

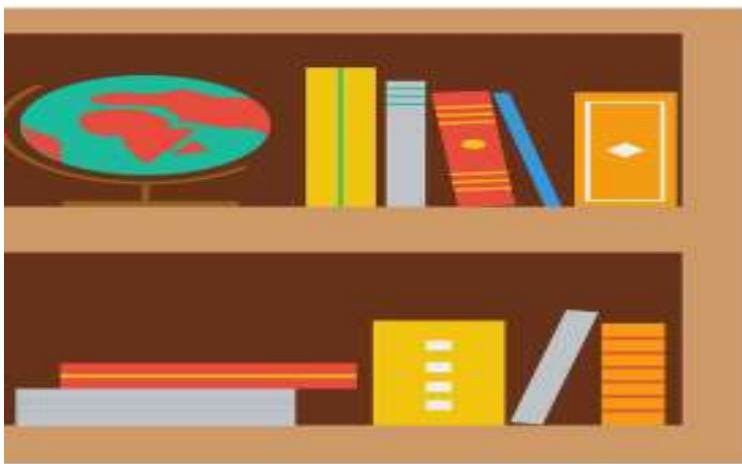
FEMA Ke Fundae

#FamiliarwithFEMA

**External Commercial
Borrowing (ECB)
Part 3 of 4**

Issue No :77

Date :29th November, 2023





Topics already
covered in Part 2 :-

- Minimum Average Maturity Period
- All in ceiling cost
- Limit and Leverage



For Part 2, refer the below link:-

Linkedin: https://www.linkedin.com/posts/jsoca_external-commercial-borrowing-activity-7133031026561286144-Fght?utm_source=share&utm_medium=member_desktop

Website: <https://jainshrimal.com/external-commercial-borrowing-part-2/>



Abhishek
Director of an Indian
Company

Hi Mr. FEMA Gyani! Nice to meet you. I have understood all the compliance of External Commercial Borrowings (ECBs). Now I want to know the whole procedure for raising funds through ECB?

Hi Abhishek, there are two routes for raising funds through ECB, **one is the Automatic Route and the other one is the Approval Route.**

Under **Automatic Route** you are required to submit Form ECB to AD Bank whereas in **Approval Route**, Form ECB is required to submit to Reserve Bank of India.



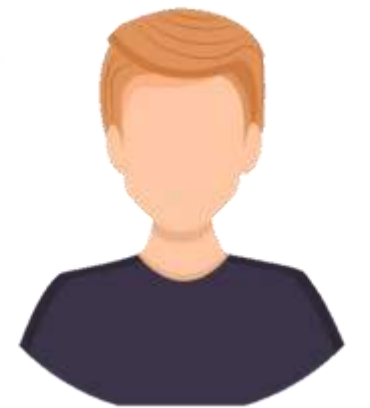
The FEMA Gyani



Abhishek
Director of an Indian
Company

How do we get to know whether our borrowings falls under Automatic Route or Approval Route?

If your ECB **conforms all the prescribed parameters** such as borrowers and lender eligibility, MAMP and all in cost ceiling etc. then it will be covered under **Automatic Route otherwise**, it has to be taken under Approval route.



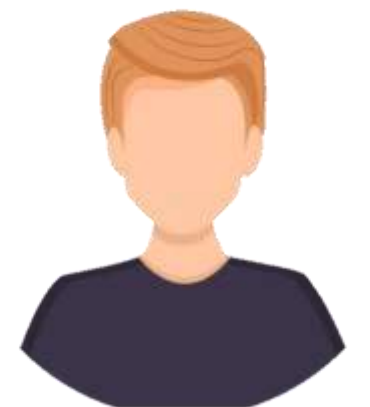
The FEMA Gyani



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Okay. Can I borrow just after submitting Form ECB.

No, under both routes, you can receive funds in India, only after obtaining **Loan Registration Number (LRN)** from the Reserve Bank of India.



The FEMA Gyani



Abhishek
Director of an Indian
Company

How can we obtain the **Loan Registration Number (LRN)** from Reserve Bank of India.

To obtain the LRN, you are required to submit duly **certified Form ECB, Loan Agreements and other relevant documents**, in duplicate to the designated AD Category I bank.



The FEMA Gyani



Abhishek
Director of an Indian
Company

Okay FEMA Gyani. Is there any important thing to be kept in mind.

Yes, you have to report actual ECB transactions through **ECB-2 return** through the AD Category-I Bank on a monthly basis within 7 working days from the close of the month to which it relates.



The FEMA Gyani



Abhishek
Director of an Indian

What happen if we forget to report ECB 2 return?

In that case you are required to pay “ Late Submission Fee” (LSF).



The FEMA Gyani

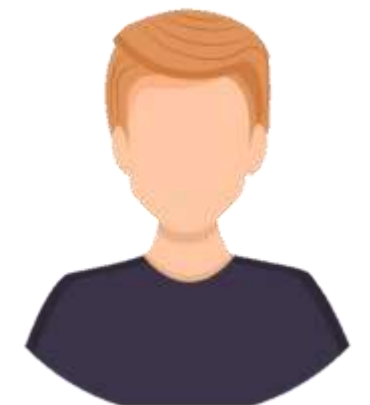
How much LSF is required to pay?

