

# FEMA Ke Fundae

#FamiliarwithFEMA

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

Issue No :78

Date : 6th December, 2023





**Topics already  
covered in Part 3 :-**

- Procedure of raising ECB
- ECB 2-Reporting Requirements
- Changes in terms and conditions of ECB
- Late Submission Fee for delay in reporting



**For Part 3, refer the below link:-**

<https://www.linkedin.com/feed/update/urn:li:ugcPost:7135598952485142529/>

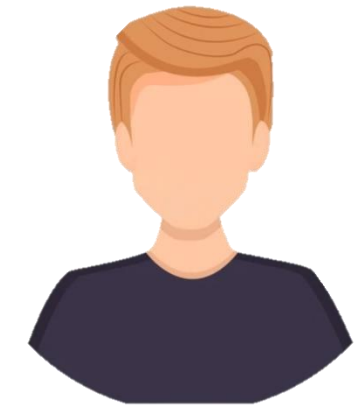
<https://jainshrimal.com/external-commercial-borrowing-part-3/>



**Abhishek**  
Director of an Indian  
Company

Hii FEMA Gyani, Hope you are doing good. I have understood the procedure for raising funds through External Commercial Borrowings. Now I want to ask although I will raise funds for working capital purpose but what if the funds remain ideal. Can we park those funds in other places?

Yes, your company can park there ideal funds domestically if it is raised from abroad meant for rupee expenditure in India.



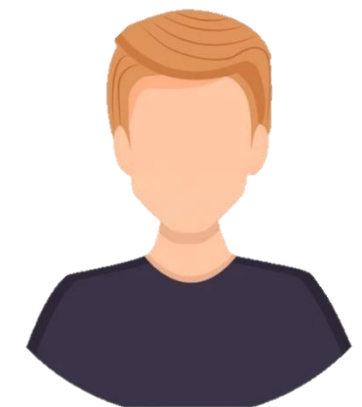
**The FEMA Gyani**



**Abhishek**  
Director of an Indian  
Company

Can you brief me more that where we can invest those ideal fund domestically?

Sure, you can park those funds in term deposits with AD banks in India for a maximum period of 12 months cumulatively.



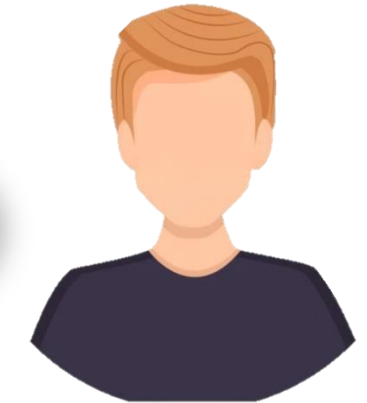
**The FEMA Gyani**



**Abhishek**  
**Director of an Indian**  
**Company**

I am curious to know, whether I can park those funds in abroad also?

Yes, if ECB proceeds raised for expenditure in foreign currency then only it can be parked abroad in the following liquid assets:-



**The FEMA Gyani**

### **Parking of ECB proceeds abroad:**

Deposits or Certificate of Deposit or other products offered by bank

Treasury bills and other monetary instruments of one-year maturity

Deposits with foreign branches/subsidiaries of Indian banks abroad



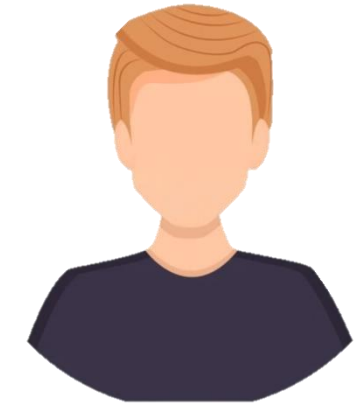


**Abhishek  
Director of an Indian  
Company**

Okay, got it. I have one question, what if at the time of repayment our company does not have funds. At that time can our company convert ECB proceedings into equity?

**Yes, it is possible subject to certain conditions:-**

- The activity is under Automatic Route or Government approval is received in Approval route.
- The conversion should be with the lender's consent and without any additional cost .
- Applicable pricing guidelines for shares are complied with
- For part conversion, it is to be reported in Monthly ECB-2 Return and converted portion is to be reported in Form FC-GPR
- For full conversion, the entire portion is to be reported in Form FC-GPR, ECB 2 Return should be done with remarks "ECB fully converted to equity". Subsequent filing of Form ECB 2 Return is not required.
- Consent of other lenders, if any.



