>Additional conditions prescribed that the RDBOs can be issued only in a Country and can be subscribed only by a Resident of a Country</p> <ul style="list-style-type: none">which is member of FAFT or member of FAFT style regional body; and

		<ul style="list-style-type: none"> • whose securities market regulator is a signatory to the International Organisation of Securities Commission's (IOSCO's) Multilateral MOU (Appendix A Signatories) or a signatory to Bilateral MOU with SEBI for information sharing; and • shall not be a country identified in the public statement of FAFT as a jurisdiction having strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply or a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with FATF to address the deficiencies <p><i>This will bring consistency with the eligibility criteria of foreign investors in corporate debt as presently applicable to Foreign Portfolio Investors (FPIs)</i></p>
3.	Maturity	<p>Minimum maturity period reduced to 3 years (earlier 5 years)</p> <p><i>This will align the maturity period of RDBOs with corporate bonds through Foreign Portfolio Investment (FPI) route and enable short term borrowings by the Indian corporates</i></p>
4.	Other conditions	<ul style="list-style-type: none"> • Borrowers issuing RDBOs shall incorporate clause in Agreement / Offer document so as to enable borrowers to obtain the list of primary bond holders and provide the same to the regulatory authorities in India as and when required • The Agreement / Offer document shall also state that RDBOs can only be sold / transferred / offered as security overseas subject to compliance with IOSCO / FAFT jurisdiction requirements mentioned for recognised investors

		<i>This will enable Indian regulatory authorities to track the details of primary bond holders as and when required</i>
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Conclusion

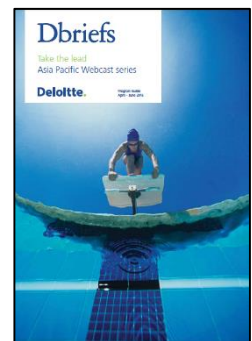
The RBI decision to amend the existing ECB Guidelines for issuance of Rupee Denominated Bonds Overseas will attract borrowings from overseas investors in corporate debt in India.

Source: RBI A.P. (DIR Series) Circular No.60 dated April 13, 2016

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