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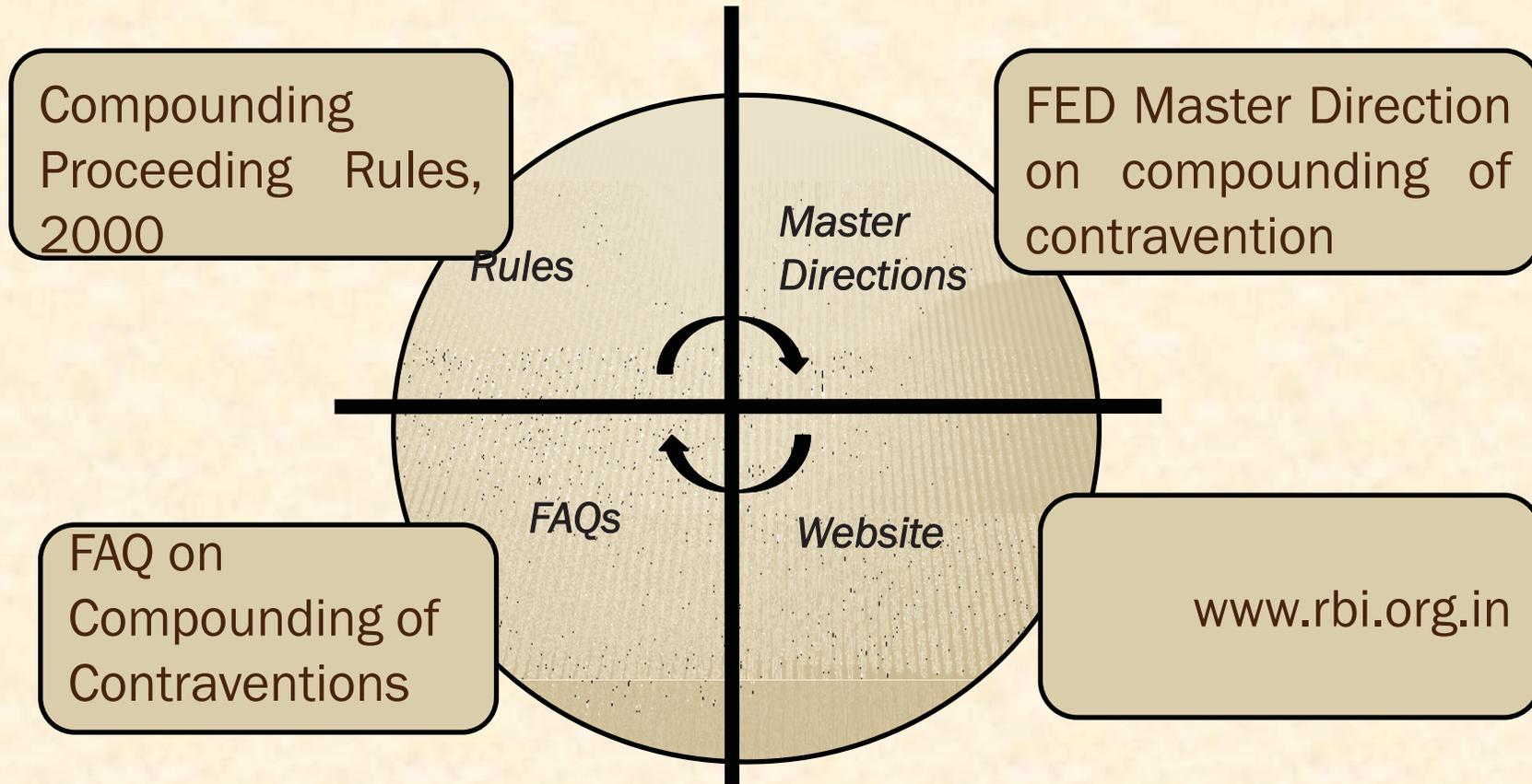
# **Law and Procedure on** **Compounding of Offences under** **FEMA, 1999**

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# LAW ON COMPOUNDING OF OFFENCES UNDER FEMA



