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News Flash

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RBI issues revised framework for Issuance of Masala Bonds

In order to facilitate Rupee denominated borrowing from overseas, the RBI had put in place a framework for the issuance of Rupee denominated bonds overseas (commonly known as "Masala Bonds") within the overarching ECB policy in September 2015.

Considering the current economic climate and to harmonise the various elements of the ECB framework, the RBI has now issued a revised framework for the issuance of Masala Bonds.

The key highlights of the revised framework are as follows:

1. All proposals under approval route

The earlier framework permitted eligible entities to borrow up to INR 50 billion per financial year under the automatic route. Under the revised framework, any proposal of borrowing by eligible Indian entities by issuance of these bonds will be examined by the RBI.

2. Recognised investors

Recognised investors should not be related parties (of borrowers)* as per IndAS 24. There was no such restriction in the earlier framework.

3. Maturity period

The minimum original maturity period for Masala Bonds raised up to $50 million equivalent INR per financial year should be three years and above $50 million equivalent INR should be five years. Under the earlier framework the period was three years irrespective of the size of the issue.

4. All-in-cost ceiling

The all-in-cost ceiling for the bonds will be 300 basis points over the prevailing yield of the Government of India securities of corresponding maturity. The earlier rate was commensurate with prevailing market conditions.

*parenthesis added

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