



In the

Reserve Bank of India
Foreign Exchange Department
Mumbai Regional Office
Main Building, 3rd floor
Shahid Bhagat Singh Marg, Fort
Mumbai 400 001

Present

J. K. Pandey
Chief General Manager

Date: June 25, 2018

C.A. No. 748/2018

In the matter of

Derivium Tradition Securities (India) Private Limited
10th Floor, Eucharistic Congress Building No. III
5th Convent Road
Near Regal Cinema
Colaba, Mumbai – 400 039

(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 thereunder, I pass the following

Order

1. The applicant has filed the compounding application dated March 14, 2018 (received at the Reserve Bank of India on March 14, 2018) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contravention sought to be compounded is delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India in terms of paragraph 9 (1) (B) of Schedule 1 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 3, 2000 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 company was originally incorporated on April 10, 2003, under the Companies Act, 1956 as Derivium Capital & Securities Private Limited. The name of the company was changed to Derivium Tradition Securities (India) Private Limited on August 13, 2010. Its main activities are (i) to carry on the business of finance, investment, as stock and wholesale and retail debt brokers, to carry on the business in share and stocks and purchase, sale, subscription, acquisition or dealing in shares, stocks, debenture stocks, bonds, units, derivatives, negotiable instruments, obligations, mortgages and securities of any kind including futures and options trading and to act as brokers and sub-brokers of any recognized stock exchange, subject to approval of Securities and Exchange Board of India Rules and Regulations, 1992, or any statutory modification thereof or any other such regulatory and statutory body and such other approvals as may be required from other authorities, subject to compliance with any other law in this regard, as advisors and consultants in the field of finance, capital and managements to co-ordinate with various companies for soliciting venture and other funds, to act as merchant bankers, lead managers to issue of shares, bonds, debentures, units and other securities, to undertake research and study in the field of finance, investment and management (ii) to carry on in India or abroad business of an investment company and to sell, purchase, exchange, subscribe, acquire, undertake, hold, auction, convert or otherwise to deal in all types of shares, securities, stocks, bonds, fully convertible debentures, partly convertible debentures, non-convertible debentures stocks, warrants, certificate, premium notes, derivatives, mortgage, obligations, inter corporate deposits, public deposits, commercial papers and other similar instruments whether issued by Government, Semi Government, local authorities public sector Undertakings, companies, corporations, co-operative societies and other similar organisations at national and international levels and to do all incidental acts and things necessary for the attainment of above objects.



3. The company allotted equity shares/preference shares/convertible preference shares and filed FC-GPR as indicated below:

Sr No	No. of shares	FV in INR	Premium in INR	Amount in INR	Date of allotment	Date of filing
1	300000	10	75.87	2,57,61,000.00	03-12-2007	24-12-2007
2	1325000	10	0	1,32,50,000.00	21-10-2009	07-09-2016
			Total	3,90,11,000.00		

The applicant filed form FC-GPR as indicated at serial No. 2 above with a delay of 6 years 9 months 18 days approximately. Whereas, in terms of Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in Form FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

4. The applicant was given an opportunity for personal hearing vide e-mail dated June 5, 2018, for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on June 7, 2018, during which Shri Ashish Ghiya, Managing Director and Shri Dharmesh Bohra, Practicing Company Secretary represented the applicant in the cabin of Shri J. K. Pandey, Chief General Manager, Mumbai regional Office. The representatives of the applicant admitted the contraventions for which compounding has been sought. During the personal hearing, it was submitted that the delay was inadvertent and unintentional. They requested that in view thereof, the matter may be viewed leniently. 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 and submissions made by the applicant during the personal hearing and thereafter.



Accordingly, I hold that the applicant has contravened the following FEMA provision issued in terms of:

(a) Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB due to the delay in submission of Form FC-GPR to the Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of Rs.1,32,50,000.00 (Rupees One Crore Thirty Two Lakh Fifty Thousand Only) and the delay of 6 years 9 months 18 days approximately.

6. It has been declared in the compounding application dated March 14, 2018, that the particulars given by the applicant in the application are true and correct to the best of their/his/her knowledge and belief. It has further been stated in the declaration dated May 24, 2018, 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/him/her 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.

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. 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 Rs.3,51,500/- (Rupees Three Lakh Fifty One Thousand Five Hundred Only) will meet the ends of justice.



FED, MRO
Derivium Tradition Securities (India) Private Limited
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8. Accordingly, I compound the admitted contravention namely, the contravention of paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB by the applicant as stated above on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of Rs.3,51,500/- (Rupees Three Lakh Fifty One Thousand Five Hundred Only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Mumbai Regional Office, Main Building, 3rd floor, Shahid Bhagat Singh Marg, 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.

9. The above order is passed only in respect of contravention 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB and does not restrict the right of any other authority to proceed against the Company for any other violations/contraventions noticed at any point of time.

The application is disposed of accordingly.

Dated: June 25, 2018.

Compounding Authority

Sd/-

(J. K. Pandey)
Chief General Manager