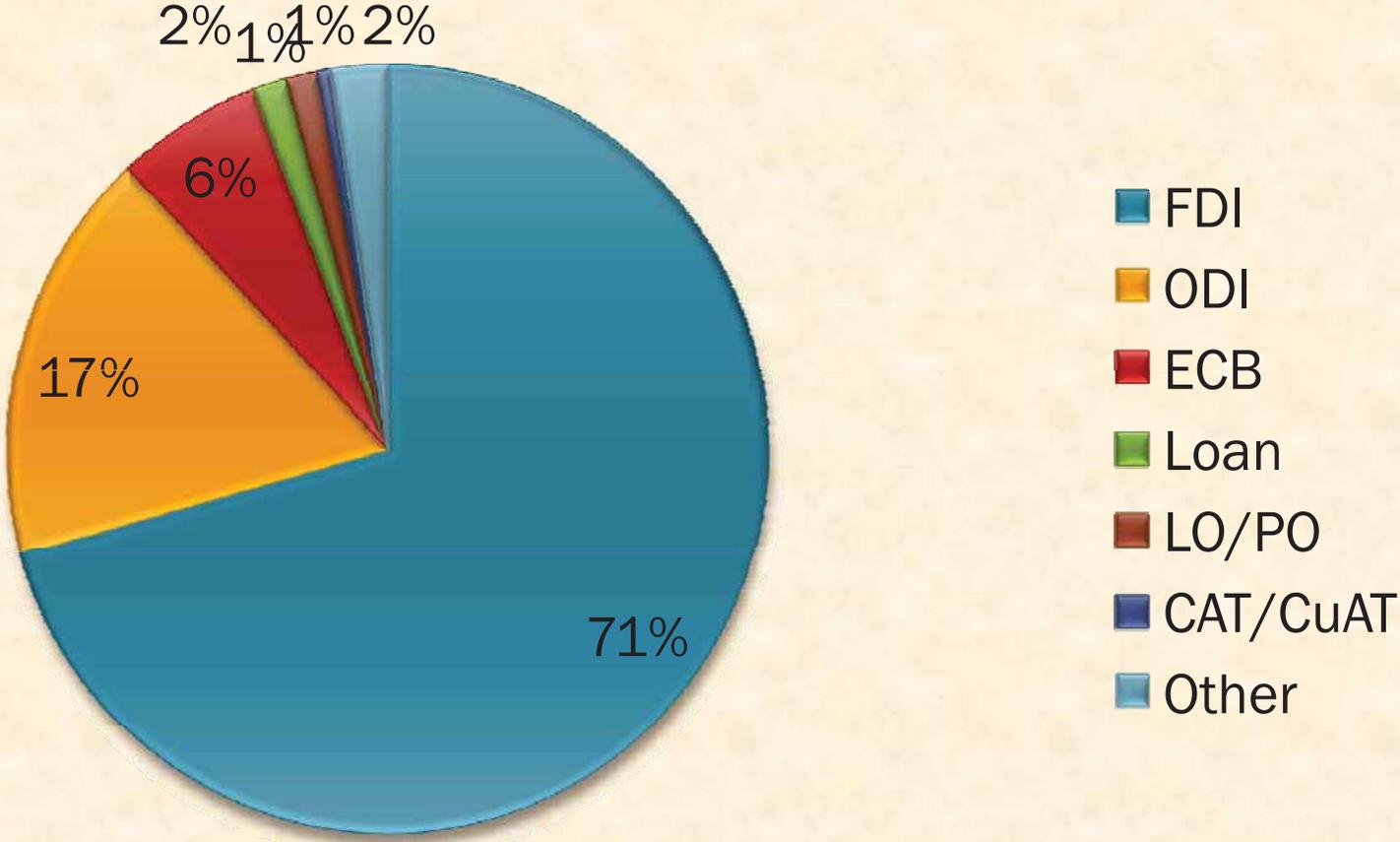
## TOTAL COMPOUNDING ORDER PASSED BY RBI TILL 24/03/18

Amount imposed under Compounding(in INR)	No. of cases	%
1-25000	111	12.16
25001-50000	115	12.60
50001-75000	122	13.36
75001-100000	79	8.65
100001-250000	224	24.54
250000-500000	81	8.87
500000-1000000	75	8.21
1000000-5000000	73	8.00
5000000-10000000	15	1.64
10000000-250000000	17	1.86
Above 250000000 (Amount Not Paid by applicant)	1	0.11
<b>Total</b>	<b>913</b>	<b>100</b>

## STATISTICAL FACTS

Area	No. of cases	%
Foreign Direct Investment(FDI)	645	70.65
Overseas Direct Investment(ODI)	159	17.42
External Commercial Borrowing(ECB)	57	6.24
Loan	13	1.42
Liaison Office/Project Office	12	1.31
CAT and CuAt	05	0.55
Other	22	2.41
<b>Total</b>	<b>913</b>	<b>100</b>

