3.7

FOREIGN EXCHANGE MANAGEMENT (BORROWING AND LENDING) REGULATIONS, 2018*

[SUPERSESSION OF NOTIFICATION NO. FEMA 3/2000-RB, DATED 3-5-2000, NOTIFICATION NO. FEMA 4/2000-RB, DATED 3-5-2000 AND REGULATION 21 OF NOTIFICATION NO. FEMA 120/RB-2004, DATED 7-7-2004]

FEMA 3(R)/2018-RB, dated 17-12-2018 [G.S.R. 1213(E), dated 17-12-2018] - *In exercise of the powers conferred by clauses (*a*), (*d*) and (*e*) of sub-section (3) of section 6*[1]*, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in supersession of Notification No. FEMA 3/2000-RB dated May 3, 2000, as amended from time to time, Notification No. FEMA 4/2000-RB dated May 3, 2000, as amended from time to time and Regulation 21 of Notification No. FEMA 120/RB-2004 dated July 7, 2004 as amended from time to time, the Reserve Bank makes the following regulations for borrowing and lending between a person resident in India and a person resident outside India, namely:*

Short Title and Commencement.

1. (*i*) These Regulations may be called the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.

(*ii*) They shall come into force from the date of their publication in the Official Gazette.

[2]**[Definitions.**

2. *(1) In these regulations, unless the context otherwise requires:*

*(*a*) "Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);*

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*__SUPERSEDED FOREIGN EXCHANGE MANAGEMENT (BORROWING OR LENDING IN FOREIGN EXCHANGE) REGULATIONS, 2000/FOREIGN EXCHANGE MANAGEMENT (BORROWING AND LENDING IN RUPEES) REGULATIONS, 2000__

MASTER DIRECTION : External Commercial Borrowings, Trade Credits and Structured Obligations [No. 5/2018-19, dated 26-3-2019].

1. Section 6(3) is omitted by the Finance Act, 2015, w.e.f. 15-10-2019. **Section 47(3), with effect from 15-10-2019, provides that all Regulations/Master Directions issued by RBI prior to omission of section 6(3), *i.e.*, 15-10-2019, shall continue to be valid until amended or rescinded by the Central Government.**
2. Substituted by the FEM (Borrowing and Lending) (First Amendment) Regulations, 2026, w.e.f. **9-2-2026**. Prior to its substitution, regulation 2 read as under :

'2. *Definitions.*—In these regulations, unless the context otherwise requires—

(*i*) "Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);

(*ii*) "Authorised Dealer (AD)" means a person authorised as an Authorised Dealer under sub-section (1) of section 10 of the Act;

(*iii*) "EEFC Account", "RFC Account" shall have the same meaning as assigned to them respectively in the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015, as amended from time to time;

(*Contd. on page 3.28*)

(*Contd. from page 3.27*)

(*iv*) "External Commercial Borrowings (ECB)" means borrowing by an eligible resident entity from outside India in accordance with framework decided by the Reserve Bank in consultation with the Government of India;

(*v*) "External Commercial Lending (ECL)" means lending by a person resident in India to a borrower outside India in accordance with framework decided by the Reserve Bank in consultation with the Government of India;

(*vi*) "Foreign Exchange" shall have the same meaning assigned to it in the Act;

(*vii*) "Foreign branches/subsidiaries of the Indian banks" means entities established overseas in terms of provisions contained in the Banking Regulation Act, 1949, as amended from time to time;

(*viii*) 'Authorised Bank', 'Non-resident Indian (NRI)', 'FCNR (B) Account', 'NRO Account', and 'NRE Account' shall have the same meanings as assigned to them respectively in the Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time;

(*ix*) "Housing Finance Institution" and "National Housing Bank" shall have the same meaning as assigned to them in the National Housing Bank Act, 1987, as amended from time to time;

(*x*) "Indian Entity" means a company incorporated in India under the Companies Act, 2013, as amended from time to time, or a Limited Liability Partnership formed and registered in India under the Limited Liability Partnership Act, 2008, as amended from time to time;

(*xi*) "Overseas Citizen of India (OCI)" Cardholder shall have the same meaning as assigned to it under section 7(A) of the Citizenship Act, 1955, as amended from time to time;

