



# External Commercial Borrowings (ECB)

Key Changes under the  
Revised FEMA Framework

*Dear Reader,*

*The Company Secretary Team at UJA is pleased to share this note on revised framework of External Commercial Borrowings (ECB). It incorporates the newly notified Foreign Exchange Management (Borrowing and Lending) Regulations, 2026 and the consolidated ECB framework (Schedule I), which supersede the earlier Master Direction regime. This note highlights the key material changes.*

## Introduction

In an increasingly globalised financial environment, External Commercial Borrowings (ECB) remain an important source of overseas debt capital for Indian entities. With the notification of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2026 (the '2026 Regulations'), the Reserve Bank of India (RBI) has consolidated the ECB framework into Schedule I and transitioned to a principles-based architecture. Key directional changes include the removal of tracks, market-linked pricing, a uniform minimum average maturity period (MAMP) and statutory codification of end-use restrictions. Below is comparative analysis of key changes:

## Key Changes under 2026 ECB Framework – At a Glance

Clause / Area	Old Framework	New Framework (2026)	Nature of Change	Practical Impact	Action Required
<b>Legal Structure</b>	RBI Master Direction with multiple circular amendments	FEMA Regulations with Schedule I (ECB Framework)	Structural overhaul	Higher statutory force; compliance/enforcement elevated	Update internal compliance manuals
<b>ECB Tracks</b>	Three tracks (Track I / II / III)	Tracks removed; unified framework	Deleted	Simpler, single regime	Re-evaluate eligibility without tracks
<b>Eligible Borrowers</b>	Sector-wise lists (manufacturing, NBFCs, startups)	Any person resident in India (non-individual)	Expanded & simplified	Wider eligibility, fewer carve-outs	Legal vetting of borrower eligibility
<b>Borrowing Limit</b>	Annual caps (e.g., USD 100m / 500m / 750m)	Higher of USD 1 BN outstanding or 300% of net worth	Modified	Leverage aligned to capacity	Compute & monitor net worth

<b>Recognised Lenders</b>	Detailed lender categories	Any person resident outside India + IFSC Institutions	Liberalised	Broader lender universe	Strengthen KYC & due diligence
<b>MAMP</b>	1/3/5/10 years depending on track & sector	Uniform 3 years (limited manufacturing relaxation)	Rationalised	Easier structuring	Revisit maturity profiles
<b>All-in-Cost</b>	Explicit ceilings (e.g., 450 bps over benchmark)	Market-linked pricing (no fixed cap)	Deregulated	Pricing flexibility; scrutiny on justification	Maintain benchmarking documentation
<b>End-Use Restrictions</b>	Negative list in Master Direction	Statutorily codified (Regulation 3A)	Tightened	Higher enforcement risk	End-use certification & monitoring
<b>Hedging</b>	Mandatory 100% hedging for some borrowers	No ECB-specific hedging mandate	Deleted	Prudential/ sectoral norms apply	Align treasury policy
<b>Reporting</b>	Form ECB, ECB-2 returns	Revised Form ECB / ECB 2 Return	Procedural change	New fields & disclosures	Update reporting SOPs
<b>Monthly Return</b>	Every month within 7 working days of following month	If receipt of ECB proceeds or debt servicing or change in outstanding in any month, within 7 calendar days of following month	Rationalised	Lower burden of reporting	Need to keep track of records

<b>AD Bank Powers</b>	Limited delegated powers	Expanded monitoring & oversight	Enhanced	AD banks as first-line regulators	Tighter borrower–bank coordination
<b>Transitional</b>	Various circular-based grandfathering	Explicit LRN-based grandfathering	Clarified	Existing ECBs protected	Confirm LRN timelines & map reporting



## Objective

The objectives of raising ECBs continue to include cost-effective funding for capital expenditure, project expansion, import of capital goods and, in limited cases, working capital or refinancing. Under the 2026 framework, access has been simplified while preserving strict monitoring of end-use and ongoing reporting.

## Regulatory Framework Governing ECB

Erstwhile Basis: Reserve Bank Master Direction on ECBs and related circulars (now superseded).

Current Basis: Foreign Exchange Management (Borrowing and Lending) Regulations, 2026 – Schedule I (ECB Framework); statutory end-use restrictions (Regulation 3A); and directions issued to Authorised Dealer (AD) Category-I Banks.

## Requirements and Pre-Requisites for Availing ECB

- Eligibility: Any person resident in India (other than an individual) including LLPs – subject to sectoral laws.
- Recognised lenders: Any person resident outside India, overseas branches of regulated entities and IFSC-based institutions (subject to AD due diligence).
- Borrowing limit: Higher of USD 1 billion outstanding ECB or 300% of net worth (capacity-linked).
- Maturity: Uniform MAMP of 3 years; limited relaxation for manufacturing where applicable ranges 1 – 3 years.
- Pricing: Market-linked; maintain benchmarking and commercial justification (no fixed all-in-cost cap).
- Approvals: Board approvals and, where applicable, shareholder approvals under the Companies Act, 2013.
- Filings: Form ECB (revised 2026 format) and monthly ECB-2 returns via the Designated AD Bank.

## ECB Routes – Automatic Route and Approval Route

The Automatic and Approval Routes continue to apply. However, the earlier Track I/II/III classification has been abolished. Proposals must be evaluated purely against the unified 2026 conditions (eligibility, end-use, maturity and pricing).