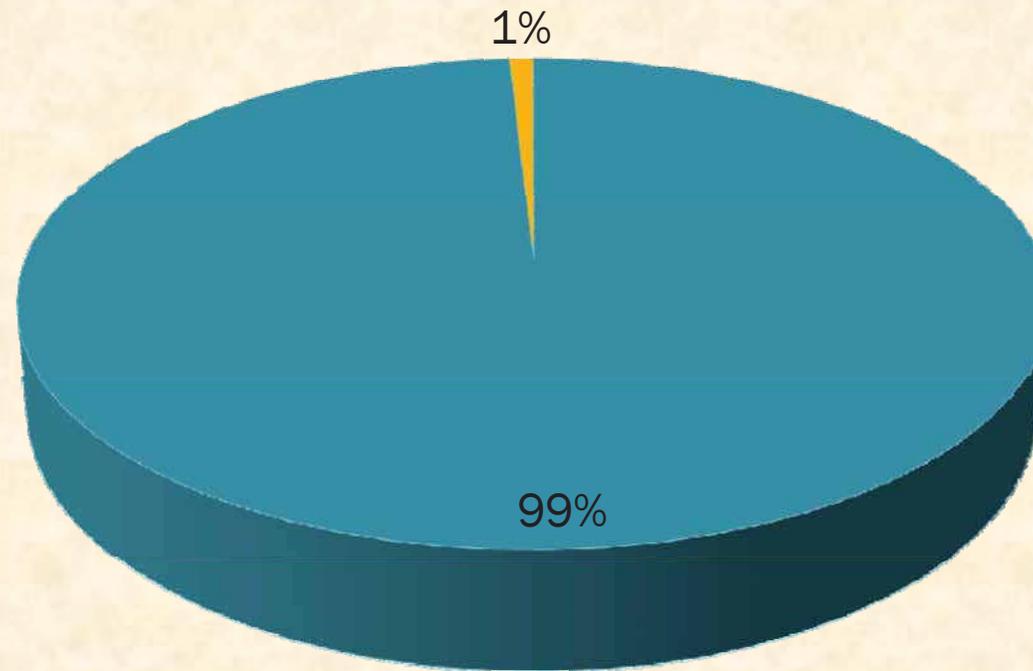
# COMPOUNDING ORDER BY AREAS



# THE AMOUNT IMPOSED HAS BEEN PAID OR NOT

## Total compounding order

■ Amount Paid   ■ Amount not paid



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## MEANING OF CONTRAVENTION

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- × Contravention is a breach of the following:
  - ❑ Provisions of the FEMA, 1999
  - ❑ Rules made under FEMA
  - ❑ Regulations
  - ❑ Notifications
  - ❑ Orders
  - ❑ Directions
  - ❑ Circulars , issued under the Foreign Exchange Management Act (FEMA), 1999.

## GENERALLY COMMITTED CONTRAVENTIONS

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- × Under Overseas Direct Investment
  - ❑ Non submission of form ODI after investment and UIN not allotted.
  - ❑ Not permitted method of funding.
  - ❑ Not obtaining share certificate within stipulated time period from the date of remittance.
  - ❑ Non-submission of Annual Performance Report (APR) every year.

## GENERALLY COMMITTED CONTRAVENTIONS

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- × Under Foreign Direct Investment
  - ❑ Not reporting of inward remittance within 30 days.
  - ❑ Not allotting equity instruments or not refunding the amount within 60 days.
  - ❑ Not submitting form FC-GPR within 30 days from the date of allotment.
  - ❑ Non submission of form FCTRS on transfer of shares.
  - ❑ Issue of instruments other than permitted instruments.

## MEANING OF COMPOUNDING OF CONTRAVENTION

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- × Meaning of the word '*compound*' or '*compounding*' not defined in the Act or in the Rules.
- × Compounding refers to the process of voluntarily admitting the contravention, pleading guilty and seeking redressal.
- × It is a voluntary process in which an individual or a corporate seeks compounding of an admitted contravention.

## **BENEFITS OF COMPOUNDING**

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- × It is a voluntary process
- × Comforts of citizens and corporate community
- × Personal hearing is not mandatory
- × minimising transaction costs
- × Time –bound disposal(180 Days)
- × Changing dynamics of our economy
- × Simple and hassle – Free procedure
- × No proceeding or further proceeding s initiated or continued
- × Absolutely transparent
- × It saves time and energy One application – One hearing  
– One order for one notification.

## **DETECTION OF CONTRAVENTION**

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- × Voluntary disclosure
- × Analysis of data
- × Market intelligence
- × Information from ADs
- × RBI's inspection
- × Through complaint
- × Other-Media reporting

## LEGAL EMPOWERMENT

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- × Section 13 of FEMA covers penalties in respect contraventions which are compounded.
- × Section 14 of FEMA Enforcement of order of adjudication Authority.
- × Section 15 of FEMA 1999 covers powers to compound contraventions and empowers the Compounding Authority to compound the contraventions

## SECTION 13

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- × Power to compound contravention.
- Any contravention under section 13 may, on an application made by the person committing such contravention, be compounded within one hundred and eighty days from the date of receipt of application by the Director of Enforcement or such other officers of the Directorate of Enforcement and officers of the Reserve Bank as may be authorized in this behalf by the Central Government in such manner as may be prescribed.
- Where a contravention has been compounded under subsection (1), no proceeding or further proceeding, as the case may be, shall be initiated or continued, as the case may be, against the person committing such contravention under that section, in respect of the contravention so compounded.

## WHO CAN APPLY FOR COMPOUNDING

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- × Any person
- × who contravenes any provision of the FEMA, 1999 [except section 3(a)] or contravenes any rule, regulation, notification, direction or order issued in exercise of the powers under this Act or
- × contravenes any condition subject to which an authorization is issued by the Reserve Bank,
- × can apply for compounding to the Reserve Bank.
- × Applications seeking compounding of contraventions under section 3(a) of FEMA, 1999 may be submitted to the Directorate of Enforcement.

## WHEN SHOULD ONE APPLY FOR COMPOUNDING

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- ✘ When a person is made aware of the contravention of the provisions of FEMA, 1999 by the Reserve Bank or any other statutory authority or the auditors or by any other means, she/he may apply for compounding.
- ✘ One can also make an application for compounding, suo moto, on becoming aware of the contravention.

# WHO CAN COMPOUNDING

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## Compounding Rules, 2000

- × The Government of India has, in consultation with the Reserve Bank placed the responsibilities of administering compounding of cases with the Reserve Bank, except under Section 3(a) of FEMA, 1999, dealing essentially with Hawala transaction.
- × Accordingly, the Government notified Compounding Rules, 2000 vide Notification No. G.S.R.383(E) dated 3rd May 2000.
- × The Enforcement Directorate is of the view that the compounding proceeding relates to a serious contravention, such cases will not be compounded by the Reserve Bank.

## **FEEES FOR SEEKING COMPOUNDING**

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- × The application in the prescribed format along with necessary documents and a demand draft for Rs. 5000/- (Rupees five thousand only) drawn in favour of the “Reserve Bank of India” should be sent to the RBI while sending the request for compounding.