(*xii*) "Real Estate Activity" means any activity involving own or leased property for buying, selling and renting of commercial and residential properties or land and also includes activities either on a fee or contract basis assigning real estate agents for intermediating in buying, selling, letting or managing real estate. However, this would not include development of integrated township, purchase/ long term leasing of industrial land as part of new project/modernisation or expansion of existing units or any activity under 'infrastructure sub-sectors' as given in the Harmonised Master List of Infrastructure sub-sectors approved by the Government of India *vide* Notification F. No. 13/06/2009-INF, as amended/updated from time to time;

(*xiii*) "Relative" shall have the same meaning as assigned to it in the Companies Act, 2013, as amended from time to time;

(*xiv*) "Restricted End Uses" shall mean end uses where borrowed funds cannot be deployed and shall include the following:

(*a*) In the business of chit fund or Nidhi Company;

(*b*) Investment in capital market including margin trading and derivatives;

(*c*) Agricultural or plantation activities;

(*d*) Real estate activity or construction of farm houses; and

(*e*) Trading in Transferable Development Rights (TDR), where TDR shall have the meaning as assigned to it in the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2015;

(*xv*) "Schedule" means the Schedule to these Regulations;

(*xvi*) "Start-up" means an entity which complies with the conditions laid down in Notification No. G.S.R. 180(E) dated February 17, 2016, as amended/updated from time to time, issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India;

(*xvii*) "Trade Credit" refer to the credits extended by the overseas supplier, bank/financial institution for imports into India in accordance with the Trade Credit framework decided by the Reserve Bank in consultation with the Government of India.

Explanation.—Depending on the source of finance, such trade credits include both suppliers' credit and buyers' credit. Suppliers' credit relates to the credit for imports into India extended by the overseas supplier, while buyers' credit refers to loans for payment of imports into India arranged by the importer from overseas bank or financial institution. Imports should be as permissible under the extant Foreign Trade Policy of the Director General of Foreign Trade (DGFT).

(*xviii*) The words and expressions used but not defined in these Regulations shall have the same meaning respectively assigned to them in the Act.'

(b) *"arm's length basis" means a transaction between two related parties that is conducted as if the transacting parties were unrelated, so that there is no conflict of interest;*

(c) *"Authorised Bank" shall have the same meaning as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;*

(d) *"Authorised Dealer (AD)" means a person authorised as an Authorised Dealer under sub-section (1) of section 10 of the Act;*

(e) *"benchmark rate" means any widely accepted interbank rate or Alternative Reference Rate (ARR) of 6-month tenor, applicable to the currency of borrowing, in case of foreign currency (FCY) external commercial borrowing (ECB)/trade credit (TC). Further, it means prevailing yield of the Government of India security of corresponding maturity in case of Indian Rupees (INR) denominated ECB/TC;*

(f) *"control"—*

(i) *in case of companies, control shall have the same meaning as assigned to it in the Companies Act, 2013; and*

(ii) *in case of LLPs, control means the right to appoint majority of the designated partners, where such partners, with specific exclusion to others have control over all the policies of the LLP;*

(g) *"cost of borrowing" means rate of interest, other fees, expenses, charges, guarantee fees and export credit agency charges, whether paid in FCY or INR, but shall not include commitment fees and statutory taxes payable in India;*

(h) *"Designated Authorised Dealer (AD) Category I Bank" means the AD Category I bank designated by the borrower for meeting the reporting requirements in respect of ECB and TC and monitoring of such transactions;*

(i) *"exchange earners" foreign currency (EEFC) account" shall have the same meaning as assigned to it in the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015;*

(j) *"external commercial borrowing (ECB)" means borrowing by an eligible borrower from a recognised lender in accordance with Schedule I to these Regulations;*

(k) *"external commercial lending (ECL)" means lending by a person resident in India to a person resident outside India in accordance with Schedule III to these Regulations;*

(l) *"Foreign Currency Non-Resident (Bank) (FCNR (B)) account" shall have the same meanings as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;*

(m) *"financial sector regulator" means a financial regulatory body established under any law in force in India and includes the Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority;*

(n) *"foreign currency convertible bond (FCCB)" shall have the same meaning as assigned to it in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993;*

(o) *"foreign currency exchangeable bond (FCEB)" shall have the same meaning as assigned to it in the Issue of Foreign Currency Exchangeable Bonds Scheme, 2008;*

