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# Tax Flash News

18 February 2026

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# RBI has notified Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

## Executive summary

The Reserve Bank of India ('RBI') had released draft amendment to Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 pertaining to changes in the External Commercial Borrowing ('ECB') Framework on 3 October 2025, for public feedback.

The Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 dated 9 February 2026[1], have now been published in the official gazette on 16 February 2026 ('ECB Regulations 2026') and will come into force from the date of publication in the Official Gazette.

ECB, for which a Loan Registration Number ('LRN') has been obtained before the ECB Regulations, 2026 coming into effect, shall continue in compliance with the regulations applicable at the time of obtaining ECB, except reporting compliance which shall be undertaken as per the ECB Regulations 2026.

The amended regulations have rationalised the ECB framework by expansion of eligible borrower and recognised lender base, rationalisation of borrowing limits and restrictions on average maturity period, removal of restrictions on the cost of borrowing for ECBs, review of end-use restrictions and simplification of reporting requirements.

This Flash News endeavours to highlight key features of the ECB Regulations 2026.

[1] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=13306&Mode=0 – accessed on 18 February 2026

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## Key highlights

### (a) Expanded eligible borrowers

A person resident in India (other than an individual) incorporated or registered under a Central/ State Act may raise ECB, subject to being permitted under its governing legislation.

Entities under restructuring/ corporate insolvency resolution process may raise ECB if expressly allowed in the approved plan.

Borrowers facing investigation, adjudication or appeal by law enforcement agency for any contraventions may still raise ECB without prejudice to the outcome. Such borrowers must disclose all pending proceedings in Form ECB-1 or Revised Form ECB-1 in case of existing ECB.

### (b) Recognised lenders

A person resident outside India; a branch outside India of an entity whose lending business is regulated by the RBI; and a financial institution or branch of a financial institution set up in an International Financial Service Centre.

### (c) Revised borrowing limits

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 per cent of net worth as per the last audited standalone balance sheet.

Exemption for eligible borrowers regulated by financial sector regulators.

### (d) Maturity

An eligible borrower shall raise ECB with minimum average maturity period (‘MAMP’) of three years.

Manufacturing sector may raise ECB with MAMP between one and three years subject to outstanding ECB shall not exceed USD 150 million.

Call and put options, if any, shall not be exercisable prior to completion of MAMP.

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## (e) Currency of borrowing

An eligible borrower may raise ECB denominated in foreign currency ('FCY') or Indian Rupee ('INR').

Currency of ECB may be changed from one FCY to another FCY, an FCY to INR and INR to an FCY.

Change of currency shall be 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.

## (f) Cost of borrowing

Cost of borrowing shall be in line with prevailing market conditions.

For ECBs with MAMP of less than three years, the cost of borrowing shall comply with cost ceiling specified for Trade Credit.

Prepayment charges and penal interest, if any, shall be in line with prevailing market conditions.

ECB from a related party shall be carried out on an arm's length basis.

## (g) Receipt of ECB proceeds

An eligible borrower shall drawdown ECB only after obtaining the LRN.

ECB proceeds meant to be utilised for a permitted INR expenditure in India, shall be credited to an INR account held in India with the designated Authorised Dealer Bank ('AD bank') by the end of the succeeding month from the date of receipt. Pending utilisation, the funds may be invested in an unencumbered fixed deposit of tenor up to one year with the designated AD bank.

ECB proceeds meant to be utilised for a permitted FCY expenditure may be credited to an FCY account held in India with the designated AD bank or an FCY account held outside India. Pending utilisation, the funds may be invested outside India in an unencumbered fixed deposit of tenor up to one year or an unencumbered debt instrument with original maturity up to one year.

