



3rd WORKSHOP ON FEMA – SESSION IV

**INTERNATIONAL
INCLUDING NEW
COMMERCIAL
FRAMEWORK**

**DEBT
LIBERALIZED
BORROWINGS**

**FUNDING
EXTERNAL
(ECB)**

Date: 15th May, 2026

WHAT IS EXTERNAL COMMERCIAL BORROWING [ECB]

- Commercial loans
- Raised by eligible resident entities
- From recognized Lenders
- Conforming to parameters such as
 - minimum maturity, end use , interest at ALP
- Key Objective - To enable indian borrowers to access lower- cost overseas funds with longer maturities



FORMS OF ECB

Bank/ Other Loans

Securitized Instruments

Trade Credits more than 3 Years

Financial Lease

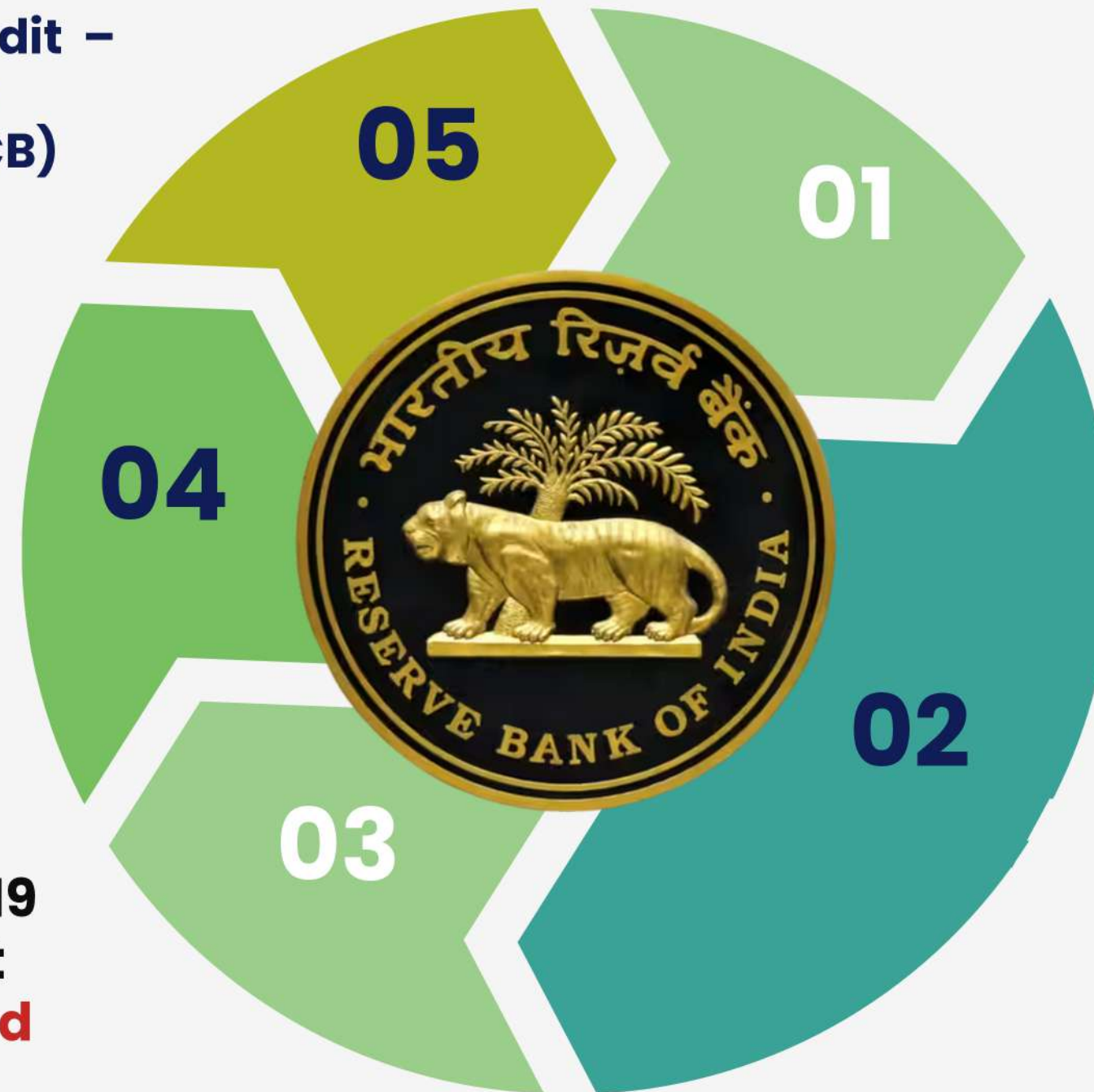
FCCBs/ FCEB

REGULATORY OVERVIEW

**New FAQs for Trade Credit –
16th February, 2026
(No FAQ issued for ECB)**

**A.P. DIR Series
Circulars**

**Master Direction No.5/2018 –19
now covers only Trade Credit
New Master Direction Awaited
for ECB**

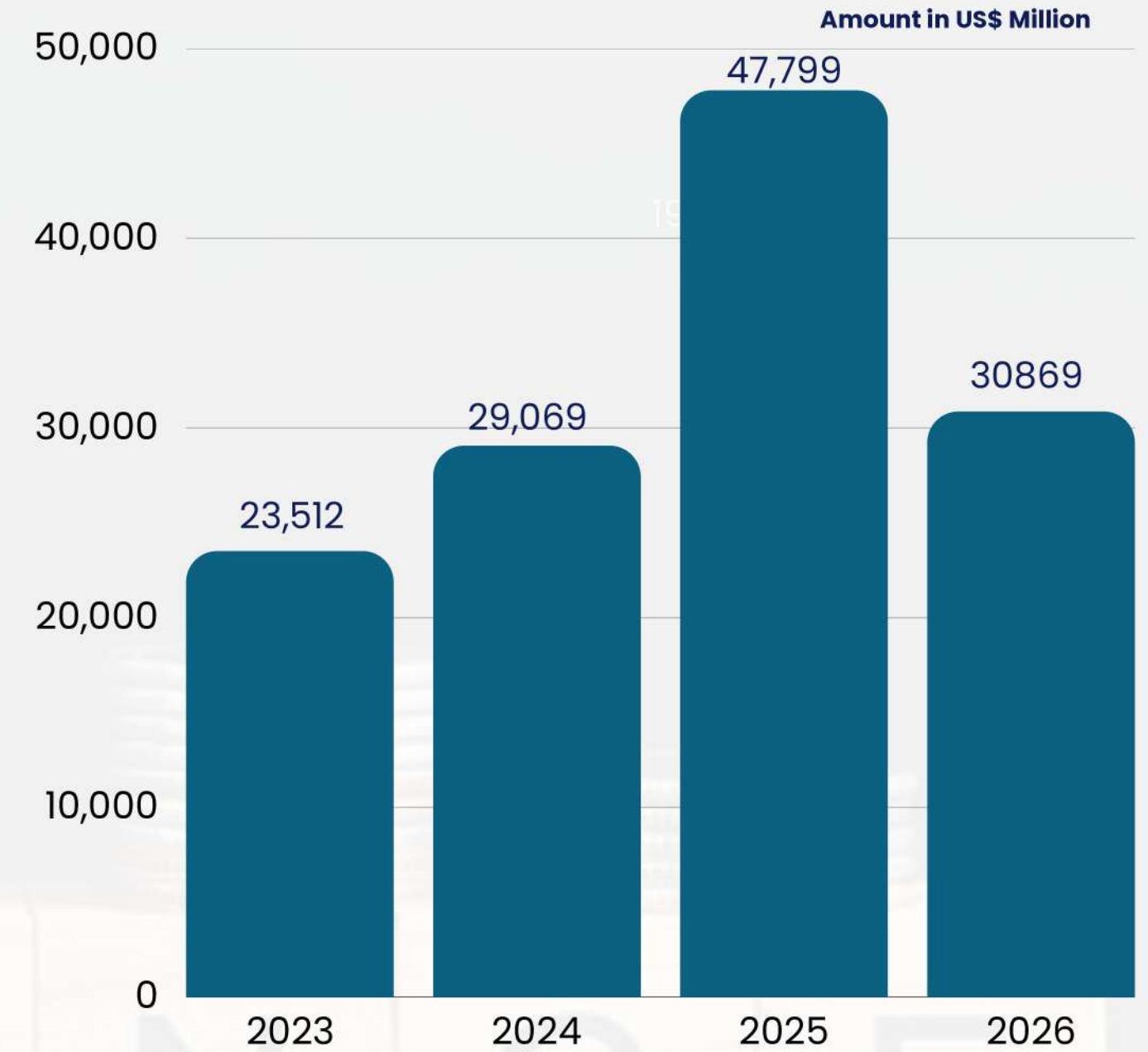
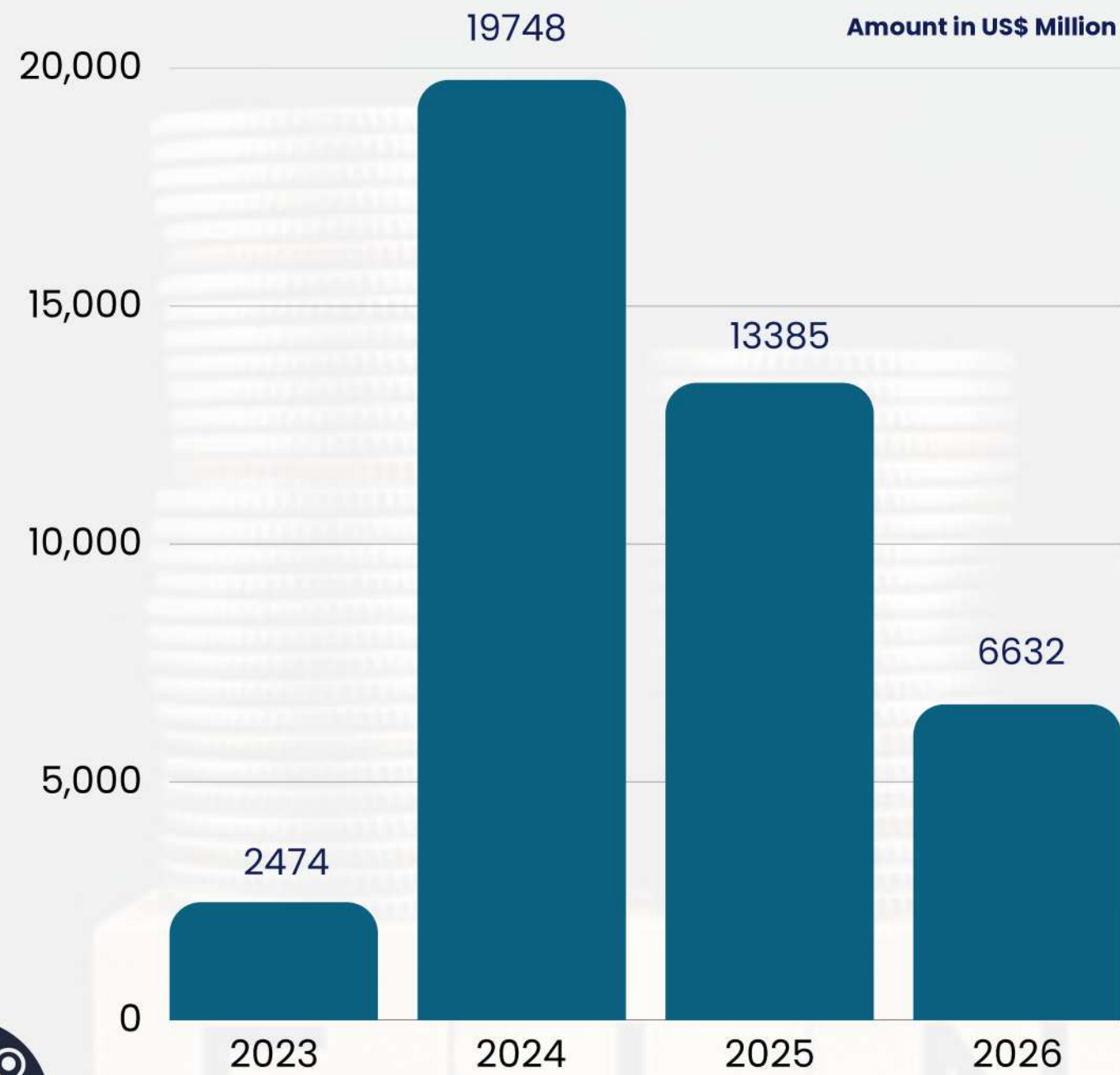


