

**October 15, 2008**

To,

All Authorised Dealer Category –I Banks

Madam / Sir,

**Overseas Foreign Currency Borrowings by Authorised Dealer  
Banks – Enhancement of limit**

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to A. P. (DIR Series) Circular No. 81 dated March 24, 2004, in terms of which :

(i) all categories of overseas foreign currency borrowings including existing ECBs, loans and overdrafts from their Head Office, overseas branches and correspondents and overdrafts in Nostro accounts (not adjusted within five days) shall not exceed 25 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher, and

(ii) overseas borrowings by AD Category – I banks for the purpose of financing export credit in foreign currency, subordinated debt placed by head offices of foreign banks with their branches in India as Tier II capital, capital funds raised/augmented by the issue of innovative perpetual debt instruments and debt capital instruments in foreign currency and any other overseas borrowings with the specific approval of the Reserve Bank would be outside this limit.

2. With a view to providing greater flexibility to AD Category - I banks in seeking access to overseas funds, it has been decided to liberalise this facility further. Accordingly, AD Category - I banks may henceforth borrow funds from their Head Office, overseas branches and correspondents and overdrafts in nostro accounts up to a limit of 50 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher, as against the existing limit of 25 per cent (excluding borrowings for financing of export credit in foreign currency and capital instruments).

3. All other instructions contained in A. P. (DIR Series) Circular No.81 dated March 24, 2004 remain unchanged.

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 (Notification No.FEMA.3/2000-RB dated May 3, 2000) shall be issued separately.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

**(Salim Gangadharan)**  
**Chief General Manager-in-Charge**