## **FRAMEWORK FOR COMPOUNDING PROCESS**

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- × Master Direction – Reporting under Foreign Exchange Management Act,1999 (Updated as on March 16, 2018)
- × Master Direction- Compounding of Contraventions under FEMA, 1999 (Updated as on December 22, 2017)
- × Foreign Exchange(Compounding Proceedings) Rules, 2000 (the Rules) as amended time to time, lay down the basic framework for compounding process.
- × Compounding is guided by FEMA Notification No. FEMA 20/2000-RB dated May 03,2000 as amended from time to time.
- × RBI has issued Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2017 vide notification 20(R)/2017-RB dated November 07,2017 in supersession to FEMA notification No. 20

## **PRE-REQUISITE FOR COMPOUNDING PROCESS**

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- ✘ In respect of a contravention committed, a similar contravention could not be committed by a person in last three year.
- ✘ Contraventions relating to any transaction where proper approvals from the Government or any statutory authority concerned, have been required, such contraventions would not be compounded unless the required approvals are obtained from the concerned authorities.
- ✘ In case where adjudication has been done by the DoE and an appeal has been filed under section 17 or 19 of FEMA, no contravention can be compounded in terms of Rule 11 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

## COMPOUNDING PROCESS

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- × Receipt of application
- × Receipt of fees
- × Examination by RBI
- × Calling for additional documents, if required
- × Opportunity for personal hearing
- × Passing compounding order
- × Payment of penalty: and
- × Issuance of certificate of payment of a penalty.

## COMPOUNDING PROCESS

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- × Application, along with fee and documents to be submitted to The Compounding Authority, Central Office or the Regional Office concerned depending on the amount / contravention.
- × The application fee shall be paid by a DD in favour of the “Reserve Bank of India” and payable at Mumbai or the Regional Office location.
- × The proceedings would be concluded and order issued by the Compounding Authority within 180 days from the date of receipt of the application for compounding.
- × This time limit would be from the date of receipt of application for compounding to the date of issue of compounding order.

## COMPOUNDING PROCESS

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- × The Compounding Authority may call for additional information, relevant to the compounding proceedings.
- × Such additional information where ever called for shall be submitted within the period as specified by the CA.
- × In case the contravener fails to submit the additional information called for within specified period, the application for compounding will be liable for rejection.
- × Contraventions relating to any transaction under FEMA but requiring approval or permission from the Government Department concerned or any Statutory Authority as the case may be, would not be compounded *UNLESS* the required approval is obtained from the authorities concerned.

## COMPOUNDING APPLICATION AND RELATED DOCUMENTS

- A. The format of the application
- B. Details Required for contravention relating to Foreign Direct Investment, External Commercial Borrowings, Overseas Direct Investment and Branch Office/ Liaison Office.
- C. Undertaking that the applicant is not under investigation of any agency such as DOE, CBI, etc. in order to complete the compounding process within the time frame
- D. Mandate and details of their bank account (In case the application has to be returned for any reason, the application fees of Rs.5000/- received along with the application fees is also returned.

## **A. FORMAT OF APPLICATION(RULE 4 OR 5)**

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1. Name of the applicant (in BLOCK LETTERS)
2. Full address of the applicant (including Phone and Fax No. and email id)
3. Whether the applicant is resident in India or resident outside India.
4. Name of the Adjudicating Authority before whom the case is pending
5. Nature of the contravention [according to sub-section (1) of Section 13]
6. Brief facts of the case
7. Details of fee for application of compounding
8. Any other information relevant to the case .

I/We declare that the particulars given above are true and correct to the best of my/our knowledge and belief and that I/We am/are willing to accept any direction/order of the Compounding Authority in connection with compounding of my/our case.

Dated :

Name

(Signature of the Applicant

## **B. DETAILS REQUIRED FOR COMPOUNDING APPLICATION**

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### **× In case of contravention relating to-Foreign Direct Investment in India(FDI):**

- Name of the applicant
- Date of incorporation
- Income-tax PAN
- Nature of activities under taken (Please give NIC code – 1987 / 2008)
- Brief particulars about the foreign investor
- Details of foreign inward remittances received by Applicant Company from date of incorporation till date in following format:

**Table A**

S.No	Name of Remitter	Total Amount (INR)	Date of Receipt	Reported to RBI on	Delay if any

**Table B**

Name of Investor	Date of allotment of shares	No. of shares allotted	Amount for which shares allotted	Date of reporting to RBI	Delay if any

**Table C**

S. No	Name of Remitter	Total Amount (INR)	Date of Receipt	Excess share application money	Date of refund of share application money	Amount in Forex	RBI approval letter and date

**Table D(Authorised Capital)**

S.No	Date	Authorised Capital	With effect from	Date of Board meeting	Date of filing with ROC

A= B+C

Please give supporting documents

Table A- Copies of FIRC with date stamp of receipt at RBI

Table B- Copies of FCGPR with date stamp of receipt at RBI

Table C – letter seeking refund/ allotment of shares- approval letter from RBI A2 form

Copies of Balance Sheet during the period of receipt of share application money

and allotment of shares

Nature of contravention and reasons for the contravention

- 
- × In case of contravention relating External Commercial Borrowing (ECB)
  - × Name of the applicant
  - × Date of incorporation
  - × Income-tax PAN
  - × Nature of activities under taken (Please give NIC code – 1987)
  - × Brief particulars about the foreign lender
  - × Is the applicant an eligible borrower?
  - × Is the lender eligible lender?
  - × Is the lender an equity holder?
  - × What is the level of his holding at the time of loan agreement?
  - × Details of ECB