**Section 6 (2) (Capital Account
Definition) of FEMA, 1999
(Governing Provisions)**

**Notification FEMA 3(R)
(5)/2026 –RB–Borrowing and
Lending (First Amendment)
Regulations, 2026 (w.e.f 16th
February, 2026)**

**Being a Capital Account Transaction, it is permissible only as stipulated. In
case of doubt, always go for RBI approval**

STATISTICAL REPRESENTATION OF ECB REGISTRATIONS



APPROVAL ROUTE



AUTOMATIC ROUTE

Statistics as at 28th February, 2026 (Financial year wise)
As available on <https://www.rbi.org.in/Scripts/ECBView.aspx>

EVOLUTION OF ECB : 2026 FRAMEWORK

New Regulation 3A-

Restriction on End Use -

- RBI Circular's now consolidated
- With specific exceptions in
 - Real Estate for construction-development projects (with trunk infrastructure like roads, sewage, etc)
 - Transaction in Securities for strategic corporate actions : mergers, demergers & amalgamations, etc

01

Amendment to Regulation 6(B)(vi)

Borrowing from NRIs and OCI Cardholders

- Regulation 6(B)(vi) borrowing in INR from NRI / OCI Cardholders conditions now specified.
- Previously conditions were not specified.

02

Eligible Borrower

Liberalised Model

- FDI-sector linkage removed
- LLPs & Partnership Firms now included
- Entities under CIRP - permitted under resolution plan
- Pending FEMA investigations – mandatory disclosure in Form ECB 1
- Individual residents – cannot raise ECB

03

EVOLUTION OF ECB : 2026 FRAMEWORK

Recognised Lender

Now recognises 3 categories

04

- Significantly **broadened** to include all “person resident outside India”.
- Concept of Individual being 'Foreign Equity Holder' (requiring 25% stake) **ABOLISHED**.
- Branch outside India of Indian entity can now extend **INR ECB**

Currency of Borrowing

Now Relaxed

05

- INR → FCY conversion **NOW permitted**.
- Can raise ECB in **any foreign** currency or INR , not restricted to freely convertible currency

Borrowing Limit

USD 1 Bln or 300% Net Worth Rule

06

- Higher of
(a) USD 1 Billion
OR
(b) 300% of Net Worth as per latest Audited Standalone BS

MATURITY PERIOD

Standardised Period

07

- 3 Years - All Other Sectors
- 1-3 Years - Manufacturing Sector - Outstanding ECB ≤ USD 150 million
- MAMP **Exempt** for
 1. Conversion into FDI (ND Instruments)
 2. Repayment from FDI (Non Debt Instrument) proceeds.
 3. Permissible refinancing` of existing ECB.
 4. Lender's debt waiver
 5. Closure, merger, acquisition, resolution or liquidation of borrower / lender

EVOLUTION OF ECB : 2026 FRAMEWORK

REFINANCING

Expanded & Flexible

08

- Now refinance in **part or full**.
- Must not result in reduction of MAMP to the original borrowing
- INR ECB refinancing with FCY ECB — **NOW permitted**.

HEDGING

Now deleted

09

- Board-approved risk management policy — **NOT COVERED IN REVISED REGULATIONS**

SECURITY

Now Broadened

10

- Intangible assets including Intellectual Property Rights— **now added** as permissible security

REPORTING REQUIREMENTS

11

Simplified & Streamlined

- Form ECB renamed to **Form ECB 1**
- Form ECB 2: Monthly → **Event-Based** filing
- CA/CS certification — **NO longer** required
- NIL return — **NOT required** to be filed
- Timeline: **7 calendar days** from month-end of event

