



In the

Reserve Bank of India
Foreign Exchange Department
Fort Glacis, No.16, Rajaji Salai
Chennai 600 001

Present

P Ramesh
Assistant General Manager

Date : March 13, 2019
C.A.879/2018

In the matter of

M/s. Escrowtech India Pvt Ltd.
C2-A, Industrial Estate
Guindy
Chennai- 600 032

(Applicant)

In exercise of the powers under section 15 (1) of the Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/orders made there under, I pass the following

Order

The applicant has filed a compounding application dated January 18, 2019 (received at Reserve Bank on January 25, 2019) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contravention sought to be compounded is delay in allotment of shares to the non-resident investors in terms of Paragraph 8 of Schedule I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident



Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 as then applicable (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant company was incorporated on February 10, 2005 under the provisions of the Companies Act, 1956 (Registration No.U72200TN2005PTC055349) and is engaged in business of data processing, hosting and related activities. The company has received foreign inward remittances amounting to ₹2,72,984.00 from M/s. Escrowtech International Inc, USA on April 8, 2008 towards subscription to equity shares and reported the same to the Reserve Bank within the prescribed period. Against the remittance, the company allotted shares amounting to ₹ 2,72,810.00 on July 27, 2009 and filed the relevant FC-GPR with Reserve Bank.

3. The company allotted 27,281 shares of ₹10/- each on July 27, 2009 against remittance as detailed below:

Sl. No.	Date of receipt	Amount (₹)	Date of allotment
1	08.04.2008	2,72,984.00	27.07.2009

The company allotted shares as indicated above with delay of nine months 19 days approximately beyond the stipulated time of 180 days without prior approval of Reserve Bank. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.

4. The applicant was advised about the contravention vide memorandum dated December 19, 2018. The applicant has filed a compounding application dated January 18, 2019 wherein it has been declared in the compounding application that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has been declared in the declaration furnished with the compounding application that the applicant was not under any



enquiry/investigation/adjudication by any agency as on the date of the application and has, in this regard, not informed of initiation of any such enquiry/investigation/adjudication proceedings against it/him/her thereafter. Accordingly, the above contraventions which are being compounded in this Order are subject to the veracity of the above declarations made by the applicant and this order is without prejudice to any other action which may be taken by any authority under the extant laws if the said declarations are subsequently discovered to be false and/or incorrect.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated March 05, 2019 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on March 08, 2019 during which Smt N Srividhya, Practicing Company Secretary represented the applicant. The authorized representative of the applicant admitted the contravention as stated in para 3 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delays were unintentional. In view of the above, they requested to take a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well as other documents and submissions made in this context by the applicant during the personal hearing.

6. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application and during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

- (a) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB read with AP (Dir Series) Circular No.20 dated December 14, 2007 due to delay in allotment of shares without prior approval of Reserve Bank as detailed in paragraph 3 above. The contravention relates to an amount of ₹ **2,72,984.00** with the duration of contravention being nine months 19 days approximately.



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7. In terms of Section 13 of the FEMA, any person contravening any provision of the Act shall be liable to a penalty up to thrice the sum involved in such contravention upon adjudication. However, taking into account the relevant facts and circumstances of the case as stated in the foregoing paragraphs, I am persuaded to take a lenient view on the amount for which the contraventions are to be compounded and I consider that an amount

of **₹38,524/-** (Rupees Thirty eight thousand five hundred and twenty four only) will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, the contravention of paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB read with AP (Dir Series) Circular No.20 dated December 14, 2007, by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of **₹38,524/-** (Rupees Thirty eight thousand five hundred and twenty four only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Chennai within a period of **15 days** from the date of this order. In case of failure to deposit the compounded amount within the above mentioned period, Rule 10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.

The application is disposed accordingly.

Dated this thirteenth day of March 2019.

Sd/-
P Ramesh
Assistant General Manager