### End-Use Restrictions:

- Permitted: Capital expenditure, infrastructure, import of capital goods, new/expansion projects and certain working capital/general corporate purposes (subject to conditions).
- Prohibited (now codified in Regulation 3A): Real estate activities (other than permitted infrastructure), investment in capital markets, equity investment and repayment of Rupee loans (save for specified exceptions).

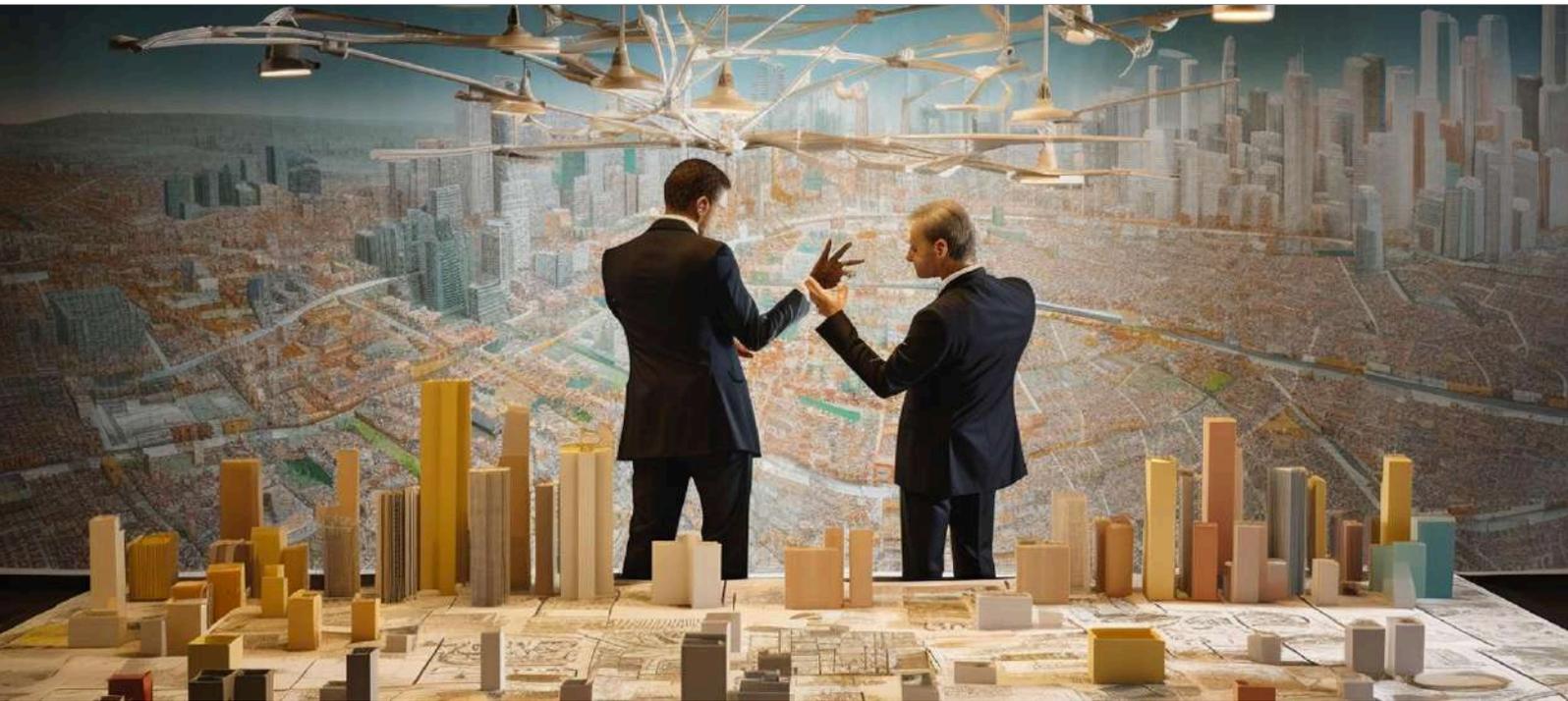
### All-in-Cost and Maturity Requirements:

All-in-Cost: The previous ceiling has been removed. Pricing must be in line with prevailing market conditions; maintain benchmarking and board-approved rationale.

MAMP: A uniform Minimum Average Maturity Period of 3 years applies, with limited relaxation for manufacturing entities i.e. 1 to 3 years if outstanding ECB not exceeding USD 150 million.

### Transitional Provisions:

ECBs registered (LRN allotted) under the erstwhile framework continue to be governed by the previous terms, with alignment to revised reporting as prescribed. New proposals must comply fully with the 2026 Regulations.



## Practical Checklist for 2026 Framework

- Compute latest audited net worth; set an internal leverage cap for ECBs.
- Prepare pricing benchmark memo (e.g., SOFR/credit spreads/peer deals); get Board noting.
- Map end-use to Regulation 3A and institute utilisation certifications.
- Update treasury policy for hedging in line with prudential/sectoral norms.
- Update SOPs for revised Form ECB & ECB-2 ; assign owner and timelines.
- Engage with AD Bank early on lender KYC/IFSC issues and documentation standards.

## Conclusion

The revised ECB regime simplifies access to overseas borrowing while elevating borrower accountability and AD Bank oversight. With disciplined documentation, clear end-use controls and robust governance, ECB can remain a strategic financing tool without triggering compliance risk.

For feedback or topic suggestions, please write to us at [cs@uja.in](mailto:cs@uja.in).