



**RESERVE BANK OF INDIA**  
**Foreign Exchange Department**  
**Central Office**  
**Mumbai - 400 001**

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**RBI/2013-14/416**  
**A.P. (DIR Series) Circular No.81**

**December 24, 2013**

To  
All Authorised Dealer Category - I Banks

Madam / Dear Sir

**Borrowing and Lending in Rupees - Investments by persons resident outside India in the tax free, secured, redeemable, non-convertible bonds**

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to the Regulation No. 6 (2) of Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 ([Notification No. FEMA 4/2000-RB dated May 03, 2000](#)) which imposes restrictions on person resident in India who have borrowed in Rupees from a person resident outside India to the effect that such borrowed funds cannot be used for any investment, whether by way of capital or otherwise, in any company or partnership firm or proprietorship concern or any entity, whether incorporated or not, or for relending.

2. On a review, it has been decided to permit such resident entities / companies in India, authorised by the Government of India, to issue tax-free, secured, redeemable, non-convertible bonds in Rupees to persons resident outside India to use such borrowed funds for the following purposes:

- (a) for on lending / re-lending to the infrastructure sector; and
- (b) for keeping in fixed deposits with banks in India pending utilization by them for permissible end-uses.

3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

4. Reserve Bank has since amended the subject Regulations accordingly through the Foreign Exchange Management (Borrowing and Lending in Rupees) (Amendment) Regulations, 2013 which have been notified vide [Notification No. FEMA.287/2013-RB dated September 17, 2013](#), vide G.S.R. No. 645(E) dated

September 20, 2013, read with Corrigendum dated October 24, 2013 vide G.S.R.No.741(E) dated November 19, 2013.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Rudra Narayan Kar)**  
**Chief General Manager-In-Charge**