

***TCF Newsletter—The
New Era of External
Commercial
Borrowings (ECB): FEB
2026 Amendments***



May 25

Overview

In a landmark move to align Indian corporate debt with global market standards, the Reserve Bank of India (RBI) has notified the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 dated February 16, 2026. These changes effectively dismantle several long-standing rigidities, offering Indian entities unprecedented flexibility in sourcing offshore capital. The RBI has fundamentally transformed the ECB landscape, moving from a restrictive, end-use-linked regime to a market-driven, "Principle-Based" model.

Key Highlights of the Amended Framework

The 2026 amendments offer Indian entities significantly greater agility in accessing global capital through the following shifts:

- **Removal of the "All-in-Cost" Ceiling:** The prescriptive all-in-cost ceiling (previously capped at Benchmark + 500/450 bps) has been scrapped. Borrowing costs are now *market-determined*, allowing creditworthy borrowers to negotiate rates directly based on global liquidity.
- **Enhanced Borrowing Limits:** The automatic route limit has been raised to **USD 1 Billion** or **300% of Net Worth** (whichever is higher) This is a significant increase from the previous USD 750 Million cap.
- **Standardization of Maturity (MAMP):** (a) Under the earlier External Commercial Borrowing (ECB) framework, the Minimum Average Maturity Period (MAMP) varied depending on factors such as the type of borrower, the amount of borrowing, and the permitted end-use of funds. Accordingly, different ECB categories were subject to varying maturity requirements, typically ranging from 3 years to 5, 7, or even 10 years. Under the revised framework, these multiple maturity requirements have been rationalized, and for most ECBs a uniform MAMP of 3 years has been prescribed.

(b) Manufacturing companies are permitted to raise ECBs of up to USD 150 million with a shorter Minimum Average Maturity Period (MAMP) ranging from **1 to 3 years**, thereby providing greater flexibility to meet their working capital requirements. However, in cases where the average maturity period of the ECB is less than three years, the borrowing cost must comply with the cost ceiling applicable to Trade Credit, i.e., the maximum spread over the 6-month LIBOR or the applicable benchmark rate for the respective currency shall not exceed 250 basis points per annum.

Further, this relaxation enables manufacturing companies to access overseas funds at potentially lower cost, thereby serving as a cost-efficient alternative to domestic borrowings, where interest rates charged by banks in India are comparatively higher.

- **Expanded End-Use & M&A:** There is increased flexibility for using ECB proceeds for acquiring control (M&A activity) in sectors where FDI is permitted under the automatic route.
- **Currency Flexibility:** Borrowers now have enhanced flexibility to convert borrowings from INR to Foreign Currency (FCY) and vice versa.

Simplified Reporting and Compliance

In a move toward "Ease of Doing Business," the reporting requirements have been streamlined to reduce administrative hurdles:

- **Statutory Reporting:** Form ECB-2 is required to be submitted within **7 calendar days from the end of the month** in which the actual cash flow occurs, including receipts, debt servicing, or any other transaction that results in a change in the outstanding borrowing.

We wish to highlight an important point regarding the reporting requirements. Earlier, reporting was required in respect of the utilization of ECB proceeds. However, under the amended guidelines, reporting is required only for actual cash flow transactions, and there appears to be no requirement to report utilization-related transactions. Further, there is currently no specific clarity regarding the reporting of utilization of ECB proceeds. It is expected that further clarification may be issued by the Authorized Dealer (AD) bank regarding the reporting and submission requirements in this regard.

- **Arm's Length Requirement:** A new provision mandates that ECBs from group entities or related parties must be conducted on an arm's length basis to ensure fair market value.
- **Prospective Application:** These amendments are prospective; *existing ECBs continue under their original terms but must follow the new simplified reporting timelines.*

Strategic Takeaway for Clients

The 2026 Amendment signals a "Principle-Based" oversight approach. While the doors to global capital are wider, the responsibility for robust, Board-approved hedging policies and Arm's Length compliance has never been higher. This framework grants Indian companies unprecedented freedom to time the market and structure offshore debt effectively.

Please refer to the web link below for the RBI notification regarding recent ECB amendments.

https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11510

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