



Issuance of Rupee Denominated Bonds overseas - Revised framework

The Reserve Bank of India (RBI) vide its AP. DIR. Circular No. 47¹ has amended its framework relating to the issuance of Rupee Denominated Bonds overseas (Masala Bonds) with a view to harmonise its various elements with the External Commercial Borrowing (ECB) framework. The amendments have been summarised below:

- **Prior approval:** Any proposal of borrowing by eligible Indian entities by issuance of these bonds will be examined at the Foreign Exchange Department, Central Office, Mumbai
- **Minimum original maturity period²:**
 - Up to USD 50 million equivalent in INR per FY - three years
 - Above USD 50 million equivalent in INR per FY - five years
- **All-in-cost ceiling:** 300 basis points over the prevailing yield of the Government of India securities of corresponding maturity
- **Recognised investors** – Investors eligible as per the existing framework, however, should not be a related party as defined in Ind-AS 24.

The changed framework be applicable from the date of issuance of the circular. All other provisions of the existing framework remain unchanged.

Our comments

The RBI guidelines seem to be in the direction to regulate the overseas rupee debt market. It would be interesting to see its impact and further measures based on future developments.



¹ Dated 7 June 2017

² In case the subscription to the bonds/redemption of the bonds is in tranches, minimum average maturity period should be 3/5 years as applicable. Source: FAQ No. 6 of FAQs on Issuance of Rupee Denominated Bonds Overseas revised as on June 9, 2017

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