

FED Master Direction No.4/2015-16
Compounding of Contraventions under FEMA, 1999

- ❖ The provisions of section 15 of Foreign Exchange Management Act, 1999 (42 of 1999) hereinafter referred to as FEMA, 1999, permit compounding of contraventions and, as such it empowers the Reserve Bank to compound any contravention as defined under section 13 of the FEMA, 1999, except the contraventions under section 3 (a) of FEMA, 1999, on an application made by the person committing such contravention.

- ❖ he shall, upon adjudication, be liable to a penalty up to **thrice the sum involved** in such contravention of provisions, any rule, regulation, notification, direction or order issued ,where the amount is quantifiable or up to Rupees Two lakhs, where the amount is not directly quantifiable and where the contravention is a continuing one, further penalty which may extend to Rupees Five thousand for every day after the first day during which the contravention continues.

- ❖ **Authorisation to compound the contraventions by FED CO Cell, New Delhi :**

FEMA 7/2000-RB, dated 3-5-2000 Contraventions relating to acquisition and transfer of immovable property outside India	FEMA 21/2000-RB, dated 3-5-2000 Contraventions relating to acquisition and transfer of immovable property in India
FEMA 21/2000-RB, dated 3-5-2000 Contraventions relating to acquisition and transfer of immovable property in India	FEMA 5/2000-RB, dated 3-5-2000 Contraventions falling under Foreign Exchange Management (Deposit) Regulations , 2000

❖ **Delegation of Powers to Regional Offices:**

Paragraph 9(1)(A) of Schedule I to FEMA 20/2000-RB dated May 3, 2000 Delay in reporting inward remittance received for issue of shares.	Paragraph 9(1)(B) of Schedule I to FEMA 20/2000-RB dated May 3, 2000 Delay in filing form FC(GPR) after issue of shares.	Paragraph 8 of Schedule I to FEMA 20/2000-RB dated May 3, 2000 Delay in issue of shares/refund of share application money beyond 180 days, mode of receipt of funds, etc.	Paragraph 5 of Schedule I to FEMA 20/2000-RB dated May 3, 2000 Violation of pricing guidelines for issue of shares.	Regulation 2(ii) read with Regulation 5(1) of FEMA 20/2000-RB dated May 3, 2000 Issue of ineligible instruments such as non-convertible debentures, partly paid shares, shares with optionality clause, etc
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- ❖ For **all other** contraventions, 5th floor, Amar Building, Sir P.M.Road, Fort, Mumbai
- ❖ Any second or subsequent contravention committed after the expiry of a period of three years from the date on which the contravention was previously compounded shall be deemed to be a first contravention. such contraventions would not be compounded unless the required approvals are obtained from the concerned authorities.
- ❖ 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.
- ❖ The applicant opts for appearing for the personal hearing, the Reserve Bank would encourage the applicant to appear directly for it rather than being represented / accompanied by legal experts / consultants, as compounding is only for admitted contraventions.
- ❖ Against compounding no review, no stay no withdrawal of application permitted . Penalties need to pay in 15 days time.