KEY PARAMETERS

Eligible Borrowers



Recognised Lenders



Minimum Average Maturity Period



End Use prescriptions



Cost of Borrowing

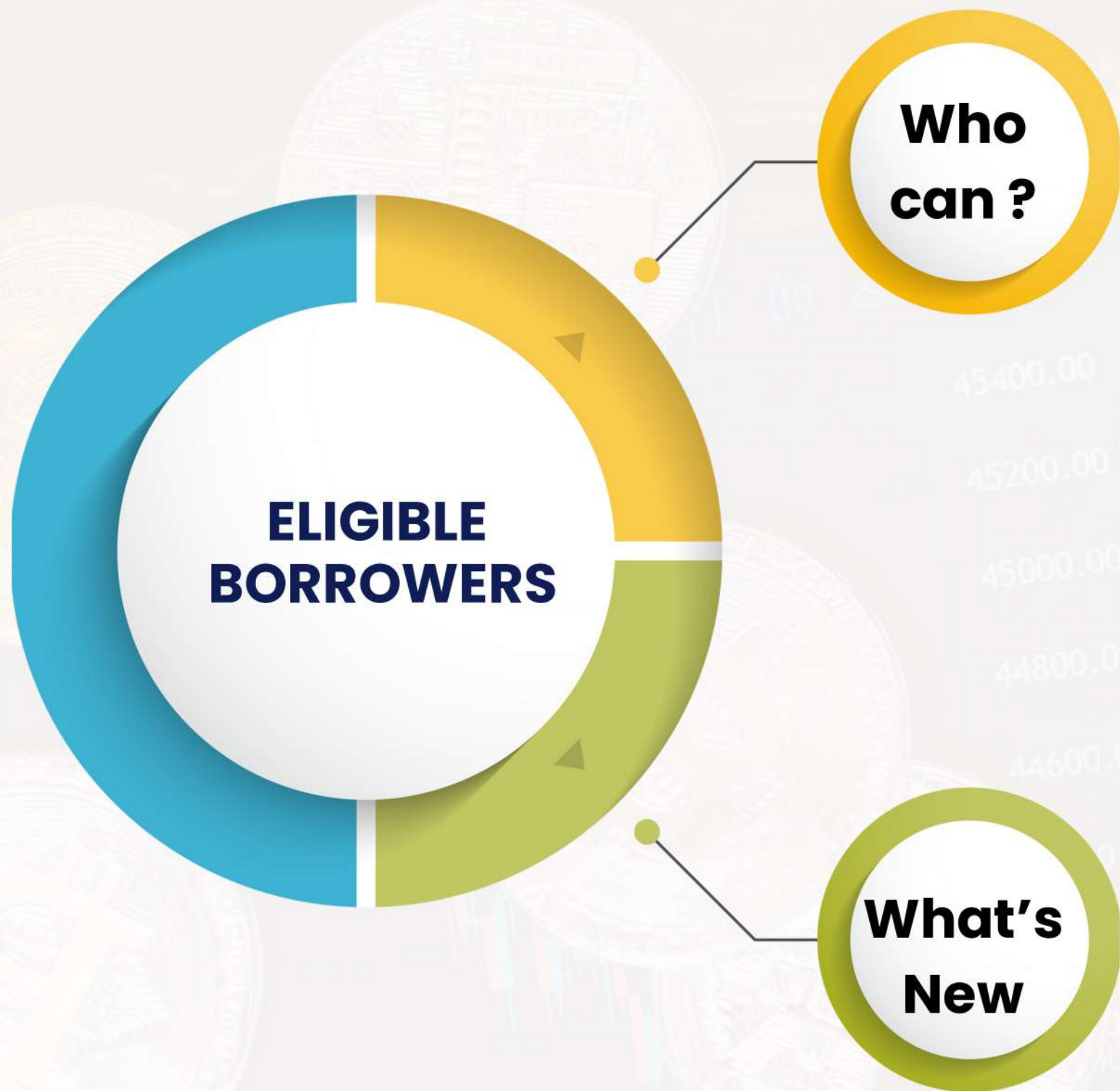


Limits



Currency





- Any person resident in India (other than individual) incorporated, established or registered under a Central/State Act.
- Entities under restructuring/CIRP(*): only if specifically permitted under the approved resolution plan.
- Entities with pending FEMA investigations/ adjudication / appeal – may still raise ECB but MUST disclose in Form ECB 1 (or Revised ECB 1).

- Linkage to FDI removed – no longer required to be FDI-eligible sector.
- Now explicitly includes: LLPs, Partnership Firms.
- Individual residents CANNOT raise ECB (they may borrow INR from NRI/OCI – separate provision under Regulation 6(B)(vi)).
- (*) New addition to list.

“Responsibility is of the borrower to ensure BORROWING is in compliance with ECB guidelines”

RECOGNISED LENDER



any person — no FATF/IOSCO compliance condition mentioned in revised Schedule I)

Sanctioned/grey list countries like Iran, Myanmar & North Korea eligible now?



