



In the

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

Present

Shri Jose J Kattoor
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: September 09, 2019
C.A. BGL 440/2019

In the matter of

M/s Chatpay Commerce Private Limited
2nd Floor, Enzyme JNC Business Centre 18
Guava Garden, Koramangala
Bengaluru – 560095

(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 May 24, 2019, received at this office of Reserve Bank of India, Bengaluru on June 19, 2019, and addendum to the application dated September 06, 2019, received on September 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) delay in submission of form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraph 9(1)(B), 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), and (ii) delay in refund of excess share



application money to the foreign investor/persons resident outside India, beyond 75 days from the date of receipt of inward remittance, in terms of Paragraph 2 of Schedule I 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 07, 2017, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20(R)/2017-RB).

2. The relevant facts of the case are as follows: The applicant, M/s Chatpay Commerce Private Limited, was incorporated on June 15, 2015, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Deputy Registrar of Companies, Karnataka. The activity undertaken by the company is to act as principal agent, manager and distributor in carrying out trading and B2B e-commerce/m-commerce of all types of goods and services. The applicant had received funds towards share application money from the foreign investors, namely, Mr. Chua Buan Pong, Singapore, M/s Chua Chuan Leong Investments Holding Pte Limited, Singapore, Mr. Shailesh Saligram Rao, Singapore, and Mr. Krishnendu Datta, Singapore, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	28-07-2016	47,62,032.48	02-02-2017
2	05-05-2017	19,12,181.25	24-08-2017
3	22-06-2017	2,49,59,488.00	20-07-2017
4	10-11-2017	4,29,943.68	03-05-2018
5	07-11-2017	64,42,000.00	24-04-2018
6	11-05-2018	48,22,206.00	27-08-2018
7	29-05-2018	6,49,96,700.00	27-08-2018
8	06-07-2018	13,74,000.00	04-03-2019
	Total	10,96,98,551.41	

3. The company had allotted equity shares to the foreign investors, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000-RB, dated May 03, 2000, or Paragraph 2 of Schedule I to Notification No. FEMA.20(R)/2017-



RB, dated November 07, 2017. However, in the instances mentioned here below, the company had refunded excess share application money, beyond 75 days from the date of inward remittance to the non-resident investor, as mentioned below:

- i. The company had received an inward remittance of ₹4,29,943.68, from the non-resident investor, M/s Chua Chuan Leong Investments Holdings Pte Ltd, Singapore, on November 10, 2017, and allotted 10 equity shares and 331 CCPs worth ₹4,27,955.00, to the non-resident investor. The excess share application money of ₹1,988.68, was refunded to the non-resident investor on September 05, 2019, with a delay beyond the stipulated period of 75 days; and
- ii. The company had received an inward remittance of ₹13,74,000.00, from the non-resident investor, Mr. Shailesh Saligram Rao, Singapore, on July 06, 2018, and allotted 686 CCPs worth ₹12,99,284.00, to the non-resident investor. The excess share application money of ₹74,716.00, was refunded to the non-resident investor on September 06, 2019, with a delay beyond the stipulated period of 75 days.

Whereas, in terms of Paragraph 2 of Schedule 1 to Notification No. FEMA 20 (R)/2017- RB, dated November 07, 2017, if the capital instruments are not issued within sixty days from the date of receipt of the consideration, the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his NRE/ FCNR(B) accounts, as the case may be, within fifteen days from the date of completion of sixty days.

4. The applicant company allotted equity shares and filed form FC-GPRs 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	30-07-2016	6042 CCPs	47,62,183.56	10-09-2017



2	08-06-2017	1523 CCPs	19,11,365.00	06-04-2018
3	26-07-2017	19888 CCPs	249,59,440.00	06-04-2018
4	12-12-2017	10 equity & 5464 CCPs	68,69,870.00	25-01-2019
5	06-07-2018	37549 CCPs	7,11,17,806.00	04-03-2019
	Total	10 equity & 70466 CCPs	10,96,20,664.56	

The applicant filed the form FC-GPRs on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay ranging from seven months and twelve days to one year twelve days, beyond the prescribed period of 30 days, in respect of the allotments as indicated at serial numbers 1 to 3, 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. In respect of the delayed of reporting of form FC-GPRs indicated at serial numbers 4 and 5, in the table 2 above, the company paid the Late Submission Fee.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 666/22.11.086/2019-20, dated September 04, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives Ms. Navitha Devendra, Practising Company Secretary, and Mr. Ranjit M U, Associate Company Secretary, who appeared for the personal hearing on September 09, 2019, admitted the contraventions as stated in paragraphs 3 and 4 above, committed by the applicant, for which compounding has been sought. The representatives of the applicant requested that as the contraventions were not intentional or with a malafide intention, and was mainly due to inadvertence, a lenient view may be taken 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 2 of Schedule 1 to Notification No. FEMA 20(R)/2000-RB, as the applicant refunded the excess share application money to the non-resident investors with a delay beyond the stipulated period of 75 days from the date of receipt of amount of consideration, as detailed in paragraph 3 above. The contravention relates to an amount of **₹76,704.68**, and the period of delay ranges from eleven months and eighteen days to one year seven months and twelve 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-GPRs 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 **₹3,16,32,988.56**, and the period of delay ranges from seven months and twelve days to one year and twelve days.

7. It has been declared in the compounding application dated May 24, 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, 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 is 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 **₹60,461.00 (Rupees Sixty Thousand Four Hundred and Sixty One only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, and Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2017-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 **₹60,461.00 (Rupees Sixty Thousand Four Hundred and Sixty One 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”, 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 Ninth day of September 2019.

Sd/-

(Jose J Kattoor)
Regional Director, Karnataka and
Chief General Manager, Bengaluru