Asia Pacific Guide to Lending and Taking Security - India

Background

| Contents |
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| To generate table of contents, right-click here and select **Update Field.** |

# Background

India has an exchange control regime. The inflow and outflow of foreign currency is regulated by the Foreign Exchange Management Act, 1999 and the rules and regulations framed under it. All loans and credit facilities made available by a foreign lender to an Indian borrower are governed by that act. An external commercial borrowing (ECB) is a commercial loan raised by an eligible resident entity from a recognized nonresident entity. An ECB is required to conform to several parameters, including amount, minimum average maturity, end use and all-in-cost ceilings.

The framework in relation to ECBs is contained in the "Master Direction on External Commercial Borrowings, Trade Credits and Structured Obligations" dated 26 March 2019, as amended ("**ECB Guidelines**"), issued by the Reserve Bank of India (RBI).

Under the ECB Guidelines, ECBs can be made available either in a foreign currency or in Indian rupees.

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