(p) *"Housing Finance Institution" shall have the same meaning as assigned to it in the National Housing Bank Act, 1987 (53 of 1987);*

(q) *"Indian Entity" means a company incorporated in India under the Companies Act, 2013 (18 of 2013) or a body corporate established in India under a Central / State Act or a Limited Liability Partnership formed and registered in India under the Limited Liability Partnership Act, 2008;*

(r) *"Industrial Park" means a project in which quality infrastructure in the form of plots of developed land or built-up space or a combination with common facilities is developed and made available to all the allottee units for the purpose of industrial activity.*

Explanation.—*Common Facilities refers to facilities available for all the units located in the industrial park, and include facilities of power, roads (including approach roads), railway line/ sidings including electrified railway lines and connectivity to the main railway line, water supply and sewerage, common effluent treatment, common testing, telecom services, air conditioning, common facility buildings, industrial canteens, convention/conference halls, parking, travel desks, security service, first aid centre, ambulance and other safety services, training facilities and such other facilities meant for common use of the units located in the Industrial Park;*

(s) *"infrastructure sector" shall have the same meaning as assigned to it in the 'Harmonised Master List of Infrastructure Sub-Sectors' approved by Government of India* vide *Notification F. No. 13/ 06/2009-INF and as amended from time to time. For the purpose of these regulations, "Exploration, Mining and Refinery" sectors will be deemed as infrastructure sector;*

(t) *"International Financial Service Centre (IFSC)" shall have the same meaning as assigned to it under the International Financial Services Centres Authority Act, 2019 (50 of 2019);*

(u) *'Liberalised Remittance Scheme' means the scheme formulated in terms of circular A.P. (DIR Series) Circular No. 64 dated February 4, 2004;*

(v) *"Non-Resident External (NRE) Account" shall have the same meaning as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;*

(w) *"Non-Resident Ordinary (NRO) Account" shall have the same meaning as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;*

(x) *"National Housing Bank" shall have the same meaning as assigned to it in the National Housing Bank Act, 1987 (53 of 1987);*

(y) *"net worth"—*

(i) *In case of companies, net worth shall have the same meaning as assigned to it in the Companies Act, 2013 (18 of 2013); and*

(ii) *In case of other entities, net worth shall be the sum of the funds recorded in the balance sheet under capital and undistributed profits after deducting therefrom the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the last audited balance sheet;*

(z) *"Non-Resident Indian (NRI)" shall have the same meanings as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;*

(aa) *"Overseas Citizen of India (OCI) Cardholder" shall have the same meaning as assigned to it in the Citizenship Act, 1955;*

(ab) *"real estate business" means purchase, sale or lease of land or immovable property with a view to earning profit from there and does not include purchase, sale and lease (not amounting to transfer) of land or immovable property for the following purposes:*

(i) *construction and development of industrial parks, integrated townships and SEZ;*

(ii) *development of new industrial project, modernisation and expansion of existing units;*

(iii) *any activity under 'infrastructure sector';*

(iv) *construction-development project;*

(v) *commercial or residential properties for own use of the borrower;*

(vi) *real estate broking services.*

Explanation.—

(a) *Construction-development projects includes development of townships, construction of residential/commercial premises, roads or bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure, townships;*

(b) *Transfer, in relation to real estate business includes,—*

(i) *the sale, exchange or relinquishment of the asset; or*

(ii) *the extinguishment of any rights therein; or*

(iii) *the compulsory acquisition thereof under any law; or*

(iv) *any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882) ; or*

(v) *any transaction, by acquiring capital instruments in a company or by way of any agreement or any arrangement or in any other manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property;*

(ac) *"related party" means an entity which qualifies as a related party as per the provisions of the Companies Act, 2013 (18 of 2013). For a person other than a company, this definition shall apply* mutatis mutandis*;*

(ad) *"relative" shall have the same meaning as assigned to it in the Companies Act, 2013 (18 of 2013);*

(ae) *"securities" shall have the same meaning as assigned to it in the Securities Contracts (Regulation) Act, 1956;*

(af) *"Special Economic Zone (SEZ) shall have the same meaning as assigned to it in the Special Economic Zones Act, 2005;*

(ag) *"Special Non-Resident Rupee Account (SNRR) account" shall have the same meanings as assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;*

(ah) *"trade credit (TC)" means credit extended by the overseas supplier or financial institution for permissible imports into India and includes both suppliers' credit and buyers' credit;*

Explanation.—*Suppliers' credit relates to the credit for imports into India extended by the overseas supplier, while buyers' credit refers to loans for payment of imports into India arranged by the importer from an overseas bank or financial institution;*

(ai) *"transferable development rights" shall have the same meaning as assigned to it in the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000.*

(2) The words and expressions used but not defined in these Regulations shall have the same meaning respectively assigned to them in the Act.]

