



In the

Reserve Bank of India
10/3/8, Nrupathunga Road
Bengaluru-560001

Present

Ms. M Ramakumari
Deputy General Manager

Date: June 17, 2019
C.A. BGL 394/2018

In the matter of

M/s Vertex Ventures Sea Management India Private Limited
Unit 802, 8th Floor Tower B
The Millenia No. 1& 2, Murphy Road, Ulsoor
Bengaluru - 560008
(Applicant)

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

ORDER

The applicant has filed a compounding application dated March 01, 2019, received at this office of Reserve Bank of India, Bengaluru on March 06, 2019, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999, (the FEMA), and the regulations issued there under. The contraventions sought to be compounded are, (i) allotment of shares prior to the receipt of inward remittance, and (iii) delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 8 and 9(1)(B) respectively, 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 03, 2000, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).



2. The relevant facts of the case are as follows: The applicant, M/s Vertex Ventures Sea Management India was incorporated on August 03, 2017, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Government of India, Ministry of Corporate Affairs. The company is engaged in the business of providing investment advisory and related services to venture capital funds in India. The applicant had received funds towards share application money from the foreign investor, namely, M/s Vertex Ventures Sea Management Pte Limited, Singapore, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	24-01-2018	25,00,000.00	21-03-2018
	Total	25,00,000.00	

3. The company had allotted 2,49,999 and 1 equity share worth ₹25,00,000.00, to the non-resident investors, M/s Vertex Ventures SEA Management Pte Limited, Singapore, and M/s Vertex Ventures SEA GP, Cayman Islands, respectively, towards subscription to Memorandum of Association, on August 03, 2017. However, the amount of consideration of ₹25,00,000.00, pertaining to the aforesaid allotment was received after the allotment of shares, on January 24, 2018. Whereas, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, as amended from time to time, read with A.P. (DIR Series) Circular No.20 dated December 14, 2007, shares have to be issued/amount to be refunded within 180 days of from the date of receipt of inward remittance by the Indian company. The amount of contravention is **₹25,00,000.00**, and the period of contravention is five months and twenty one days.

4. The applicant company allotted equity shares and filed form FC-GPR with Reserve Bank/AD as indicated below:



Table – 2

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	03-08-2017	2,50,000	25,00,000.00	23-10-2018
	Total		25,00,000.00	

The applicant filed the form FC-GPR on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay of one year one month and twenty one days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, dated May 3, 2000, an Indian company issuing shares in accordance with these Regulations has to submit to the Reserve Bank of India, a report in form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 6870/22.11.456/2018-19 dated June 11, 2019, and email dated June 11, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives Ms. Pratibha Mohta, Practicing Company Secretary & Consultant, and Ms. Vahini KN, Practicing Company Secretary & Consultant, who appeared for the personal hearing on June 14, 2019, admitted the contraventions as stated in paragraphs 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, the representatives requested to take a lenient view in disposal of the application. 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 personal hearing and thereafter.



6. I have given my careful consideration to the documents on record and submission made by the applicant 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 1 to Notification No. FEMA 20/2000-RB, due to delay in receipt of amount of consideration, as detailed in paragraph 3 above. The total amount of contravention is **₹25,00,000.00**, and the period of delay is five months and twenty one days; and

(b) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of form FC-GPR to the Reserve Bank after issue of shares to person/s resident outside India, as detailed in paragraph 4 above. The contravention relates to an amount of **₹25,00,000.00**, and the period of delay is one year one month and twenty one days.

7. It has been declared in the compounding application dated March 01, 2019, 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 undertaking dated March 05, 2019, furnished as part of 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 thereafter. It has further been declared that the applicant has not filed any appeal under Section 17 or Section 19 of FEMA, 1999. 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.

8. 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 **₹50,425.00, (Rupees Fifty Thousand Four Hundred and Twenty Five only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 8 and 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, by the applicant, based on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹50,425.00, (Rupees Fifty Thousand Four Hundred and Twenty Five only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Bengaluru 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 of accordingly.

Dated this, the Seventeenth day of June 2019.

Sd/-

(M Ramakumari)
Deputy General Manager