- × Amount in Foreign Currency and Indian Rupee
- × Rate of interest
- × Period of loan
- × Repayment particulars-

Date of draw down	Amount in Foreign Currency	Amount in INR
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- × Details of draw down
- × Details of LRN Number- application and receipt
- × Details of ECB 2 returns submitted; Period of return: Date of submission
- × Details of Utilization of ECB in Foreign Currency and Indian Rupee
- × Nature of contravention and reasons for the contravention
- × All supporting documents may be submitted

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- × In case of contravention relating Overseas Direct Investment (ODI)

- × Name of the applicant

- × Date of incorporation

- × Income-tax PAN

- × Nature of activities under taken (Please give NIC code – 1987)

- × Name of Overseas entity

- × Date of incorporation of overseas entity

- × Nature of activities under taken by overseas entity

- × Nature of entity- WOS/JV

- 
- × Details of remittance sent- Date of remittance; Amount in FCY and in INR
  - × Details of other financial Commitment
  - × Details of UIN applied and received
  - × Date of receipt of share certificate
  - × Approval of other regulators if required
  - × Details of APRs submitted: For the period ended; date of submission
  - × Nature of contravention and reasons for the contravention
  - × All supporting documents may be submitted

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× In case of contravention relating Branch/Liaison Office in India

- × Name of the applicant
- × Date of incorporation
- × Income-tax PAN
- × Nature of activities under taken (Please give NIC code – 1987)
- × Date of approval for opening of Liaison Office/ Branch Office
- × Validity period of the approval
- × Income and expenditure of the LO/BO
- × Dates of submission of Annual activity Certificates
- × Nature of contravention and reasons for the contravention
- × All supporting documents may be submitted

## C.ELECTRONIC CLEARING SERVICE (ECS) - MANDATE FORM

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1. Name of the Party (Beneficiary)
2. PAN
3. Particulars of the Bank Account –
  - A. Name of the Bank
  - B. Name of the Branch - Address: Telephone No:
  - C. Type of Account - SAVINGS / CURRENT
  - D. Account No. - (as appearing on the cheque book issued by the Bank)
  - E. The 9 Digit MICR Code Number - (as appearing on the cheque book)
  - F. IFSC Code - (as appearing on the cheque book issued by the Bank)
4. Checklist for Attachments: Photocopy of PAN Card  
Photocopy of a cancelled blank cheque
5. I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I/We would not hold the user institution responsible.

Date:

Place:

Signature of the Authorised Signatory  
(Name of the Authorised Signatory)  
Official Stamp

## **4.UNDERTAKING (ON THE LETTERHEAD OF THE APPLICANT )**

I/We \_\_\_\_\_ (Name of the applicant) hereby confirm/declare that I/we am/are not under any enquiry/investigation/adjudication by any agency such as Directorate of Enforcement, CBI etc as on the date of this application.

I/We further undertake to inform to the Compounding Authority / Reserve Bank of India immediately, in writing, if any enquiry/investigation/adjudication proceedings are initiated by any agency against me/us at any time hereafter but on or before the date of issuance of the compounding order in respect of the compounding application filed by me/us.'

OR

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I/We \_\_\_\_\_ (Name of the applicant) hereby confirm/declare that I/we am/are or was/were under enquiry/investigation/adjudication by any agency such as Directorate of Enforcement, CBI etc. and the details are given in the Annex.

I/We further undertake and confirm that no appeal has been filed by me/us under section 17 or section 19 of FEMA, 1999.

Signature of the authorised signatory

## POWER TO COMPOUND BY DESIGNATION IN RBI

S.No.	Monetary Limit	Designation/post in RBI
1	Rs. Ten Lakhs or less	Assistant General Manager
2	Rs. Ten Lakhs or more but less than Rs. Forty Lakhs	Deputy General Manager
3	Rs. Forty Lakhs or more but less than Rs. Hundred Lakhs	General Manager
4	Rs. One Hundred Lakhs or more	Chief General Manager

- Provided no contravention shall be compounded unless the amount involved in such contravention is quantifiable.

## POWERS OF COMPOUNDING TO REGIONAL OFFICES OF RBI

S.No.	FEMA Regulations	Brief Description of Contravention
1	Paragraph 9(1)(A) of Schedule I	Delay in reporting inward remittance for issue of shares.
2	Paragraph 9(1)(B) of Schedule I	Delay in filing form FC(GPR) after issue of shares.
3	Paragraph 9(2) of Schedule I	Delay in filing the Annual Return in respect of the Foreign Liabilities and Assets (FLAR)
4	Paragraph 8 of Schedule I	Delay in issue of shares/refund of share application money beyond 180 days, mode of receipt of funds, etc.
5	Paragraph 5 of Schedule I	Violation of pricing guidelines for issue of shares

6	Regulation 2(ii) read with Regulation 5(1)	Issue of ineligible instruments such as non-convertible debentures, partly paid shares, shares with optionality clause, etc.
7	Paragraph 2 or 3 of Schedule I	Issue of shares without approval of RBI or FIPB respectively, wherever required.
8	Regulation 10A (b)(i) read with paragraph 10 of Schedule I	Delay in submission of form FC-TRS on transfer of shares from Resident to Non-Resident.
9	Regulation 10B (2) read with paragraph 10 of Schedule I	Delay in submission of form FC-TRS on transfer of shares from Non-Resident to Resident.
10	Regulation 4	Taking on record transfer of shares by investee company, in the absence of certified from FC-TRS.