whose lending business is regulated by the Reserve Bank of India

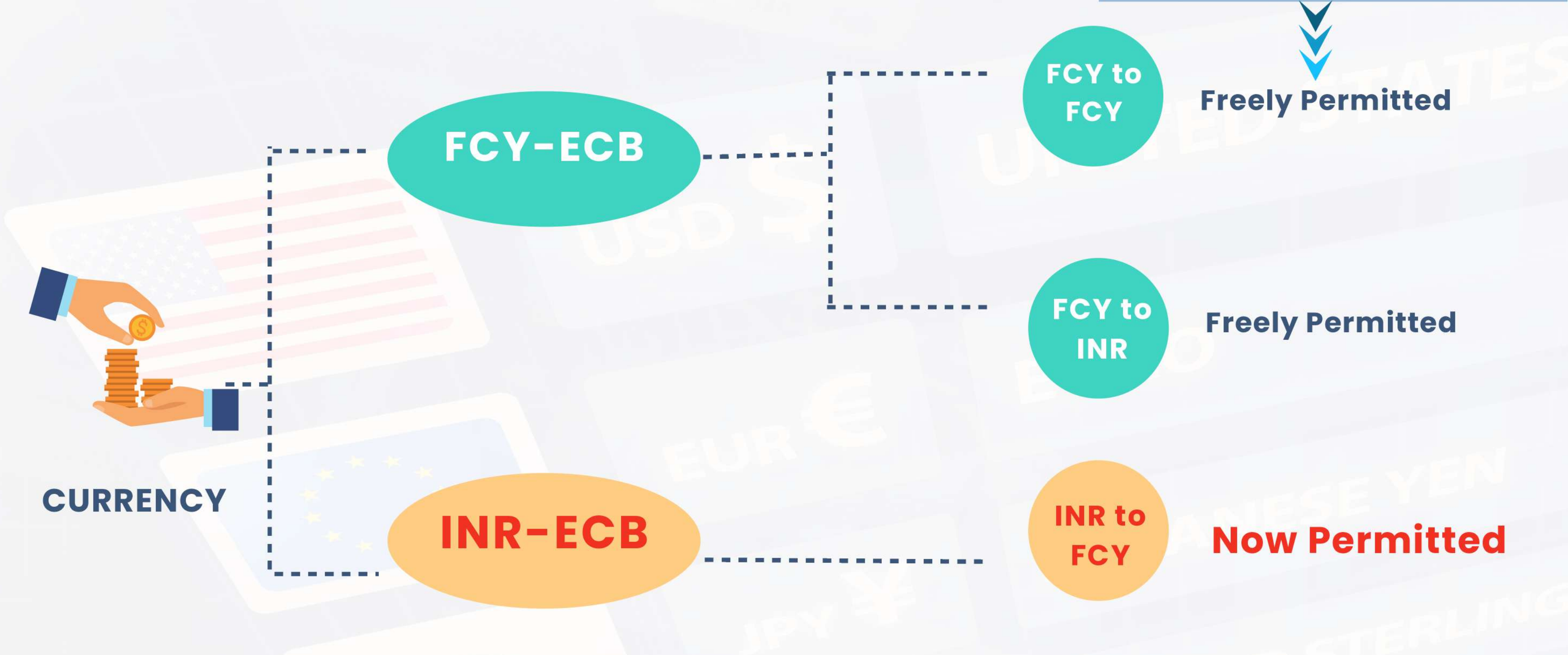


What's New

- **Concept of Individual being 'Foreign Equity Holder' (requiring 25% stake) ABOLISHED.**
- **ECB's with related party is to be carried out on arm's length basis.**
- **Branches and Subsidiaries of Indian Banks can NOW extend INR – denominated ECBs.**

CURRENCY OF BORROWINGS

CHANGE IN CURRENCY



Note- All currency conversions now expressly permitted under FEM (Borrowing & Lending) (First Amendment) Regulations, 2026 w.e.f. February 16, 2026

FORMS OF BORROWING

Inclusions	Exclusions
Loans (any form, any name)	Trade credit with original maturity up to 3 years
Foreign Currency Convertible Bonds (FCCBs) & Foreign Currency Exchangeable Bonds (FCEBs)	Export advances (covered by respective regulations)
Preference shares & Debentures (except fully convertible)	Investments under Debt Instruments Regulations, 2019 (eg. Government securities, NCD issued by Indian company, Rupee Denominated bonds issued by Infrastructure Debt Funds)
Borrowing from NRE/NRO accounts of eligible lenders(as per Amended regulation 6(B).	Investment received through Convertible Notes & from Foreign Venture Capital Investor (FVCI) in terms of FEM (Non - Debt Instruments) Rules, 2019.

BORROWING LIMIT

INR/ FCY ECB

AUTOMATIC ROUTE

- Higher of
 - (a) outstanding ECB upto USD 1 Billion **OR**
 - (b) Total outstanding borrowing* upto 300% of net worth

()Total outstanding borrowing = External + Domestic , however shall not include non-fund based credit & funds raised through issuance of convertible securities.*

- Above limit shall not be applicable to eligible borrowers regulated by Financial sector regulators.
- FCY ECB from foreign equity holder – 7:1 debt-equity ratio- **NO LONGER EXISTS**

APPROVAL ROUTE

- Entities not conforming to parameters laid down.
- To make an application to RBI through their AD Bank.
- RBI Empowered Committee to consider application.

MINIMUM AVERAGE MATURITY PERIOD (MAMP)

The earlier MAMP structure of 1 / 3 / 5 / 7 / 10 years has been abolished.

A uniform minimum maturity period of 3 years is now prescribed.

STANDARD MAMP

STANDARDISED MAMP (ALL OTHER SECTORS)

MAMP: 3 Years

MANUFACTURING SECTOR

MAMP: 1 Year to 3
Years

Condition:

Outstanding ECB
≤ USD 150 million

SPECIFIC SITUATIONS MAMP DOES NOT APPLY

- Conversion of ECB (FCCBs/FCEBs) into FDI (Non Debt Instruments)
- Repayment out of proceeds of NDI
- Permissible refinancing of existing ECB
- Lender's debt waiver,
- Closure, merger, acquisition, resolution or liquidation of either borrower or lender.

COST OF BORROWING – MARKET-LINKED PRICING

EARLIER : “All-in-Cost Ceiling”

- Spread over LIBOR/ARR – prescribed ceiling
- Required RBI approval for prepayment beyond threshold

NOW- 2026: “Cost of Borrowing”

- Must be in line with prevailing market conditions.

Short-tenor ECBs (MAMP < 3 yrs)

- Subject to Trade Credit cost ceiling:
 - FCY ECB: Benchmark + 300 bps
 - INR ECB: Benchmark + 250 bps
- Fixed rate loans: Floating rate + swap spread \leq ceiling

Related Party ECBs

- Must be on ARM'S LENGTH basis

Cost of Borrowing – Definition

- Includes: Interest, fees, expenses, charges, guarantee fees, ECA charges (FCY or INR)
- Excludes: Commitment fees, Indian statutory taxes

Other Costs

- Prepayment charges: As per market conditions
- Penal interest for default/breach of covenants: As per market conditions

SECURITY

CREATION OF CHARGE

1. Movable Assets

2. Immovable Assets

3. Financial assets

4. Intangible assets (including intellectual property rights)

5. Issue of Guarantee

TERMS & CONDITIONS

Clause covered in Agreement

NOC from existing lender in India

Creation of charge on asset shall not construed as permission to acquire the asset in India

ENFORCEMENT /INVOCATION

Claim restricted to outstanding ECB

Asset transfer must comply with FEMA; moveable assets may be taken out of India subject to NOC from existing lender(s)

Assets prohibited for acquisition by lender under FEMA (eg. Agricultural land /Plantation or Farmhouse)— must be sold to an Indian resident, with proceeds remitted to settle ECB dues.

