

## Foreign Exchange Management Act, 1999 (FEMA)

### External Commercial Borrowings (ECB) Policy – Liberalization Measures

#### [RBI/2022-23/98 dated 1<sup>st</sup> August 2022](#)

There is an increase in automatic route limit from USD 750 million to USD 1.5 billion\*\* and increase in the all-in cost\* ceiling for ECBs by 100 bps which is available to specified eligible borrowers\*\* till 30<sup>th</sup> December 2022.

Call and put options, if any, shall not be exercisable prior to completion of minimum average maturity period which is now 3 years for ECB that will vary depending for the purpose why the ECB was raised. The same can be calculated in the format given by the respective AD Bank.

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*\*All-in-Cost' is the maximum cost that the*

*borrower is allowed to incur on the ECB, and it includes rate of interest, guarantee fees, arranger fee, upfront fee, management fee, handling/ processing charges, out of pocket and legal expenses, if any. It excludes commitment fee, pre-payment charges, withholding tax payable in INR.*

*\*\*Here, eligible borrowers include Port Trusts, Units in SEZ, SIDBI; and EXIM Bank of India along with all entities eligible to receive FDI*

The RBI has subsumed the above-mentioned amendments made into the updated Master directions superseding the previous one. The framework of the Master Direction remains the same incorporating a few primary changes listed herein.

### LSF (Late Submission Fee) for reporting delays under Foreign Exchange Management Act, 1999

#### [RBI/2022-23/122 dated 30<sup>th</sup> September 2022](#)

With the present multiplication, the Government has tried to bring uniformity in LSF charges for delayed reporting under Foreign

Investment (FI), External Commercial Borrowings (ECBs) and Overseas Investment (OI) regulations as under:

Type of Reporting delays	LSF Amount (INR)
Form ODI Part-II/ APR, FCGPR (B), FLA Returns, Form OPI, evidence of investment	7,500
FC-GPR, FCTRS, Form ESOP, Form LLP(I), Form LLP(II), Form CN, Form DI, Form InVi, Form ODI-Part I, Form ODI-Part III, Form FC, Form ECB, Form ECB-2, Revised Form ECB.	[7500 + (0.025% × amount involved in the delayed reporting. × number of years of delay in submission rounded-upwards to the nearest month and expressed up to 2 decimal points.)]

Maximum LSF amount will be limited to 100% of amount involved in delayed reporting and will be rounded upwards to nearest hundred.

The said option is available for maximum period of 3 years from the date of reporting, post which delay will be liable to penal action. The said facility has been extended even to delay in reporting under erstwhile regime up to 3 years from the date of notification of OI rules.

## Reserve Bank of India (RBI)

### Change in Bank Rate

[RBI/2022-23/123 dated 30<sup>th</sup> September 2022](#)  
As announced in the [Monetary Policy Statement 2022-23 dated 30<sup>th</sup> September 2022](#), the Bank Rate is revised upwards by 50 basis points from 5.65% to 6.51% with **immediate effect**.

All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised as indicated

below:

Item	Existing Rate	Revised Rate (with immediate effect)
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfalls)	Bank Rate plus 3% points (8.65%) or Bank Rate plus 5% points (10.65%)	Bank Rate plus 3% points (9.15%) or Bank Rate plus 5.0% points (11.15%)

This circular is applicable to all the banks.

### Liquidity Adjustment Facility- Change in rates

[RBI/2022-2023/120 dated 30<sup>th</sup> September 2022](#)  
As announced in the [Monetary Policy Statement dated 30<sup>th</sup> September 2022](#), the RBI has to increase the policy Repo rate under the Liquidity Adjustment Facility (**LAF**) by 50 basis points from 5.40% to 5.90% with immediate effect.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.65% and marginal standing facility (MSF) rate stands adjusted to 6.15% with immediate effect.

### Standing Liquidity Facility for Primary Dealers

[RBI/2022-23/121 dated 30<sup>th</sup> September 2022](#)  
As announced in the [Monetary Policy Statement dated 30<sup>th</sup> September 2022](#), the RBI has decided to increase the policy repo rate under the **LAF** by 50 basis points from 5.40% to 5.90% with immediate effect .

Accordingly, the Standing Liquidity Facility provided to Primary Dealers (collateralised liquidity support) from the RBI would be available at the revised repo rate of 5.90% with immediate effect

# KEY TAKE AWAY

The present Master Directions are updated after incorporating amendments on increased all in cost limit with a prescribed MAMP under ECB to be in line with the current ECB regulations along with uniformly enforcing LSF for delayed reporting for FI, ECB and OI.



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