

Highlights of the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

Regulations pertaining to External Commercial Borrowing (ECB) and borrowing in Indian Rupees (INR) by persons resident in India have now been integrated in the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 (**Regulations**).

Provisions pertaining to ECB and borrowing in Indian Rupees (INR) by persons resident in India have been consolidated in these Regulations. Accordingly, the provisions relating to ECB contained in the Master Direction – External Commercial Borrowings, Trade Credits and Structured Obligations and Master Direction – Borrowing and Lending transactions in Indian Rupee between Persons Resident in India and Non-Resident Indians/ Persons of Indian Origin have been deleted. It may also be noted that FAQs on External Commercial Borrowings (ECB) and Trade Credits also stand deleted to the said extent.

Highlights of the Regulations are as follows:

- **Framework for ECB:** Schedule I of the Regulations contains the framework for ECB.
- **Treatment of Existing ECB:** ECB for which a Loan Registration Number (LRN) has been obtained before these regulations coming into effect, shall continue in compliance with the then applicable regulations except reporting which shall be undertaken as per the amended regulations.
- **Uniform Norms:** No separate norms for Foreign Currency (FCY) denominated ECB and Indian Rupee (INR) denominated ECB. Explicit prohibition on conversion from INR ECB to FCY has been removed. Currency of ECB can be changed at the exchange rate, prevailing on the date of the agreement for such change or at an exchange rate which does not result in a liability higher than that arrived at by using the exchange rate prevailing on the date of the agreement.
- **Expanded Definition of Eligible Borrowers:** Apart from any person resident in India (other than Individual) that are permitted to avail ECB under respective Act (Eg:- Companies Act, 2013, LLP Act, 2008), Eligible Borrowers now include:
 - a. those under a restructuring scheme or corporate insolvency resolution process only if specifically permitted under the restructuring or resolution plan.
 - b. against whom any investigation, adjudication or appeal by a law enforcement agency for contravention of any rule, regulation or direction issued under the FEMA Act is pending subject to disclosure of information about the pending investigation, adjudication or appeal under 'Form ECB 1' or 'Revised Form ECB 1' in case there is existing ECB
- **Expanded base of Recognised Lenders:** Recognised Lenders include the following:
 - a. A person resident outside India
 - b. A branch outside India of an entity whose lending business is regulated by the Reserve Bank
 - c. A financial institution or a branch of a financial institution set up in IFSC

Previously, individual resident outside India could lend in the form ECB only if they were foreign equity holders or subscribe to bonds/debentures listed abroad. Further, the new regulations also do not specify that the lender must be a resident of FATF or IOSCO compliant country, including on transfer of ECB.

- **Borrowing Limits introduced:** Borrowing Limits have been introduced for all Eligible Borrowers except those regulated by financial sector regulators as follows:

An eligible borrower may raise ECB up to the higher of (a) outstanding ECB up to USD 1 billion; or (b) total outstanding borrowing (external and domestic) up to 300% of net worth as per the last audited standalone balance sheet of the borrower. It has been clarified that 'Outstanding borrowing' shall not include non-fund based credit and funds raised through issuance of securities which are mandatorily convertible to equity.

Proposed ECB other than ECB for refinancing shall be included for checking the borrowing limit.

- **Clarity on computation of MAMP:** Guidance in the form of Illustration on computation of minimum average maturity period (MAMP) has been provided in the Regulations.

For manufacturing sector, average maturity between 1 and 3 years is permitted subject to an outstanding cap of USD 150 million for such shorter-tenor ECBs which is higher than the earlier threshold of USD 50 million per FY.

- **Cost of Borrowing:** All-in-cost (AIC) was defined in detail and ceilings were prescribed as benchmark rate plus a fixed spread. The new ECB framework requires the cost of borrowing to be in line with prevailing market conditions, and where average maturity is less than 3 years, the cost must comply with the trade credit cost ceiling for the relevant tenor with appropriate benchmark for fixed-rate loans.
- **Conversion to Equity:** Enabling provision for conversion of ECB to non-debt instrument i.e. equity instruments subject to FEMA Non-Debt Instrument Rules, 2019 has been added.
- **Modified list of End-Use restrictions:** Carve out for certain real estate activities under End use restrictions compared to earlier blanket prohibition on Real Estate Activities.
- **On-lending provisions:** RBI Regulated entities have been allowed to use ECB for on-lending to Individuals with restrictions on purpose of loan.
- **Reporting Norms:** 'Revised Form ECB 1' introduced for reporting any change in previously reported ECB parameters in 'Form ECB 1', within 7 calendar days from the end of the month in which such change was given effect.

CS Rajeswari Pai, Senior Associate

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#405, 7th Cross, IV Block, Koramangala, Bangalore – 560 034

Tel : 080-25534374 / 25536618

E : sharada.sc@sharadasc.com

www.sharadasc.com