Entities regulated by RBI shall not provide (issue) any type of guarantee

REFINANCING EXISTING ECB



Permitted by raising fresh ECB, provided:

- Refinancing **must not result** in reduction of MAMP applicable to the original borrowing
- For multiple borrowings: weighted outstanding maturity is used to check MAMP compliance



- Refinancing of ECBs raised under the previous ECB framework (wholly or in part) – **is now permitted**



Refinancing of INR ECB with FCY ECB is **now** permitted.

CONVERSION OF ECB TO EQUITY PERMITTED SUBJECT TO

01

Activity of borrowing company covered under automatic route or required Gov. approval is obtained for FDI

02

Conversion at exchange rate on the date of agreement or any lesser rate with mutual Consent

03

Consent of lender

04

Conversion not to breach applicable sectoral cap under FDI policy

05

Conversion to be in compliance with applicable Foreign Exchange Management (Non-Debt Instruments) Rules, 2019

CONVERSION OF ECB INTO EQUITY

Report Within 7 Calendar days from the close of month in which event occurs

FULL CONVERSION

- Form FC- GPR - Online on FIRMS portal
- Form ECB-2 - "ECB Wholly Converted to Equity" should be indicated on top of the ECB- 2 form. *

****Once reported, filing of ECB-2 in the subsequent months is not necessary.***

PARTIAL CONVERSION

- Form FC- GPR - conversion of shares - Online on FIRMS portal
- Form ECB 2 - remaining portion of ECB - "ECB Partially Converted to Equity" should be clearly indicated on top of the ECB- 2 form.
- file for each subsequent qualifying event(drawdown/repayment/interest) on remaining outstanding ECB

BORROWING PURPOSE CODES

01.

**Import of
Capital goods**

02.

**Infrastructure
Development**

03.

**Overseas investment
in JV/WOS**

04.

**Modernisation/Expansion
of existing units**

05.

**Local Sourcing of Capital
Goods (Rupee
Expenditure)**

06.

**Micro Finance
Activity**

07.

**On –lending or sub-
lending**

08.

New Project

09.

**Refinancing of
rupee loans**

10.

Others

11.

**Working Capital/ general
corporate purpose**

12.

**Redemption of
FCCBs**

13.

**Refinancing of earlier
ECB**

14.

NEW

**Purchase, Sale or Lease of Land
(Infrastructure, Industrial,
Commercial, Residential)**

15.

NEW

**Construction –Development
(Infrastructure, Industrial,
Commercial, Residential)**

RESTRICTION ON END USE

New Regulation 3A – Restriction on end use of borrowed funds

Prohibited End – Use	Key Exception
Chit Fund & Nidhi Companies	No Exceptions
Real Estate Business & Farmhouse Construction	Permitted for construction- development projects , industrial parks, subject to conditions.
Agriculture & Animal Husbandry	Permitted for Floriculture, Horticulture, mushrooms under controlled conditions, seed production; animal husbandry (including dog breeding); pisciculture, apiculture (Bee) & aquaculture.
Plantation	Permitted for Tea, Coffee, rubber, cardamom, palm oil, olive oil tree plantation

RESTRICTION ON END USE

New Regulation 3A – Restriction on end use of borrowed funds

Prohibited End – Use	Key Exception
Trading in Transferable Development Rights	No Exception
Transactions in Listed/ Unlisted Securities	Permitted for Strategic Corporate actions; mergers, demergers, amalgamations, SEBI Takeover Code Acquisitions, SARFAESI, IBC proceedings
Repayments of domestic INR loan for restricted end-use or classified NPA	No Exception
On- Lending for any Prohibited Purpose	No Exception

DEEMED ECB

DEEMED ECB

- Shall be considered as contraventions
- Non compliance to ECB parameters such as:
 - eligibility criteria,
 - Drawdown without obtaining LRN,
 - Non-adherence to reporting requirements etc.
- Non - Compliance may result to LSF
- Shall be regularized by making an application for compounding to RBI.

**TIME LIMIT FOR
IMPORT
PAYMENT**

**Payment
made within
6months
(approved
extension
upto 3 years)**

**DEEMED ECB
(TC
outstanding >
3years)**



RELAXATION IN REPORTING REQUIREMENTS

REPORTING REQUIREMENTS



Form ECB 1

- **Purpose:** Initial ECB details + Obtain LRN.
- NO drawdown permitted without LRN

Timeline: Before first drawdown

KEY CHANGE
Renamed from FORM ECB



Revised Form ECB 1

- **Purpose:** Report any change in existing reported ECB parameters.
- Also for intimating pending investigations

Timeline: Within 7 calendar days from end of month of change

KEY CHANGE
Renamed from Revised Form ECB



Form ECB 2

- **Purpose:** Report receipt of ECB proceeds + Debt servicing
- (Principal, interest, other charges)

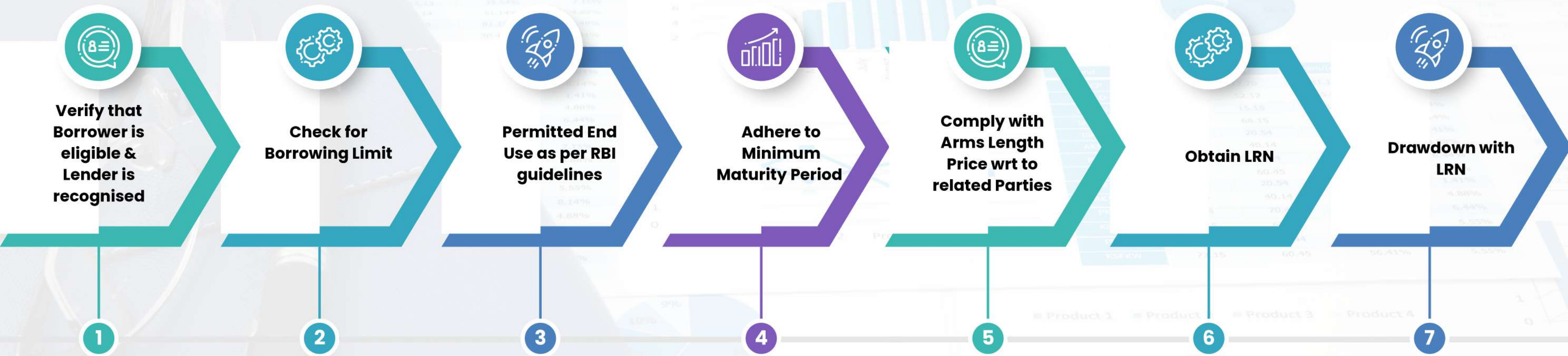
Timeline: Within 7 calendar days from end of month of receipt/servicing