Prohibition to Borrow or Lend.

3. Save as otherwise provided in the Act, Rules or Regulations made thereunder, no person resident in India shall borrow or lend in foreign exchange from or to a person resident in or outside India and no person resident in India shall borrow in rupees from, or lend in rupees to, a person resident outside India:

Provided that the Reserve Bank may, for sufficient reasons, permit a person resident in India to borrow or lend in foreign exchange from or to a person resident in or outside India and/or permit a person resident in India to borrow in rupees from, or lend in rupees to, a person resident outside India.

Explanation.—Use of Credit Card (*a*) in India by a person resident outside India or (*b*) outside India by a person resident in India shall not be deemed as borrowing or lending in Indian Rupee/foreign exchange.

[3]**[Restriction on end-use of borrowed funds:-**

3A. *Funds borrowed in terms of these Regulations shall not be utilised for the following purposes in India:*

(a) *Chit funds;*

(b) *Nidhi Company;*

(c) *Real estate business and construction of farmhouses, provided that:*

(i) *in case of a borrowing for construction-development project, the borrower shall sell plots only after ensuring development of trunk infrastructure* i.e. *roads, water supply, street lighting, drainage and sewerage.*

(ii) *in case of borrowing for industrial parks, such parks shall comprise of a minimum of 10 units with no single unit occupying more than 50 per cent of the allocable area and the minimum percentage of the area to be allocated for industrial activity shall not be less than 66 per cent of the total allocable area.*

Explanation.—*"Allocable area" in the Industrial Park means—*

(i) *in the case of plots of developed land - the net site area available for allocation to the units, excluding the area for common facilities.*

(ii) *in the case of built-up space - the floor area and built-up space utilized for providing common facilities.*

(iii) *in the case of a combination of developed land and built-up space - the net site and floor area available for allocation to the units excluding the site area and built-up space utilized for providing common facilities.*

(d) *Agricultural and animal husbandry, except—*

(i) *Floriculture, horticulture and cultivation of vegetables and mushrooms under controlled conditions;*

(ii) *Development and production of seeds and planting material;*

(iii) *Animal husbandry (including breeding of dogs), pisciculture, aquaculture and apiculture; and*

(iv) *Services related to agro and allied sectors.*

Explanation.—*The term 'under controlled conditions' covers the 'cultivation under controlled conditions' for the categories of floriculture, horticulture, cultivation of vegetables and mushrooms which is the practice of cultivation wherein rainfall, temperature, solar radiation, air humidity and culture medium are controlled artificially. Control in these parameters may be effected through protected cultivation under green houses, net houses, poly houses or any other improved infrastructure facilities where micro-climatic conditions are regulated anthropogenically.*

(e) *Plantation except tea, coffee, rubber, cardamom, palm oil tree, olive oil tree plantation.*

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3. Inserted by the FEM (Borrowing and Lending) (First Amendment) Regulations, 2026, w.e.f. **9-2-2026**.

(f) *Trading in Transferable Development Rights (TDR);*

(g) *Transacting in listed/unlisted securities, except for transactions undertaken by an Indian entity for corporate actions such as merger, demerger, amalgamation, arrangement, or acquisition of control in accordance with the Act under which the entity is incorporated/established, Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and Insolvency and Bankruptcy Code, 2016, as applicable;*

Explanation: *For sub-regulation 1(g), borrowing shall be availed for strategic purposes only,* i.e. *those driven by the core objective of creating long-term value through potential synergies, rather than for short-term gains;*

(h) *Repayment of a domestic INR loan (i) which was availed for an end-use restricted under this regulation; or (ii) which is classified as a non-performing asset (NPA) as per the applicable prudential norms;*

(i) *On-lending for any of the purposes for which funds cannot be borrowed and utilised in this regulation.*]

4. Borrowing from outside India in Foreign Exchange by a Person Resident in India:—

A. Borrowing by an Authorised Dealer or its branch outside India

(*i*) An AD may borrow from its Head Office or branch or correspondent outside India or any other entity up to limit specified and subject to terms and conditions as specified by the Reserve Bank from time to time, in consultation with Government of India.

