



Revision in framework for issuance of rupee denominated bonds

With a view to harmonize the various elements of the ECB framework, the Reserve Bank of India (RBI) has decided that any proposal of borrowing by eligible Indian entities by issuance of Rupee denominated bonds overseas (Masala Bonds) bonds will be examined at the Foreign Exchange Department, Central Office, Mumbai.

Further, the Reserve Bank of India (RBI) has made certain changes in the provisions for issuance of Rupee denominated bonds overseas (Masala Bonds) with respect to maturity period, all-in-cost ceiling and recognized lenders (investors) of Masala Bonds. We have tabulated below the comparison between the existing framework and the revised framework.

Sr. No.	ECB parameter	Existing Framework	Revised Framework
1	Maturity	<p>Minimum maturity period of 3 years.</p> <p>Call and put option, if any, shall not be exercisable prior to completion of minimum maturity.</p>	<p>Minimum original maturity period :</p> <p>3 years - if Masala Bonds raised upto USD 50 million equivalent in INR per financial year</p> <p>5 years - if Masala bonds raised above USD 50 million equivalent in INR per financial year</p>
2	All-in-cost	All in cost should be commensurate with prevailing market conditions.	The all-in-cost ceiling for such bonds will be 300 basis points over the prevailing yield of the Government of India securities of corresponding maturity
3	Recognised investors	Any investor compliant with FATF/ International Organization of Securities Commissions (IOSCO) jurisdictional requirements. (As per para 3.3.3 of the updated Master Direction No 5. issued on the said subject)	<p>Entities permitted as investors under the provisions of paragraph 3.3.3 of the updated Master Direction No. 5 - fulfilling the FATF/IOSCO/money laundering conditions (Extract given below)</p> <p>but</p> <p>should not be related party within the meaning as given in Ind-AS 24.</p>

All other provisions in earlier circulars issued remain unchanged. The above changes are effective **7 June 2017**.

Source: www.rbi.org.in

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