

Update

Compounding of Contraventions under FEMA- RBI further delegates its authority

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Update

The Reserve Bank of India (“RBI”) vide **RBI/2011-12/298 A.P. (DIR Series) Circular No.57¹** dated December 13, 2011 has issued certain directions as a customer service measure for Compounding of Contraventions under Foreign Exchange Management Act, 1999 (“FEMA”) Foreign Exchange (Compounding Proceedings) Rules, 2000 (the “Rules”).

Compounding of contraventions refers to the process of voluntarily admitting the contravention, pleading guilty and seeking redressal. The Reserve Bank is empowered to compound any contraventions as defined under section 13¹ of FEMA except the contravention under section 3(a)², for a specified sum after offering an opportunity of personal hearing to the contravener.

The RBI in order to remove functional incommodiousness has now decided to delegate these powers to its regional offices to compound the contravention of certain regulations under the FEMA. This step of RBI would be of relevance to companies that have contravened regulations of FEMA, especially to one that have received share subscription moneys from non-resident investors and have not reported receipt of the same within the prescribed timelines, and/or failed to issue/report shares within prescribed timelines.

The powers delegated by RBI are summarized below:

Contraventions	Relevant Regulation	Regional Offices	Amount of Contravention
Delay in reporting of inward remittance and Delay in filing of form FC-GPR after allotment of shares	Sub regulation 9(1)(A) of Schedule I to FEMA 20/2000-RB Sub regulation 9(1)(B) of Schedule I to FEMA 20/2000-RB	Bhopal, Bhubaneswar, Chandigarh, Guwahati, Jaipur, Jammu, Kanpur, Kochi, Patna and Panaji	Below Rupees One Crore only
Delay in reporting of inward	Sub regulation 9(1)(A) of Schedule	Ahmedabad, Bangalore, Chennai,	Without any limit

¹ <http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6870&Mode=0>



Update

remittance	I to FEMA 20/2000- RB	Hyderabad, Kolkata, Mumbai and New Delhi	
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The RBI has further authorised the Compounding Authorities attached to these Regional Offices of the Foreign Exchange Department to compound cases at their level(s) within the financial powers as per the Foreign Exchange (Compounding Proceedings) Rules, 2000.

Details to be furnished along with the application for compounding of contravention relating to Foreign Direct Investment in India and other relevant details can be read on the following link:

<http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6870&Mode=0>