(*ii*) A branch outside India of an AD being a bank incorporated or constituted in India, may borrow in foreign exchange in the normal course of its banking business from outside India, subject to the directions or guidelines issued by the Reserve Bank from time to time, and the Regulatory Authority of the country where the branch is located.

(*iii*) An AD may borrow in foreign exchange from a bank or a financial institution outside India, for the purpose of granting pre-shipment or post-shipment credit in foreign exchange to its exporter constituent, subject to compliance with the guidelines issued by the Reserve Bank in this regard.

(*iv*) An AD may raise ECB from outside India in accordance with the provisions contained in Schedule I.

B. Borrowing by Persons other than Authorised Dealers

(*i*) Eligible resident entities may raise ECB from outside India in accordance with the provisions contained in Schedule I.

(*ii*) Trade Credit may be raised from outside India by importers for import of capital or non-capital goods as permissible under the extant Foreign Trade Policy of the DGFT in accordance with the provisions contained in Schedule II.

(*iii*) A person resident in India may borrow, whether by way of loan or overdraft or any other credit facility, from a bank situated outside India, where export of goods or services is proposed to be made on deferred payment terms or in execution of a turnkey project or a civil construction contract, provided the terms and conditions stipulated by the authority which has granted the approval to the arrangement are in accordance with the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015, notified *vide* Notification No. FEMA 23(R)/2015-RB dated January 12, 2016, as amended from time to time.

(*iv*) Financial Institutions, set up under an Act of the Indian Parliament, may raise foreign exchange borrowings with the prior approval of the Government of India for the purpose of onward lending.

Explanation.—Such borrowings, which are in the nature of ECB, shall be subject to provisions contained in Schedule I.

(*v*) An individual resident in India may borrow a sum not exceeding USD 2,50,000 or its equivalent, or any other amount as decided by the Reserve Bank from time to time, from his/her relatives outside India and subject to such terms and conditions as specified by the Reserve Bank from time to time in consultation with the Government of India.

(*vi*) An individual resident in India studying abroad may raise loan outside India not exceeding USD 2,50,000 or its equivalent, or any other amount as decided by the Reserve Bank from time to time, for the purposes of payment of education fees abroad and maintenance subject to terms and conditions as specified by the Reserve Bank from time to time in consultation with the Government of India.

5. Lending in Foreign Exchange by a Person Resident in India:—

A. Lending by an Authorised Dealer in India or its branch outside India

(*i*) An AD in India or its branch outside India may extend foreign currency denominated ECL to a borrower outside India in accordance with the provisions contained in Schedule III.

(*ii*) An AD may grant loans to its constituents in India for meeting their foreign exchange requirements or for their rupee working capital requirements or capital expenditure subject to compliance with prudential norms, interest rate directives and guidelines, if any, issued by Reserve Bank in this regard.

(*iii*) Subject to the directions or guidelines issued by the Reserve Bank from time to time, an AD in India may extend foreign exchange loans to another AD in India.

(*iv*) Branches outside India of AD banks may extend foreign exchange loans against the security of funds held in NRE/ FCNR deposit accounts or any other account as specified by the Reserve Bank from time to time, maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016, notified *vide* Notification No. FEMA 5(R)/2016-RB dated April 1, 2016, as amended from time to time.

B. Lending by persons other than Authorised Dealer

Eligible resident entity may extend foreign currency denominated ECL to a borrower outside India in accordance with the provisions contained in Schedule III.

6. Borrowing in Indian Rupees by a Person Resident in India:—

A. Borrowing by an Authorised Dealer

An AD may raise Rupee denominated ECB from outside India in accordance with the provisions contained in Schedule I.

B. Borrowing by persons other than Authorised Dealer

(*i*) Eligible resident entities may raise Rupee denominated ECB from outside India in accordance with the provisions contained in Schedule I.

(*ii*) Eligible resident entities, as defined by the Government of India, may borrow from overseas Multilateral Financial Institutions/International Development Financial Institutions, where the source of funds of such institutions is Rupee denominated bonds issued overseas or resources raised domestically, or any other source as approved by the Government of India.

