



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
11th floor, Central Office Building  
Shahid Bhagat Singh Road  
Mumbai - 400 001

Present

**Shekhar Bhatnagar**  
**Chief General Manager**

Date: April 6, 2018  
CA No 4623/2018

In the matter of

**Arvind Singh Mewar**  
**The Palace Udaipur, Udaipur, Rajasthan 313 001**

**(Applicant)**

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

**Order**

The applicant has filed the application dated January 18, 2018 (received in the Reserve Bank on January 22, 2018) 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 relate to lending in foreign exchange by a resident individual to a non-resident entity from the bank accounts held outside India otherwise than in accordance with the provisions of Foreign Exchange Management (Transfer or issue of foreign security) Regulations, 2004 in contravention of regulation 5(1) of Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 notified vide Notification No. FEMA 3/2000-RB dated 3rd May 2000 as



amended from time to time (hereinafter referred to as Notification No. FEMA 3/2000-RB).

2. The relevant facts are as under:

2.1 The applicant, Arvind Singh Mewar, is a resident individual. The applicant, during his visit to UK, opened accounts with HSBC, UK on July 09, 2008, account number 22615576 (parent account) by depositing an amount of GBP 5000 (Rs.4,25,100/-) by cash and saving account number 22615584 by transfer of funds from the parent account. Another account bearing number 84648942 was opened by the applicant with HSBC, UK on August 03, 2011 by transfer of funds from the parent account. The applicant remitted an amount of GBP 154,500 (Rs.1,33,91,218.85) to these foreign currency accounts held with HSBC, UK during the period from November 2008 to October 2014 under the Liberalized Remittance Scheme (LRS) from the bank accounts held in India, the details of which are as under:-

Date of remittance	Amount (GBP)	Amount (INR)	From account held with
November 06, 2008	50,000	48,04,642.00	Bank of Baroda, Udaipur
July 12, 2010	65,000	46,82,889.00	
August 12, 2013	5,000	4,71,037.00	Vijaya bank City Palace, Udaipur
August 21, 2013	5,000	4,97,086.00	
September 10, 2013	10,000	10,08,259.00	
October 08, 2013	10,000	9,92,013.00	
October 16, 2013	6,000	5,91,548.40	
October 30, 2014	3,500	3,43,744.45	
<b>Total</b>	<b>1,54,500</b>	<b>1,33,91,218.85</b>	

2.2 In addition to the above remittances, a total amount of USD 800,000 (Rs.4,62,75,732/-) was deposited in the applicant's foreign currency accounts by the JCB group directly during the period 2010-2018 towards fee for appointment as a senior advisor on the JCB Indian Advisory Council. Out of this amount, USD 200,000 (Rs.1,31,48,730.40/-) was repatriated by the applicant in January 2018. The details are as under:-

Amount deposited by JCB			
Date	Amount (USD)	Amount (Rs.)	Amount (GBP)
December 01, 2010	100,000	44,64,840.00	63,062.72
November 08, 2011	100,000	48,91,360.00	61,142.00
November 01, 2012	100,000	49,34,258.00	60,804.17
November 01, 2013	100,000	61,18,274.00	61,182.74



November 03, 2014	100,000	61,41,000.00	61,323.68
November 02, 2015	100,000	66,11,000.00	63,471.51
November 01, 2016	100,000	66,63,000.00	80,306.21
November 01, 2017	100,000	64,52,000.00	73,995.32
<b>Total</b>	<b>800,000</b>	<b>4,62,75,732.00</b>	<b>5,25,288.35</b>
<b>Amount repatriated to India</b>			
January 05, 2018	100,000	62,97,655.85	73,995.32
January 06, 2018	100,000	68,51,074.55	80,306.21
<b>Total</b>	<b>200,000</b>	<b>1,31,48,730.40</b>	

Maintenance of foreign currency accounts with a bank outside India after return to India was in contravention of regulation 7(6) of Notification No. FEMA.10/2000-RB dated 3rd May 2000 while non-repatriation of the balance amount of USD 600,000 to India was in contravention of regulation 3 of Notification No. FEMA.9/2000-RB dated 3rd May 2000. A separate compounding application has been made by the applicant seeking compounding of the above contraventions which are being compounded separately.