## **NOTIFICATION NO. FEMA 20(R)/2017-RB DATED 07/11/17**

- ✘ The compounding powers have been delegated to the Regional Offices of the RBI:

S.No.	FEMA Regulations	Brief Description of Contravention
1	Regulation 13.1(1)	Delay in reporting inward remittance received for issue of shares.
2	Regulation 13.1(2)	Delay in filing form FC(GPR) after issue of shares.
3	Regulation 13.1(3)	Delay in filing the Annual Return on Foreign Liabilities and Assets (FLA).
4	Paragraph 2 of Schedule I	Delay in issue of shares/refund of share application money beyond 60 days, mode of receipt of funds, etc.

5	Regulation 11	Violation of pricing guidelines for issue/transfer of shares.
6	Regulation 2(v) read with Regulation 5	Issue of ineligible instruments
7	Regulation 16.B	Issue of shares without approval of RBI or Government, wherever required.
8	Regulation 13.1(4)	Delay in submission of form FC-TRS on transfer of shares from Resident to Non-Resident.
9	Regulation 4	Receiving investment in India from non-resident or taking on record transfer of shares by investee company.

## **POWER TO FED, CO CELL, RBI, 6, SANSAD MARG, NEW DELHI**

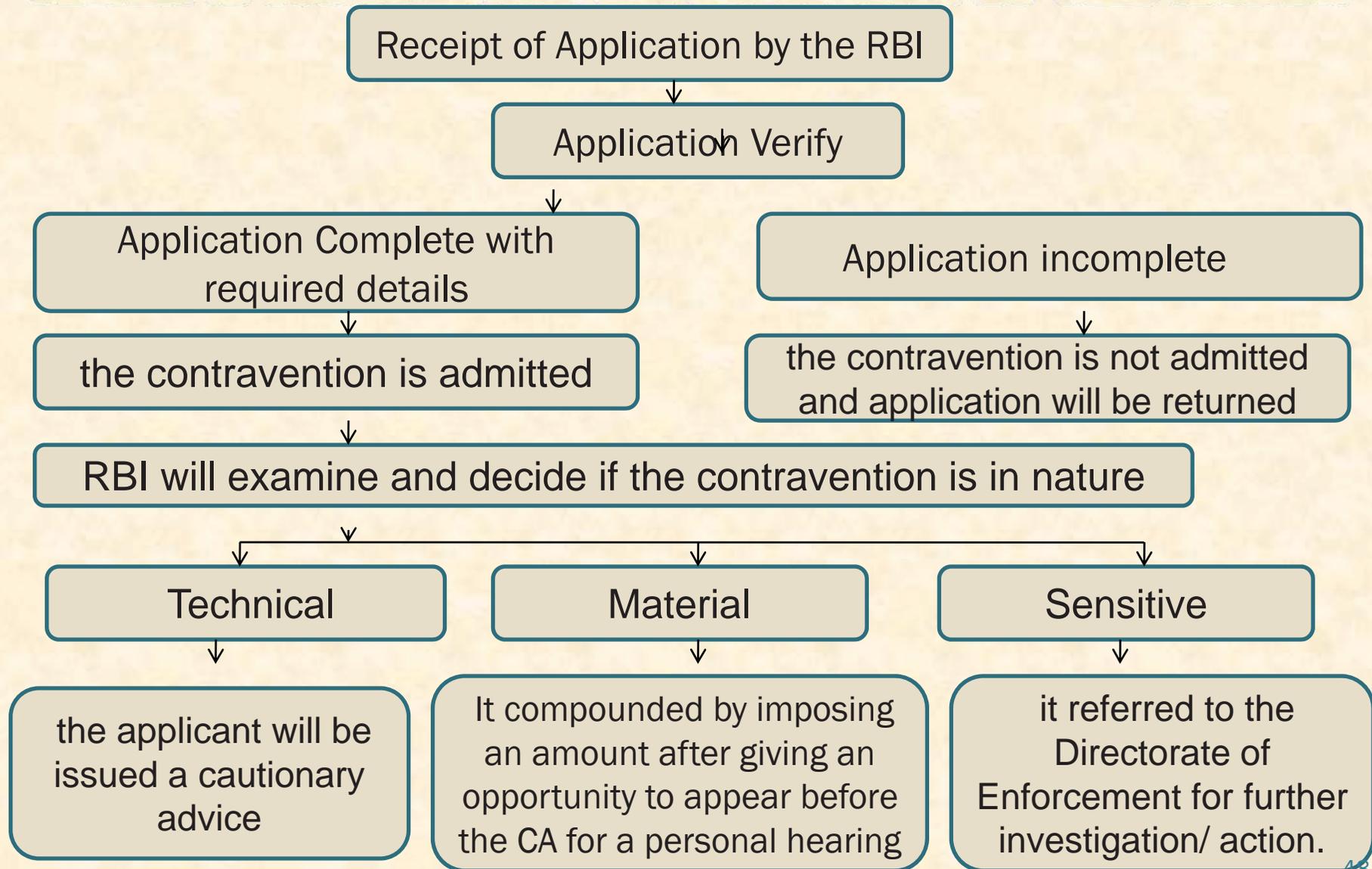
- × Foreign Exchange Department, Central Office Cell are now authorized to compound the contraventions as under:

S.No.	FEMA Regulations	Brief Description of Contravention
1	<u>FEMA 7/2000-RB, dated 3-5-2000</u>	Contraventions relating to acquisition and transfer of immovable property outside India
2	<u>FEMA 21/2000-RB, dated 3-5-2000</u>	Contraventions relating to acquisition and transfer of immovable property in India
3	<u>FEMA 22/2000-RB, dated 3-5-2000</u>	Contraventions relating to establishment in India of Branch office, Liaison Office or project office
4	<u>FEMA 5/2000-RB, dated 3-5-2000</u>	Contraventions falling under Foreign Exchange Management (Deposit) Regulations, 2000

- 
- ✘ The above contraventions can be compounded by all Regional Offices of FED (except Kochi and Panaji) without any limit on the amount of contravention.
  - ✘ Kochi and Panaji Regional offices can compound the above contraventions for amount of contravention below Rupees 1,00,00,000/-.
  - ✘ The contraventions of Rupees 1,00,00,000/- and above under the jurisdiction of Panaji and Kochi Regional Offices and all other contraventions of FEMA will be compounded at Cell for Effective Implementation of FEMA (CEFA), Mumbai,

- 
- × Accordingly, applications for compounding related to the above contraventions may be submitted by the concerned entities to the respective Regional Offices under whose jurisdiction they fall or to FED, CO Cell, New Delhi, as applicable.
  - × For **all other** contraventions, applications may continue to be submitted to CEFA, Foreign Exchange Department, 5th floor, Amar Building, Sir P.M.Road, Fort, Mumbai 400001.

# ACTION IS TAKEN BY THE RBI ON RECEIPT OF APPLICATION



## **TYPE OF CONTRAVENTIONS**

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Type of contravention would be decided by the RBI on the merits of the case.

- × Sensitive Contraventions those contravention having serious issue like suspected of money laundering, terror financing or affecting sovereignty and integrity of the nation.
- × Material Contraventions Material contraventions are those which are required to be compounded for which the necessary compounding procedure has to be followed.
- × Technical Contraventions Whenever a contravention is identified by the RBI or brought to its notice by the entity involved in contravention by way of a reference other than through the prescribed application for compounding, the Bank will decide it technical contravention.

## **CONTRAVENTION NOT BE CLASSIFIED AS TECHNICAL**

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- × Once a compounding application is filed by the concerned entity suo moto, admitting the contravention, the same will not be considered as 'technical' or 'minor' in nature and the compounding process shall be initiated in terms of section 15 (1) of Foreign Exchange Management Act, 1999 read with Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

# WHEN A CONTRAVENTION IS CLASSIFIED AS MATERIAL

When contravention is material than concern authorities call for a personal hearing.

person opts to attend the personal hearing( ***applicant authorise another person to attend the personal hearing***)

The application would be disposed of on the basis of personal hearing and documents submitted

person opts not to attend the personal hearing.

The application would be disposed of on the basis of documents submitted.

- Appearing for personal hearing is not mandatory.
- The personal hearing does not have any bearing whatsoever on the amount imposed in the compounding order.

## COMPOUNDING ORDER(CO)

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- × The Compounding Authority passes an order indicating details of the contravention and the provisions of FEMA, 1999 that have been contravened.
- × The Compounding Authority shall pass an order after affording the contravener an opportunity of being heard.
- × The sum payable for compounding the contravention is indicated in the compounding order.
- × The contravention is compounded by payment of the amount imposed.
- × Compounding orders passed on or after June 1, 2016 will be published on the RBI's website. The data on the website will be updated on monthly intervals in the following format:

Sr.No	Name of applicant	Amount Imposed	Paid/not Paid	Download order
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## **FACTOR- CONSIDERED AT TIME OF PASSING CO**

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- × The amount of gain of unfair advantage, wherever quantifiable, made as a result of the contravention;
- × the amount of loss caused to any authority/ agency/ exchequer as a result of the contravention;
- × economic benefits accruing to the contravener from delayed compliance or compliance avoided;
- × the repetitive nature of the contravention;
- × The track record and/or history of non-compliance of the contravener;
- × Submissions made during the personal hearing; and
- × any other factor as considered relevant and appropriate.

# CALCULATION OF COMPOUNDING AMOUNT

✘ the amount to be imposed on compounding is calculated as below:

Type of contravention	Formula
<p><b>1] Reporting Contraventions</b></p> <p><b>A) FEMA 20</b> Para 9(1)(A), 9(1)(B), FCTRS (Reg. 10) and taking on record FCTRS (Reg. 4)</p> <p><b>B) FEMA 3</b> Non submission of ECB statements</p> <p><b>C) FEMA 120</b> Second/subsequent remittance without obtaining of UIN will be covered under Item 5 below). Non reporting/delay in reporting of acquisition/setup of subsidiaries/step down subsidiaries /changes in the shareholding pattern</p> <p><b>D) Any other reporting contraventions (except those in Item 2 below)</b></p>	<p>Fixed amount : Rs10000/- (applied once for each contravention in a compounding application) + Variable amount as under:</p> <p>Upto 10 lakhs: 1000 per year</p> <p>Rs.10-40 lakhs: 2500 per year</p> <p>Rs.40-100 lakhs: 7000 per year</p> <p>Rs.1-10 crore : 50000 per year</p> <p>Rs.10 -100 Crore : 100000 per year</p> <p>Above Rs 100 Crore: 200000 per year</p>

