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**RBI allows take-out financing via ECB for infra,  
under the approval route**

As per the existing norms, refinancing of domestic Rupee loans with ECB is not permitted. However, keeping in view the special funding needs of the infrastructure sector, RBI vide its Circular No. RBI/2010-11/124 dated July 22, 2010 has decided to review the ECB policy and put in place a scheme of take-out finance under the approval route. The relaxation comes in the wake of banks complaining that they were facing mismatch in asset-liability management in extending loans to the core sector.

Such refinancing of rupee loans availed of from the domestic banks can be done by eligible borrowers in the sea port and airport, roads including bridges and power sectors for the development of new projects, subject to certain conditions.

The conditions specified by RBI include a tripartite agreement between the borrowers, the overseas recognized lenders and the domestic bank for either a conditional or unconditional take-out of the loan within three years of the project becoming operational. The same should be clearly mentioned in the agreement. The loan should have a minimum maturity of 7 (seven) years. The domestic bank financing the infrastructure project should comply with the existing prudential norms. On take-out, the residual loan agreed to be taken- out by the overseas lender would be considered as ECB and the loan should be designated in a convertible foreign currency and all extant norms relating to ECB should be complied with.

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