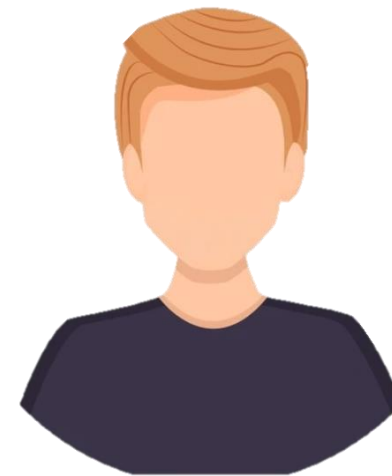
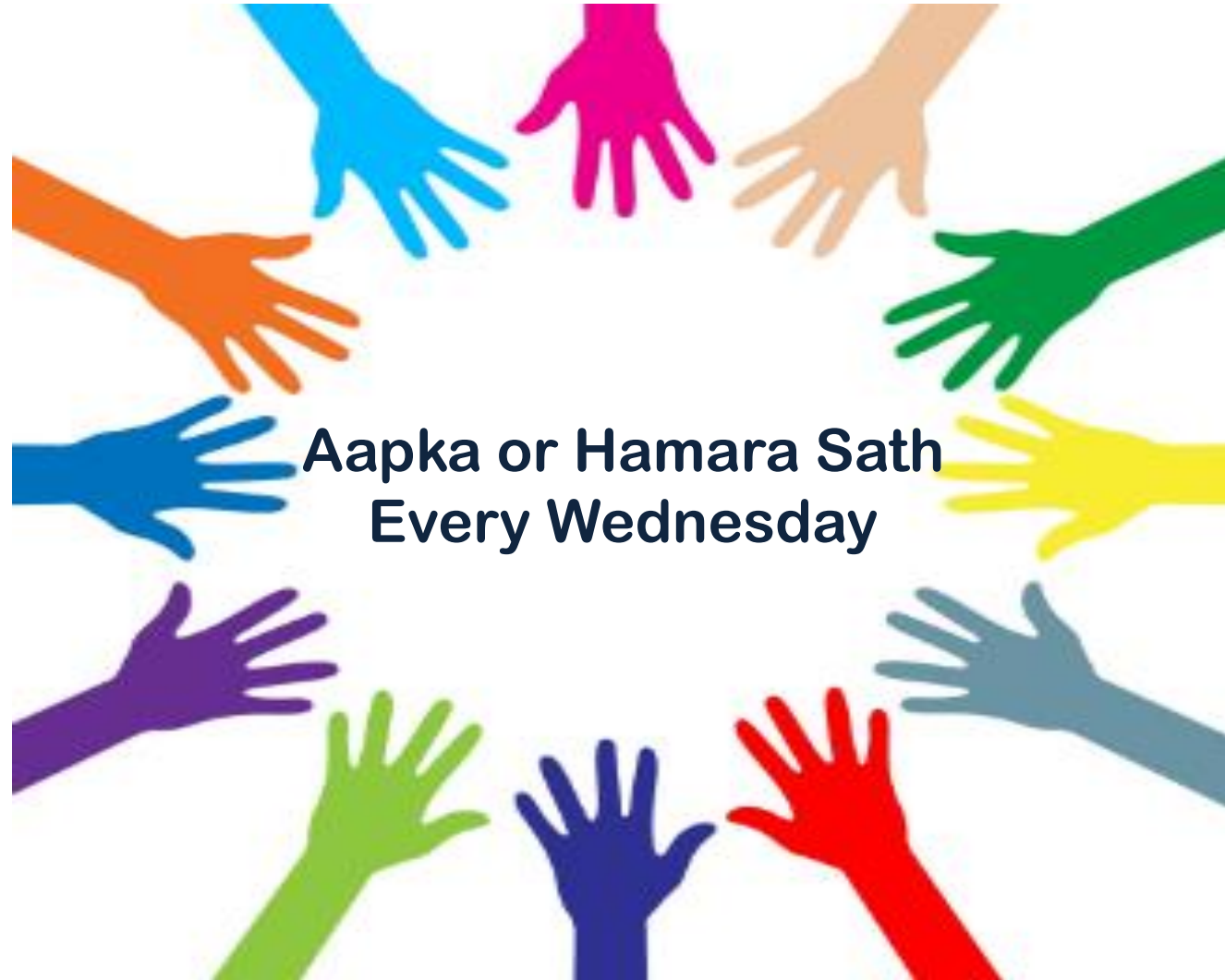
**The FEMA Gyani**



**Abhishek  
Director of an Indian  
Company**

Okay. Thank you so much FEMA gyani for resolving all my queries.

# 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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