The actual amount is not mentioned. However, method to calculate the LSF is given, that is:- $[7,500 + (0.025\% \times A \times n)]$

Abhishek
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Company

“n” is the year number of years of delay in submission

“A” is the amount involved in the delayed reporting



The FEMA Gyani



Abhishek
Director of an Indian
Company

I have an doubt, Can we make changes under terms and conditions of ECB in between the payment?

Yes, you can. Then in that case all the changes in terms and conditions of ECB have to be reported within 7 days of change in Form ECB-2 Return.



The FEMA Gyani



Abhishek
Director of an Indian
Company

Okay FEMA gyani, Thank you, we will ensure all the compliance and monthly reporting.

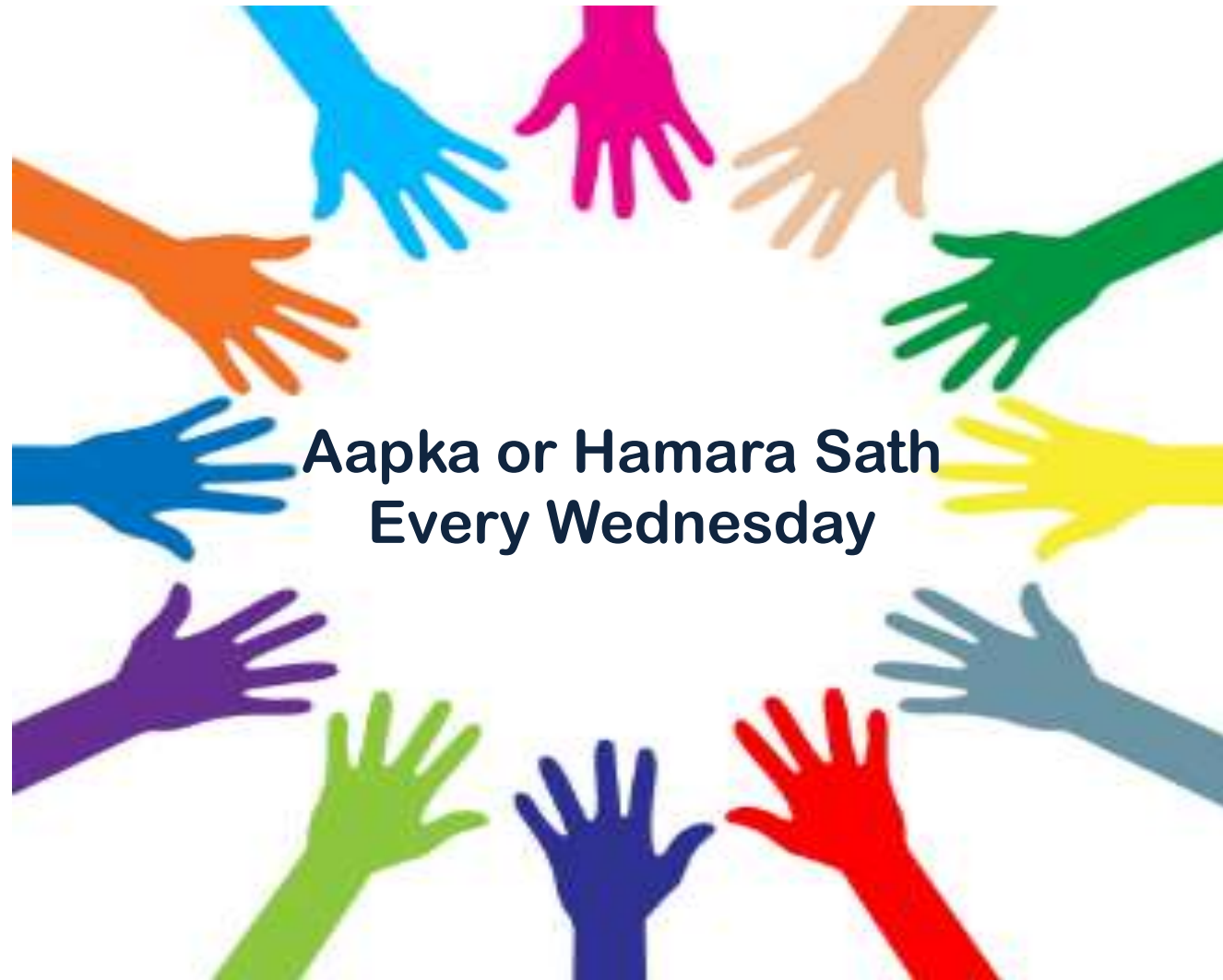


In the next part, we will discuss about Parking of ECB proceeds and Conversion of ECB into equity.

**To be continued
next WEDNESDAY...**



Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



<https://in.linkedin.com/company/jscoca>

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan
WhatsApp group



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