

ECB policy eased to encourage inflow of foreign currency

Our Bureau

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The Reserve Bank of India has enhanced the all-in-cost ceiling for overseas loans by 50 basis points. The all-in-cost over six-month London Inter Bank Offered Rate for loans of three to five years maturity has been increased from 300 basis points to 350 basis points.

Six-month LIBOR is currently at 0.66 per cent.

This relaxation allows Indian corporates some more

leeway to raise money overseas, said bankers.

The RBI has also said that proceeds of ECBs raised abroad for rupee expenditure in India, such as for local sourcing of capital goods, on-lending to self-help groups or for micro credit and payment for spectrum allocation should be brought immediately for credit to rupee accounts with banks in India.

ECB proceeds meant only for foreign currency expen-

diture can be retained abroad pending utilisation.

The RBI said the rupee funds will henceforth not be permitted to be used for investment in capital markets, real estate or for inter-corporate lending.

These amendments in ECB policy will come into force immediately and the enhancement in all-in-cost ceiling is applicable up to March 31, 2012, subject to review thereafter, said RBI.

Given the market uncer-

tainty in the backdrop of the Euro zone crisis and dollar shortage, it has not been easy for Indian banks and corporates to raise money abroad (even if it is ostensibly cheaper).

Mr Vivek Kulkarni, Managing Director, Brickwork Ratings, while speaking to *Business Line* recently, had said "banks are finding it difficult to raise money even at LIBOR plus 400 basis points."

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