KEY CHANGE
Changed from MONTHLY to EVENT-BASED

- **CA/CS certification NO longer required**
- **Submission of Form ECB1/ Revised ECB 1/ ECB 2 to be done via registered E-mail id to AD bank**

CONSIDERATIONS WHILE AVAILING ECB

IMPORTANT POINTS



*** SUBJECT TO CERTAIN TERMS AND CONDITIONS**

EVENT BASED RETURN ECB - 2

- Form ECB- 2 Return
(Certified by CA/CS)-Now Not Required
- To be filed within 7 **calendar** days from end of month in which qualifying event occurs
- Filed through registered Email with AD Bank within prescribed timeline.

NIL return – NOT TO BE FILLED



When to File ?

- Drawdown of ECB proceeds
- Repayment of principal
- Payment of interest
- Interest waiver of debt
- Any other transaction changing outstanding balance under LRN

REGULARISATION OF CONTRAVENTIONS

Delay in event-based reporting compliances to be regularised by payment of "Late Submission Fee"

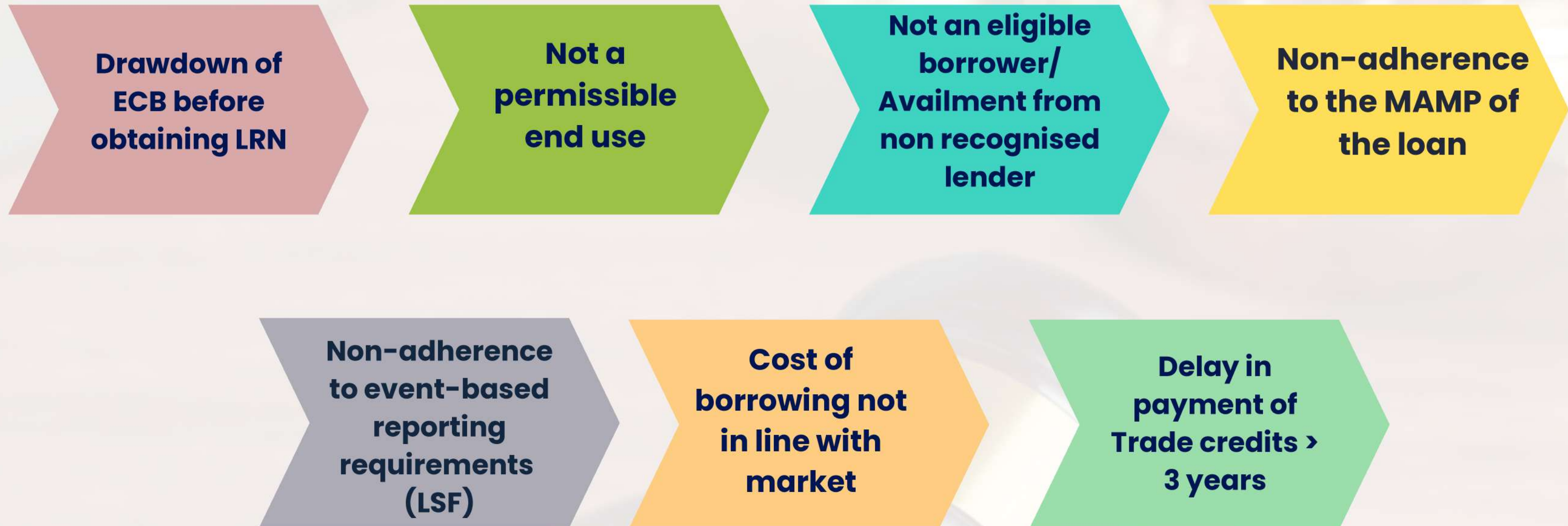
TYPE OF RETURN/FORM	APPLICABLE LSF
Form ECB 1 (initial & revised)	$[Rs. 7,500 + (0.025\% \times A \times n)]$
Form ECB 2 (event based return Post 2026 Regulations*)	$[Rs. 7,500 + (0.025\% \times A \times n)]$ Fixed component : LSF shifted from per LRN (one instance) to per return (each filing a separate instance) for fixed component

"n" is the number of years of delay from the due date rounded upwards to nearest month, expressed up to 2 decimal points
"A" is the amount involved in the delayed reporting.

***As per A.P. (DIR series) Cir No. 25 dated 30th March, 2026**

- Regularisation of contravention by payment of LSF is **ONLY** for reporting delays.
- Any other contravention under ECB shall have to be regularised by making an application to RBI for compounding the said contravention.

GENERALLY COMMITTED CONTRAVENTIONS IN ECB



TRADE CREDIT FRAMEWORK

Trade Credit (TC)

- Credit extended by overseas supplier, bank, financial institution, or other permitted lenders
- Purpose: financing imports of goods/services
- Imports must be permissible under India's Foreign Trade Policy
- Original maturity: up to 3 years

TRADE CREDIT



Buyers Credit

Refers to loans for payment of imports in India arranged by the importer from overseas bank or financial institution



Suppliers Credit

Relates to the credit for imports in India extended by the overseas supplier

All-in cost for Trade Credit: FCY – Benchmark + 250 bps | INR – Benchmark is prevailing market condition- Notification 3 R

All-in cost for Trade Credit: FCY – Benchmark + 350 bps | INR – Benchmark + 250 bps - Master Directions

BUYERS CREDIT AND SUPPLIERS CREDIT

Eligibility

Person resident in India acting as an importer

Amount

For Oil/gas refining and marketing, Airline and shipping companies: USD 150 million or equivalent per import transaction
For others : USD 50 million or equivalent per import transaction

Period of TC

For import of capital goods - Upto 3 years from the date of shipment
For import of non-capital goods:
Upto 1 year from the date of shipment or the operating cycle whichever is less
For shipyards/shipbuilders - Upto 3 years from the date of shipment

All-in-cost ceiling p.a.