2.3 The applicant, as director of the company, extended loan amounting to GBP 156,563.80 (Rs.1,48,98,472.72/-) to a non-resident company registered in UK viz The Lake Palace Hotels & Motels UK Limited. A part of the loan was given by way of incurring expenditure on behalf of the company amounting to GBP 76,563.80 (Rs.72,49,355.72/-) during the period from May 29, 2013 to June 30, 2017 and the balance amount of GBP 80,000 (Rs.76,49,117/-) by transfer of funds from the parent account during the period from November 28, 2015 to February 09, 2017. A total amount of GBP 70,000 (Rs.63,53,324/-) was received towards part repayment of the loan by the applicant during the year 2016-17. Lending in foreign exchange by a resident individual to a non-resident entity from the bank accounts held outside India otherwise than in accordance with the provisions of Foreign Exchange Management (Transfer or issue of foreign security) Regulations, 2004 was in contravention of regulation 5(1) of Notification No.FEMA.3/2000-RB dated May 03, 2000 as amended from time to time. RBI vide letter FE.CO.FID./6079/10.02.001(56)/2017-18 dated January 15, 2018 while advising the applicant of the above contraventions, granted post facto approval subject to the applicant applying for compounding of the above contraventions, repayment of the balance amount of loan extended to the overseas company and repatriation of the balances in the foreign currency accounts that are in excess of the funds sent as outward remittances under the LRS. The repayment towards balance amount of loan amounting to GBP 86,563.80 was received by the applicant on January 18,



2018 as certified by the Chartered Accountant vide certificate dated January 18, 2018.

3. In terms of regulation 5(1) of Notification No.FEMA.3/2000-RB dated May 03, 2000 as amended from time to time '*An Indian entity may lend in foreign exchange to its wholly owned subsidiary or joint venture abroad constituted in accordance with the provisions of Foreign Exchange Management (Transfer or issue of foreign security) Regulations, 2004.*'

Whereas the applicant extended loan to the non-resident entity otherwise than in accordance with the provisions of Foreign Exchange Management (Transfer or issue of foreign security) Regulations, 2004 thereby contravening regulation 5(1) of Notification No.FEMA.3/2000-RB.

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/8043/15.20.67/2017-18 dated March 26, 2018 for further submission in person and/or producing documents, if any, in support of the application. The applicant vide email dated April 04, 2018 submitted that he did not wish to attend the personal hearing and that the case be disposed on the basis of the documents submitted. 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 submitted along with the application.

5. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the FEMA provisions issued in terms of regulation 5(1) of Notification No.FEMA.3/2000-RB dated May 03, 2000 as per the details given at paragraphs 2 and 3 above. The amount of contravention was GBP 156,563.80 (Rs.1,48,98,472,72/-) and the period of contravention was four years eight months approximately.

6. It has been declared in the compounding application dated January 18, 2018 that the particulars given by the applicant in the application are true and correct to the best of his knowledge and belief. It has been declared in the undertaking submitted with the application by the applicant 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 him thereafter as required in terms of the said undertaking. Accordingly, the above contraventions which are being compounded in this Order are subject to the veracity of the above declarations made/undertaking furnished 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/undertakings are subsequently discovered to be false and/or incorrect.

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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to take a lenient view on the amount for which the contravention is to be compounded and it stands to reason that payment of an amount of Rs.1,54,289/- (Rupees one lakh fifty four thousand two hundred and eighty nine only) will meet the ends of justice in the circumstances of this case.

8. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, regulation 5(1) of Notification No. FEMA 3/2000-RB on payment of a sum of Rs.1,54,289/- (Rupees one lakh fifty four thousand two hundred and eighty nine only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai 400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 sixth day of April, 2018

Sd/-

**Shekhar Bhatnagar**  
**Chief General Manager**