(*iii*) Trade Credit may be raised from outside India in Indian Rupees by importers for import of capital or non-capital goods as permissible under the extant Foreign Trade Policy of the DGFT in accordance with the provisions contained in Schedule II.

(*iv*) Any foreign investment in the nature of debt arising out of transfer or issue of security, not covered under the above sub-regulations, should be in compliance with Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, notified *vide* Notification No. FEMA 20(R)/2017-RB dated November 7, 2017, as amended from time to time.

(*v*) Any person resident in India accepting any deposit from, or making any deposit with, a person resident outside India, including loans/overdrafts against security of funds held in such accounts, should be in compliance with Foreign Exchange Management (Deposit) Regulations, 2016, notified *vide* Notification No. FEMA 5(R)/2016-RB dated April 1, 2016, as amended from time to time.

[4][(vi) *A person resident in India being an individual may borrow in INR from an NRI or a relative who is an OCI cardholder for utilization in India, subject to the following terms and conditions:*

(a) *The amount of loan should be received either by inward remittance from outside India or by debit to NRE/NRO/FCNR(B)/SNRR account of the lender; and*

(b) *Borrowing shall be on non-repatriation basis;* i.e. *payment of interest and repayment of principal shall be made only to the NRO account of the lender.*]

(*vii*) Financial Institutions, set up under an Act of the Indian Parliament, may raise Rupee denominated borrowings from outside India with the prior approval of the Government of India for the purpose of onward lending.

Explanation.—Such borrowings which are in the nature of ECBs shall be subject to provisions contained in Schedule I.

7. Lending in Indian Rupees by a Person Resident in India:—

A. Lending by an Authorised Dealer

(*i*) An AD in India may grant loan to a NRI/OCI Cardholder for meeting the borrower's personal requirements/own business purposes/acquisition of a residential accommodation in India/ acquisition of motor vehicle in India/or for any purpose as per the loan policy laid down by the Board of Directors of the AD and in compliance with prudential guidelines of Reserve Bank of India. The AD bank should ensure that the borrowed funds are not used for restricted end uses.

(*ii*) Overdraft in rupee account maintained with AD in India by a bank outside India: An AD may permit a temporary overdraft, for value not exceeding Rupees 5 billion or any other amount as prescribed by the Reserve Bank from time to time, in rupee accounts maintained with it by its overseas branch or correspondent or Head Office outside India, subject to such terms and conditions as the Reserve Bank may direct from time to time.

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4. Substituted by the FEM (Borrowing and Lending) (First Amendment) Regulations, 2026, w.e.f. **9-2-2026**. Prior to its substitution, sub-regulation (*vi*) read as under :

"(*vi*) A person resident in India, not being a company incorporated in India, may borrow in Indian Rupees from a NRI/Relatives who are OCI Cardholders outside India, subject to such terms and conditions as specified by the Reserve Bank from time to time in consultation with the Government of India. The borrower should ensure that the borrowed funds are not used for restricted end uses."

[5][(*iii*) An AD in India may lend to a person resident outside India for making margin payments in respect of settlement of transactions involving Government Securities by the person resident outside India, subject to such terms and conditions as may be specified by the Reserve Bank.

Explanation.—The expression 'Government Security' shall have the same meaning as assigned to it in section 2(*f*) of Government Securities Act, 2006, and the word 'securities' shall be construed accordingly.]

[6][*(iv)* An AD bank may lend in Indian Rupees to a person resident outside India being a resident in Bhutan, Nepal or Sri Lanka, including a bank in these jurisdictions, for cross border trade transactions.]

B. Lending by persons other than Authorised Dealer

(*i*) A registered non-banking financial company in India or a registered housing finance institution in India or any other financial institution as may be specified by the Reserve Bank from time to time, may provide housing loan or vehicle loan, as the case may be, to a NRI/OCI Cardholder subject to such terms and conditions as prescribed by the Reserve Bank from time to time. The borrower should ensure that the borrowed funds are not used for restricted end uses.

(*ii*) An Indian entity may grant loan in Indian Rupees to its employee who is a NRI/OCI Cardholder in accordance with the Staff Welfare Scheme subject to such terms and conditions as prescribed by the Reserve Bank from time to time. The borrower should ensure that the borrowed funds are not used for restricted end uses.