FCY denominated Trade Credit: Benchmark Rate +250 bps spread- Notification 3R
INR denominated TC: as per prevailing Market conditions- **Notification 3R**

FCY denominated Trade Credit: Benchmark Rate +350 bps
INR denominated TC: - + 250 bps **Master Direction**

Recognized Lender

For Buyers Credit: Banks, financial institutions, foreign equity holder(s) located outside India and financial institutions in IFSCs located in India.
For Suppliers Credit: Supplier of goods located outside India

Monthly Reporting

Form TC to be submitted by AD Category I Bank – before 10th of the following month under the UIN Provided to the Director, Division of International Trade and Finance, Department of Economic Policy and Research, RBI, Central Office, Fort, Mumbai – 400 001

SECURITY FOR TRADE CREDIT

01

BANK GUARANTEE

- Bank guarantee may be given by the AD bank in favour of overseas lender not exceeding amount of TC;
- TC may also be secured by overseas guarantee issued by foreign banks/overseas branches of Indian banks;
- Period – Not to exceed maximum permissible period for TC;
- Issuance of guarantee subject to compliance with Foreign Exchange Management (Guarantees) Regulations, 2026
- Any person resident outside India (not just foreign banks) may now issue overseas guarantee for TC



02

CORPORATE/PERSONAL GUARANTEE OF IMPORTER

- Movable assets (including financial assets)
- Immovable assets (excluding land in SEZs)
- Corporate or Personal guarantee
-



REGULATION
6(B)(vi)

BORROWING IN
INDIAN RUPEES

– FROM NRI &
OCI
CARDHOLDERS

01

Any Individual Resident can borrow in INR from NRI or relative who is OCI for utilisation in India

02

Earlier Tenure of 3 years **now Abolished**

03

Rate of Interest should be as per market prevailing rates

04

Receipt of money should be via inward remittance OR debit to lender's NRE / NRO / FCNR(B) / SNRR account

05

Should be **NON-REPATRIATION** basis i.e principal and interest repayable **ONLY** to lender's **NRO** account

BORROWING FROM NRI & OCI FOR INDIVIDUALS

PARAMETER	NEW REGULATIONS	PRACTICAL IMPLICATIONS
Who can borrow	Individual resident in India only	<ul style="list-style-type: none"> • Companies, LLPs, firms cannot use this route at all • HUF status is now ambiguous – "individual" does not clearly cover HUF.
Who can lend	NRI or a relative who is an OCI	<ul style="list-style-type: none"> • "Relative" as per Companies Act 2013 s.2(77): spouse, father, mother, son, son's wife, daughter, daughter's husband, brother, sister • Non-relative NRI/OCI cannot lend under this route. A friend or business associate NRI must use ECB or another route.
Currency	Indian Rupees (INR) only – utilisation in India	<ul style="list-style-type: none"> • This is NOT an ECB. No foreign currency involvement from borrower's perspective. • Funds must be used in India only – overseas utilisation not permitted.

BORROWING FROM NRI & OCI FOR INDIVIDUALS

PARAMETER	NEW REGULATIONS	PRACTICAL IMPLICATIONS
Loan tenure	No cap specified	<ul style="list-style-type: none"> • Parties can now set any tenure by mutual agreement – short-term or long-term • No FEMA cap ≠ no scrutiny. Abnormally long or evergreen loans will attract Income Tax and PMLA attention. • Document the commercial rationale.
Rate of interest	Market prevailing rates – no ceiling	<ul style="list-style-type: none"> • Interest paid to NRI/OCI lender attracts TDS – typically 30% + surcharge (or lower DTAA rate). • Borrower must deduct and remit TDS.
How funds must be received	Inward remittance from outside India OR debit to lender's NRE / NRO / FCNR(B) / SNRR account	<ul style="list-style-type: none"> • Must flow through banking channel – AD bank will verify at receipt stage. • Cash, cheque within India, or internal transfer from a resident account of the lender are NOT permitted. Violation = contravention under FEMA.

BORROWING FROM NRI & OCI FOR INDIVIDUALS

PARAMETER	NEW REGULATIONS	PRACTICAL IMPLICATIONS
Repayment basis	Non-repatriation only – principal and interest repaid ONLY to lender's NRO account	<ul style="list-style-type: none"> • Repayment cannot go to lender's NRE or FCNR(B) account. Must land in NRO. • NRO repatriation abroad is capped at USD 1 million/year (with CA certificate + Form 145/146 for tax clearance).
Loan amount / cap	No amount cap specified	<ul style="list-style-type: none"> • Parties can determine loan size freely, large loans invite PMLA scrutiny on both sides. • Written loan agreement essential.
End-use restrictions	Regulation 3A applies to this borrowing	<ul style="list-style-type: none"> • Cannot use for prohibited use as per regulation 3A, else treated as FEMA contravention. • Borrower must confirm end-use in writing.
RBI reporting / form	No specific reporting form prescribed under Reg. 6(B)(vi)	<ul style="list-style-type: none"> • Unlike ECB (which requires reporting), this route has no mandatory RBI filing at this time. • Absence of a prescribed form does NOT mean no compliance. AD bank will monitor the inward remittance.

"CARING BEYOND IMAGINATION"

Thank You

for your attention

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