



In the

RESERVE BANK OF INDIA  
Foreign Exchange Department  
Central Vista, Sector 17,  
Chandigarh-160017

Present

**Sh. Nirmal Chand**  
**Regional Director**

Date: December 20, 2017  
CA No CHA 14/2017

In the matter of

**Capital Small Finance Bank**  
MIDAS Corporate Park  
3rd Floor 37, GT Road  
Jalandhar – 144001

**(Applicant)**

In exercise of the powers conferred 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 December 05, 2017 (received at the Reserve Bank on December 06, 2017) 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 pertain to (i) delay in reporting of inward remittance against issue of equity shares and(ii) delay in submission of FC-GPR to the Reserve Bank after issue of shares which are in contravention of Para 9(1) (A) and Para 9(1) (B) respectively of Schedule 1 to Foreign Exchange Management(Transfer or issue of Security by a person Resident outside India) Regulation, 2000notified vide Notification No. 20/2000RB dated May 3, 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 bank, Capital Small Finance Bank (formerly known as Capital Local Area Bank Ltd.) is a Small Finance bank incorporated on May 31, 1999. The applicant is engaged in banking activities.

3. The applicant bank received foreign inward remittances towards investment in equity shares from non-resident and reported to RBI with delay as under:

Sr. No	Name of the remitter	Amount of Remittance Rs.	Date of receipt	Date of reporting to RBI
1	Rashpal Singh Virk & Surinder Kaur Virk, Norway	6,80,460.00	07-Dec-15	13-May-16
2	Gurdev Singh Samra & Balbir Kaur Samra, England	30,00,000.00	07-Dec-15	13-May-16
3	Santokh Singh Chhokar, England	66,00,000.00	07-Dec-15	13-May-16
4	Kuldeep Singh Grewal, England	11,00,010.00	11-Dec-15	13-May-16
5	Paramjit Kaur Grewal, England	11,00,010.00	11-Dec-15	05-Oct-16
6	Raghubir Singh Basi, USA	6,00,000.00	16-Dec-15	13-May-16
7	Robert S Simon, USA	2,513,490.00	16-Dec-15	21-Oct-16
8	IQBAL Singh Johal, USA	54,990.00	17-Dec-15	13-May-16
	Total	2,07,82,316.00		

The above remittances were not reported to Reserve Bank of India within the prescribed time period. The applicant reported the receipt of remittances to Reserve Bank of India with delay ranging **from 118 to 280 days**, in contravention of Para 9(1) (A) of Schedule 1 to Notification No. FEMA 20/2000RB dated May 3, 2000, in terms of which an Indian company issuing shares in accordance with these regulations should report to the Reserve Bank of India as per the prescribed procedure not later than 30 days from the date of receipt of the amount of consideration.

4. The applicant bank issued shares for the undermentioned remittances and reported the same to RBI with delay as under:



S N	Name of the Investor	Date of allotment of Shares	Number of Equity Shares allotted	Amount for which shares allotted (Rs)	Date of reporting of FC-GPR
1	Rashpal Singh Virk & Surinder Kaur Virk, Norway	30-Dec-15	22,682	6,80,460.00	06.06.16
2	Gurdev Singh Samra & Balbir Kaur Samra, England		1,00,000	30,00,000.00	
3	Santokh Singh Chhokar, England		2,20,000	66,00,000.00	
4	Kuldeep Singh Grewal, England		36,667	11,00,010.00	
5	Paramjit Kaur Grewal, England		36,667	11,00,010.00	
6	Raghubir Singh Basi, USA		20,000	6,00,000.00	
7	Robert S Simon, USA		83,783	2,513,490.00	
8	Iqbal Singh Johal, USA		1,833	54,990.00	
9	Gurinder Mann, England		97,778	2933340.40	
10	Amar Singh Mann, England		18,333	5,49,999.00	
11	Manpreet Singh Mann, England		18,333	5,49,999.00	
Total Amount				1,96,82,280.40	

The applicant reported the allotment of shares to Reserve Bank with delay of **129 days**. The delay in reporting to Reserve Bank of India in form FCGPR, beyond the prescribed period in respect of allotment of the above shares is in contravention of paragraph 9(1) (B) of Schedule 1 to FEMA Notification No.20/2000RB dated May 3, 2000, in terms of which an Indian company issuing shares in accordance with these regulations has to submit to Reserve Bank of India a report in Form FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to a person resident outside India.

5. The applicant was given an opportunity for personal hearing vide letter No.CHD.FE.CG/FID/481/03.01.53/2017-18 dated December 12, 2017 for further submission in person and/or producing documents, if any, in support of the application. Shri Sarvjit Singh Samra, Managing Director and Shri Munish Jain, Chief



Operating Officer and Compliance Officer of Capital Small Finance Bank appeared for the personal hearing on December 20, 2017. During the personal hearing, the representatives of the applicant admitted the contraventions committed by them for which they have sought compounding. The representative submitted that the contraventions were due to lack of awareness of the procedural requirements and were not intentional and have requested for taking a lenient view in the matter. The application is, therefore, being considered on the basis of the averments made in the application, and documents produced.

6. I have given my careful consideration to the documents on record and submissions made by the applicant. Accordingly, I hold that the applicant has contravened the following FEMA provisions:

- (a) Paragraph 9 (1) (A) of schedule 1 to Notification No. FEMA 20/2000-RB due to delay in reporting of receipt of foreign inward remittance towards subscription to equity as detailed in paragraph 3 above. The contravention relates to an amount of Rs. **2, 07,82,316.00** with delay ranging **from 118 to 280 days**.
- (b) Paragraph 9 (1) (B) of schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FCGPR to Reserve Bank after issue of shares to persons resident outside India as detailed in paragraph 4 above. The contravention relates to an amount of Rs. **1,96,82,280.40** with delay of **129 days**.

7. 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. 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 contravention is to be compounded and I consider that an amount of **Rs. 50,832.00 (Rupees Fifty Thousand Eight Hundred Thirty Two only)** will meet the ends of justice.

8. Accordingly, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, I compound the admitted contraventions committed by the applicant namely, Para 9(1) (A) and Para 9(1) (B) of schedule 1 to Notification No. FEMA



20/2000RB dated May 3, 2000 on the facts discussed above, on payment of an amount of **Rs.50, 832.00 (Rupees Fifty Thousand Eight Hundred Thirty Two only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Central Vista, Sector 17, Chandigarh-160017 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at "Chandigarh" **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 20<sup>th</sup> day of December 2017.

Sd/-

Nirmal Chand  
Regional Director