(*iii*) A resident individual may grant Rupee loan to a NRI/OCI Cardholder relative within the overall limit under the Liberalised Remittance Scheme subject to such terms and conditions as prescribed by the Reserve Bank from time to time. The borrower should ensure that the borrowed funds are not used for restricted end uses.

[7][**Borrowing and lending by persons resident outside India.**

7A. A person resident outside India may undertake repo or reverse repo transactions in Rupees to borrow or lend money, subject to such terms and conditions as may be specified by the Reserve Bank.

Explanation.—

Repo shall have the same meaning as defined in section 45U(*c*) of RBI Act, 1934.

Reverse Repo shall have the same meaning as defined in section 45U(*d*) of RBI Act, 1934.]

8. Continuation of loan in the event of change in the residential status of the lender/borrower:

(*i*) An authorised dealer/authorised bank, may allow continuance of loans granted to a resident individual who subsequently becomes a person resident outside India, subject to such terms and conditions as specified by the Reserve Bank from time to time.

(*ii*) In case a loan was granted by a resident individual to another resident individual and the lender subsequently becomes a non-resident, the repayment of the loan by the resident borrower should be made by credit to the NRO account or any other account of the lender maintained with a bank in India as specified by the Reserve Bank from time to time, at the option of the lender.

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5. Inserted by the FEM (Borrowing and Lending) (Amendment) Regulations, 2021, w.e.f. 24-5-2021.
6. Inserted by the FEM (Borrowing and Lending) (Amendment) Regulations, 2025, w.e.f. 6-10-2025.
7. Inserted by the FEM (Borrowing and Lending) (Amendment) Regulations, 2019, w.e.f. 26-2-2019.

(*iii*) In case a loan was granted by a NRI/OCI Cardholder to a person resident in India in accordance with the provisions contained in these regulations and the lender subsequently becomes a resident, the repayment of the loan may be made to the designated account of the lender maintained with a bank in India as specified by the Reserve Bank from time to time, at the option of the lender.

(*iv*) A resident individual will be permitted to service loans taken overseas earlier as a person resident outside India subject to terms and conditions and limit as specified by the Reserve Bank from time to time.

9. Any borrowing under erstwhile regulations can be continued as permitted up to the due date of repayment.

[8]**[*SCHEDULE I*

*[*See *Regulations 4(*A*)(*iv*), 4(*B*)(*i*), 4(*B*)(*iv*), 6(*A*), 6(*B*)(*i*), 6(*B*)(*vii*)]*

External Commercial Borrowing (ECB) Framework

Eligible borrowers

1. *(1) Any person resident in India (other than an individual) that is incorporated, established or registered under a Central or State Act is an eligible borrower, subject to the condition that such person is permitted for ECB in terms of applicable Act(s).*

(2) An eligible borrower that is under a restructuring scheme or corporate insolvency resolution process may raise ECB only if specifically permitted under the restructuring or resolution plan.

(3) An eligible borrower against whom any investigation, adjudication or appeal by a law enforcement agency for contravention of any rule, regulation or direction issued under the Act is pending, may raise ECB notwithstanding the pending investigation or adjudication or appeal and without prejudice to the outcome of such investigation or adjudication or appeal. The borrower shall, however, disclose information about the pending investigation, adjudication or appeal under 'Form ECB 1' (or 'Revised Form ECB 1' in case there is existing ECB).

Recognised lenders

2. *An eligible borrower may raise ECB from—*

*(*a*) A person resident outside India;*

*(*b*) A branch outside India of an entity whose lending business is regulated by the Reserve Bank; and*

*(*c*) A financial institution or a branch of a financial institution set up in IFSC.*

Explanation.—*For the purpose of this paragraph, financial institution shall have the same meaning as assigned to it under the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015.*

Currency of borrowing

3. *(1) An eligible borrower may raise ECB denominated in foreign currency (FCY) or Indian Rupee (INR).*

(2) Currency of ECB may be changed from one FCY to another FCY, an FCY to INR and INR to an FCY.

8. Substituted by the FEM (Borrowing and Lending) (First Amendment) Regulations, 2026, w.e.f. **9-2-2026**. Earlier, Schedule I was amended by the FEM (Borrowing and Lending) (Third Amendment) Regulations, 2022, w.e.f. 28-7-2022.