



In the  
**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
6, Sansad Marg  
New Delhi - 110001

Present  
**V. G. Sekar**  
**Chief General Manager**  
Date: September 20, 2019  
CA No. NDL 446/2019

In the matter of  
**GSFL True Finance Private Limited**  
Flat No. 32, 1<sup>st</sup> Floor, Pocket-2, Sector 12, Dwarka, South West Delhi  
New Delhi - 110078  
**(Applicant)**

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

### **ORDER**

The applicant has filed the compounding application dated April 29, 2019 (received at Reserve Bank of India, New Delhi on May 1, 2019) for compounding of contravention of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are those of issue of shares to persons resident outside India prior to receipt of inward remittances, in terms of paragraph 2(2) of Schedule 1 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 notified vide Notification No. FEMA 20(R)/2017-RB dated November 7, 2017 (hereinafter referred to as FEMA 20(R)/2017-RB), as amended from time to time.

2. The relevant facts of the case are as follows:

(a) The applicant company, incorporated on December 27, 2017, is engaged in the



business of general finance as financiers, finance brokers, money lenders and bill brokers.

(b) The applicant had allotted 20,00,000 equity shares as subscription to Memorandum of Association (MoA) on December 27, 2017 to its subscribers viz. M/s Gold Standard Finance (HK) Limited, Hong Kong and Mr. Jan Albert Swanepoel, Queensland [Nominee Shareholder of M/s Gold Standard Finance (HK) Limited]. The consideration for the said MoA shares amounting to ₹2,00,00,000/- was received in two tranches with delay of 4 months & 18 days and 8 months & 4 days beyond the prescribed period, as detailed below, in contravention of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable.

Sl. No.	Date of Allotment	Amount (₹)	Date of Receipt
1	27.12.2017	99,174.00	13.07.2018
2	27.12.2017	1,99,00,826.00	29.10.2018
	<b>Total</b>	<b>2,00,00,000.00</b>	

Whereas, in terms of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, an Indian company accepting FDI has to receive the share application money from the non-resident investor prior to the issue of shares, and shares have to be issued within sixty days from the date of receipt of the consideration.

(c) The allotment of the aforesaid MoA shares was reported in Form FC-GPR with delay on February 28, 2019 in contravention of the provisions of Regulation 13.1(2) of FEMA 20(R)/2017-RB, as then applicable. The applicant had also delayed in reporting the receipt of the amount of consideration on July 13, 2018, in contravention of the provisions of Regulation 13.1(1) of FEMA 20(R)/2017-RB, as then applicable. Further, there was delay in submission of Form FC-GPR on another occasion, in contravention of the provisions of Regulation 13.1(2) of FEMA 20(R)/2017-RB, as then applicable. The applicant had paid Late Submission Fee (LSF) for the said contraventions as required in terms of Regulation 13.2 of FEMA 20(R)/ 2017-RB, as then applicable.

(d) Thus, there are contraventions of paragraph 2(2) of Schedule 1 to FEMA 20(R)/ 2017-RB, as then applicable.

3. The applicant was given an opportunity for personal hearing for further submission in person and/ or by producing documents, if any, in support of the



application. Shri Neeraj Parmar, Director, appeared for personal hearing on September 20, 2019 on behalf of the applicant. The representative admitted the contraventions committed by the applicant for which compounding has been sought. During the personal hearing, he submitted that the contraventions were without any *malafide* or wilful intention but were mainly due to delay in opening of bank account of the applicant company as also in getting foreign investor's bank account operational in Hong Kong. He requested for a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of averments made in the application as well as other documents and submissions made during the personal hearing.

4. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the provisions of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable, on account of allotment of shares to persons resident outside India prior to receipt of inward remittance as detailed in paragraph 2(b) above. The contraventions relate to an amount of ₹2,00,00,000/- (Rupees Two Crore only) and the periods of delay are 4 months & 18 days and 8 months & 4 days.

5. It has been declared in the compounding application dated April 29, 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 also been declared in the declaration dated April 29, 2019 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, thereafter. It has further been declared that the applicant has not filed any appeal under Section 17 or Section 19 of FEMA. 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.



6. In terms of Section 13 of 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to compound the contraventions, in line with the Guidance Note on Computation Matrix prescribed as part of Master Direction – Compounding of Contraventions, framed in accordance with the Foreign Exchange (Compounding Proceedings) Rules 2000. Accordingly, it stands to reason that payment of an amount of **₹1,50,000/- (Rupees One Lakh and Fifty Thousand only)** will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound the admitted contraventions of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable, by the applicant based on the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹1,50,000/- (Rupees One Lakh and Fifty Thousand only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 6, Sansad Marg, New Delhi - 110001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at New Delhi 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 the 20<sup>th</sup> day of September 2019.

Sd/-  
**(V.G. Sekar)**  
**Chief General Manager**