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## (h) End-use restrictions

- Borrowed funds shall not be utilised for the following purposes :-
  - Chit funds
  - Nidhi Company
  - Real estate business and construction of farmhouses (with specified exceptions and conditions)
  - Agricultural and animal husbandry (with specified exceptions)
  - Plantation except specified crops
  - Trading in Transferable Development Rights
  - Transacting in listed/unlisted securities (with specified exceptions for strategic corporate actions such as merger, demerger, amalgamation, arrangement, or acquisition of control in accordance with the applicable Act etc).
  - Refinancing of loans linked to non-performing asset and on-lending for restricted purposes

## (i) Reporting compliances

- Eligible borrowers to submit Form ECB 1 for obtaining LRN, Revised Form ECB 1 for reporting changes, and Form ECB 2 for reporting receipt of ECB proceeds and debt servicing within seven calendar days from end of month in which event occurred.
- Provisions with respect to late submission fee, reporting pending investigations have been introduced.
- AD bank may request cancellation of an allotted LRN if no drawdown has taken place.
- Borrowers missing reporting compliances for four consecutive quarters from scheduled event/ timeline will be classified as untraceable borrowers and after further diligence AD bank to report it to the RBI and Directorate of Enforcement.

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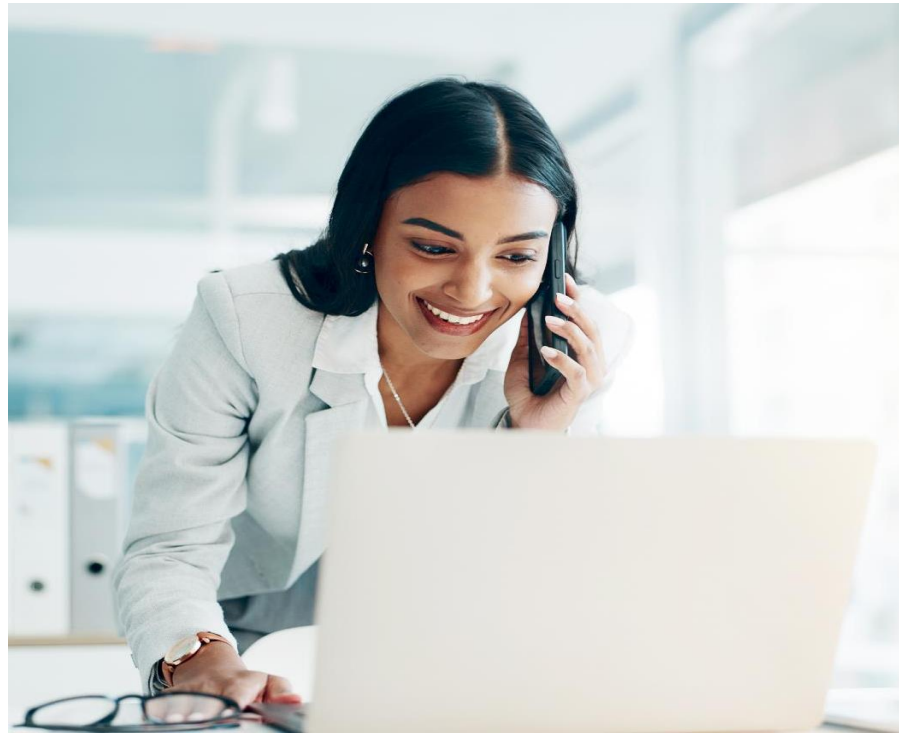
## Our comments

The ECB Regulations 2026 mark a significant tightening and modernisation of India's ECB framework. The enhancements to definitions, end-use restrictions, and reporting obligations show a major shift towards greater regulatory oversight and prudential discipline.

From a policy standpoint, the RBI is clearly seeking to:

- encourage high-quality, productive inbound debt, especially for infrastructure and manufacturing sectors
- prevent misuse of foreign borrowings for speculative or circular transactions
- strengthen alignment with global interest benchmarks
- ensure enhanced transparency *via* strengthened reporting and the new untraceable borrower classification with stricter action

For corporates, these changes may require recalibration of treasury strategies, reassessment of existing ECB structures, and heightened focus on end-use certification and monthly reporting compliance. Borrowers with complex group structures or related-party lenders to revisit arm's-length documentation and covenant design.



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