

# Updated ECB Framework - Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

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# Overview

- The Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 (the “**ECB Regulations**”) introduced by the Reserve Bank of India (the “**RBI**”) effective from February 16, 2026
- Significant changes made to:
  - borrower and lender eligibility,
  - borrowing limits,
  - all in costs,
  - end-uses, and
  - currency of borrowing
- Overall, the ECB Regulations intend to free up the ability of Indian companies to borrow from overseas

# Eligible Borrowers and Lenders

## Earlier position

- Only FDI-eligible entities could borrow
- Limited specified borrowers included - Port Trusts, SEZ units, SIDBI EXIM Bank (FCY ECB), Registered MFIs (INR ECB)
- Lenders had to be from FATF/ IOSCO compliant countries

## Practical impact

- Wider lender pool
- Easier deal structuring
- Sectoral laws still override (REITs, InvITs, trusts, etc.)

## Now

- Any Indian entity (except individuals) can borrow
- Any non-resident can be lender
- Foreign branches of Indian regulated entities can also lend
- FATF/ IOSCO restriction removed

# Borrowing Limits

## Earlier position

- US\$ 750 million annual cap
- 7:1 liability–equity ratio (foreign equity ECB)

## Exceptions

- Refinancing ECB
- RBI-regulated entity borrowings

## Now

- Borrowing up to higher of:
  - US\$ 1 billion outstanding, or
  - 300% of net worth
- Annual cap removed
- Liability-equity ratio removed

## Impact

- Higher overall borrowing headroom
- Capacity linked to balance sheet strength

# Currency Flexibility

- Borrowers may now switch between foreign currency (“**FCY**”) and Indian Rupees (“**INR**”), vice versa or from one (1) FCY to another. Previously, only FCY to INR changes were permitted

# Minimum Average Maturity Period

- General rule as per the new ECB Regulations: Three (3) year minimum maturity
- Manufacturing sector relaxation:
  - One (1) - three (3) year maturity allowed; and
  - Loan amount should not exceed US\$ 150 million
- Earlier staggered maturities (five (5)/ seven (7)/ ten (10) years) removed
- Working capital and general corporate borrowing becomes easier

# End-Use Restrictions

## Prohibited Uses

- Chit funds and Nidhi companies
- Real estate/ farmhouses (except permitted cases)
- General agriculture and animal husbandry
- Non-permitted plantations
- Trading in TDRs
- Non-strategic investment in listed/unlisted securities
- Repayment of domestic INR loans:
  - used for restricted purposes, or
  - classified as NPA
- On-lending for prohibited activities

## Permitted Exceptions

- Construction-development projects with completed trunk infrastructure
- Eligible industrial parks (minimum unit & area criteria)
- Floriculture, horticulture, vegetables, and mushrooms
- Seeds, breeding, aquaculture, apiculture and allied services
- **Strategic corporate actions**
  - Mergers and acquisitions;
  - Demerger/ amalgamation/ arrangement; and
  - Acquisition of control

# Refinancing

## Earlier

- Allowed only if:
  - Maturity not reduced; and
  - Cost lowered
- Indian bank participation limited to:
  - AAA-rated corporates; and
  - Maharatna/ Navratna PSUs

## Now

- Cost-reduction condition removed
- No rating or PSU restriction on Indian banks
- INR ECB can be refinanced with FCY ECB

# Untraceable borrower

## Earlier

- Classified after eight (8) quarters of non-submission of ECB returns
- AD bank required more than six (6) documented communication attempts over more than two (2) quarters

## Now

- Classified after four (4) consecutive quarters of non-submission post drawdown/ servicing date
- AD bank must notify:
  - RBI; and
  - Directorate of Enforcement

# Other Changes

Topic	Old Framework	New Framework
<b>Stressed Assets/ Restructuring</b>	SMA-2 and NPA borrowers could avail ECB for one (1) time settlement, and CIRP resolution applicants could raise ECB under the approval route.	No specific provisions for stressed assets, and ECB under restructuring or CIRP is permitted only if allowed by the resolution plan.
<b>Individual Borrowing (NRI/OCI)</b>	Individuals could borrow in INR from NRI relatives only, on a non-repatriation basis.	Individuals may now borrow from NRIs or OCI cardholders who are relatives, with additional account options including the SNRR account.
<b>Related-Party ECB</b>	No explicit arm's length requirement.	Related-party ECB must now be on an arm's length pricing basis with no conflict of interest.
<b>Cost of Borrowing</b>	All in cost under the old framework included rate of interest, fees, charges, guarantee fees, and ECA charges, but excluded commitment fees and withholding tax payable in INR. Specific basis-point ceilings were applicable.	Cost of borrowing ceilings has been relaxed. The old specific basis point ceilings and the 2% penal interest cap have been replaced by the requirement that pricing be "in line with prevailing market conditions."

# Other Changes

Topic	Old Framework	New Framework
<b>Reporting Requirements</b>	Form ECB 1 and Form ECB 2 to be filed within seven (7) working days.	Form ECB 1 and Form ECB 2 to be filed within seven (7) calendar days, with a late submission fee now applicable.
<b>Conversion to Non-Debt Instruments</b>	Conversion only to equity subject to FDI policy and pricing guidelines.	Conversion to any non-debt instrument (not limited to equity), subject to the FEMA NDI Rules.
<b>Startups</b>	Permitted startups to raise up to US\$ 3 million per financial year in loans or preference shares.	This limit has been excluded from the ECB Regulations, and start-ups can now raise more than US\$ 3 million in a financial year.
<b>Security Arrangements</b>	Security arrangements allowed for raising of charge on movable and immovable property subject to permission from the AD bank and compliance with other foreign exchange regulations.	Security arrangements now permit raising of charge on intangible assets and intellectual property but prohibit RBI regulated entities from issuing guarantees.

# Thank You

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