Type of contravention	Formula
<p><u>1] Reporting contraventions by LO/BO/PO</u></p>	<p>As above, subject to ceiling of Rs.2 lacs. In case of Project Office, the amount of contravention shall be @10% of total project cost.</p>
<p><u>2] AAC/ APR/ Share certificate delays</u> In case of non-submission/ delayed submission of APR/ share certificates (FEMA 120) or AAC (FEMA 22) or FCGPR (B) Returns (FEMA 20) or FLA Returns (FEMA 20 (R))</p>	<p>Rs.10000/- per AAC/APR/FCGPR (B) Return delayed. Delayed receipt of share certificate – Rs.10000/- per year, the total amount being subject to ceiling of 300% of the amount invested.</p>
<p><u>3]</u> <u>A] Allotment/Refunds</u> Para 8 of FEMA 20/2000-RB (non-allotment of shares or allotment/ refund after the stipulated 180 days) <u>B] LO/BO/PO</u> (Other than reporting contraventions)</p>	<p>Rs.30000/- + given percentage: 1st year : 0.30% 1-2 years : 0.35% 2-3 years : 0.40% 3-4 years : 0.45% 4-5 years : 0.50% &gt;5 years : 0.75% For PO the amount of contravention shall be deemed to be 10% of the cost of project</p>

Type of contravention	Formula
<p>4] <u>All other contraventions except Corporate Guarantees but including all contraventions of FEMA 20(R)/2017-RR dated November 07, 2017 other than FIA Returns</u></p>	<p>Rs.50000/- + given percentage:  1st year : 0.50%  1-2 years : 0.55%  2-3 years : 0.60%  3-4 years : 0.65%  4-5 years : 0.70%  &gt; 5 years : 0.75%</p>
<p>5] <u>Issue of Corporate Guarantees</u> without UIN/ without permission wherever required /open ended guarantees or any other contravention related to issue of Corporate Guarantees.</p>	<p>Rs.500000/- + given percentage:  1st year : 0.050%  1-2 years : 0.055%  2-3 years : 0.060%  3-4 years : 0.065%  4-5 years : 0.070%  &gt;5 years : 0.075%</p> <p>In case the contravention includes issue of guarantees for raising loans which are invested back into India, the amount imposed may be trebled.</p>

- × *The contraventions (except FLAR) of FEMA 20 existing and continuing as on November 07, 2017 (i.e. the starting date of contraventions prior to November 07, 2017) will be compounded as per 1(A) above.*
- × The above amounts are presently subject to the following:
- × (i) the amount imposed should not exceed 300% of the amount of contravention
- × (ii) In case the amount of contravention is less than Rs. One lakh, the total amount imposed should not be more than amount of simple interest @5% p.a. calculated on the amount of contravention and for the period of the contravention in case of reporting contraventions and @10% p.a. in respect of all other contraventions.
- × (iii) In case of paragraph 8 of Schedule I to FEMA 20/2000 RB contraventions, the amount imposed will be further graded as under:

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- ✘ If the shares are allotted after 180 days without the prior approval of Reserve Bank, 1.25 times the amount calculated as per table above
  - ✘ If the shares are not allotted and the amount is refunded after 180 days with the Bank's permission: 1.50 times the amount calculated as per table above
  - ✘ If the shares are not allotted and the amount is refunded after 180 days without the Bank's permission: 1.75 times the amount calculated as per table above
  - ✘ In cases where it is established that the contravener has made undue gains, the amount thereof may be neutralized to a reasonable extent by adding the same to the compounding amount calculated as per chart.

## **PENALTIES-QUANTUM OF PENALTY (SECTION 13)**

- × Compounding may be subject to a penalty up to thrice the sum involved in such contravention where such amount is quantifiable,  

or
- × up to Rs 2 Lakhs where the amount is not quantifiable.  

and
- × where such contravention is a continuing one, further penalty which may extend to Rs 5000/-for every day after the first day during which the contravention continues.

## TIME LIMIT FOR PAYMENT OF CONTRAVENTION PENALTY

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- ✘ The contravention penalty should be paid within 15 days from the date of the order.
- ✘ In case of non-payment of the amount indicated in the compounding order within 15 days of the order, it will be treated as if the applicant has not made any compounding application to the RBI.
- ✘ Such cases will be referred to the Directorate of Enforcement for necessary action.

## HOW DOES THE APPLICATION FINALLY GET DISPOSED OF?

- × On realization of the sum for which contravention is compounded, a certificate shall be issued by the Reserve Bank indicating that the applicant has complied with the order passed by the Compounding Authority.
- × There cannot be a second adjudication by any authority on the contravention compounded.
- × In terms of FEMA, 1999, where a contravention has been compounded, no proceeding or further proceeding, as the case may be, can be initiated or continued, as the case may be, against the person committing such contravention under that section, in respect of the contravention compounded.

## APPEAL AGAINST THE COMPOUNDING ORDER

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- × As compounding is based on voluntary admissions and disclosures, there is:
- × no provision under the Compounding Rules for an appeal against the order of the Compounding Authority or
- × for a request for reduction of amount compounded or
- × extension of period for payment of the amount imposed.

## **CASES IN WHICH APPLICATION FEES WILL BE RETURN**

- × In case the application has to be returned where required approvals are not obtained from the authorities concerned, or
- × in case of incomplete application for any other reason,
- × the application fees of Rs.5000/-, received along with the application will be returned by crediting the same to the applicant's account through NEFT.

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THANKYOU