

## **Annex-II**

[A.P.(DIR Series) Circular No. 56  
dated June 28, 2010]

### **Compounding Process – Indicative Operational Check Points**

The FEMA 1999 provides for an opportunity of seeking compounding of contraventions, in terms of which a contravener has a *suo moto* opportunity of making an application to the compounding authority seeking the contravention, as defined in Section 13 of the FEMA, to be compounded.

- (i) Contraventions which are wilful, intentional or having *malafide* and fraudulent intentions shall not be considered for compounding in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000.
- (ii) The compounding application has to be made in the Format as in "Form" appended to the Foreign Exchange (Compounding Proceedings) Rules, 2000, duly completed in all respect in duplicate, together with copy of the memorandum, wherever applicable, with the prescribed fee and all supporting documents to The Compounding Authority, The Reserve Bank of India, [Cell for Effective implementation of FEMA (CEFA)], Foreign Exchange Department, 5th Floor, Amar Building, Sir P M Road, Fort, Mumbai- 400001 or as advised in the memorandum issued by the office of the Reserve Bank.
- (iii) The Demand Draft towards the application fee as well towards the sum for which contravention is compounded should be in favour of the "Reserve Bank of India" and payable at the centre where the application shall be processed/was processed and the compounding order was issued.
- (iv) The applicant must indicate the following information about the authorized person of the entity who would be handling the complete process of the compounding :
  - Name and Designation of the authorised person for the contravener
  - Telephone/Fax/Email of the authorized person.

- In column-6 of the Form (Brief facts of the case) details of the contravener e.g. date of incorporation, ownership pattern, activity, transaction etc. may be provided.
- (v) The contravener/applicant shall specify the details of the contraventions sought to be compounded in column-5 [according to sub-section (1) of Section 13] explicitly and expressly i.e. the provision of the FEMA, or Rule, Regulation, Direction or order issued in exercise of the powers under the FEMA, or condition subject to which an authorisation was issued by the Reserve Bank.
- (vi) The contravener/applicant shall also specify / describe in the application the details/facts (e.g. date, amount (in Indian Rupees), parties involved etc.) of the transaction for which the contravention has occurred.
- (vii) The compounding applications found incomplete by the Reserve Bank shall be rejected and appropriate action for the contravention of the FEMA shall be taken accordingly.
- (viii) The contravener/applicant shall submit all the required information/document together with the application, on the basis of which the gravity and nature of the contravention would be assessed by the compounding authority and accordingly the sum for which the contravention shall be compounded would be determined.
- (ix) Non-submission of relevant information/document during the processing of the compounding application would be considered as willful and intentional suppression of the material fact and the compounding application would be liable for rejection and appropriate action for contravention under the FEMA.
- (x) Communications and orders issued under the compounding process shall be served on the authorised person in any of the following manners, which are to say by fax/Courier/Registered Post by sending it to the address/information given in the compounding application.

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