



In the

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

Present

Meghna Singh
Assistant General Manager

Date: August 9, 2018
CA No 4663 / 2018

In the matter of

Invesco Asset Management (India) Private Limited
2101-A, 21st Floor, A-Wing, Marathon Futurex
N.M. Joshi Marg, Lower Parel
Mumbai 400 013

(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 March 19, 2018 (received in the Reserve Bank on March 26, 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 are the indirect foreign investment in M/s MF Utilities India Private Limited (MFU) by M/s Invesco Asset Management (India) Private Limited without prior Government approval. The above amounts to the contravention of Regulation 14(6)(i) read with Para 2(1) of Schedule 1 and Sl.No.F.8 of Annex B to 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 and as amended from time to time (hereinafter referred to as FEMA 20).

2. The relevant facts are as under: M/s Invesco Asset Management (India) Private Limited is an Asset Management Company (AMC). On June 30, 2014, MF Utilities India Private Limited (MFU) issued 5,00,000 equity shares of Rs. 1 each amounting to Rs.5,00,000 to the applicant. MFU is a mutual fund industry's shared initiative formed by AMCs of SEBI registered mutual funds under the aegis of Association of Mutual Funds of India. At the time of this investment 51% shareholding of the applicant was held by resident entities [Religare Securities Ltd. (RSL) 46.5% and RGAM Investment Advisors Pvt. Ltd.(RGAM) - 4.5%], subsequently on April 07, 2016, RSL and RGAM transferred their shareholding of 51% to Invesco Hong Kong Ltd., and Invesco Asset Management Pacific Ltd. The applicant thus became a foreign owned and controlled company and accordingly, investment in MFU by the applicant became an indirect foreign investment in MFU. On September 21, 2017, FIPB (Foreign Investment Promotion Board, Ministry of Finance, Government of India) granted post facto approval for the indirect investment in MFU subject to the applicant applying for compounding to the Reserve Bank. At the time of investment the activity of MFU was under other financial activities requiring Government approval. Pursuant to FEMA Notification No.375 dated September 09, 2016, the activity was brought under automatic route. As post facto approval from FIPB has been received the administrative action is complete in this regard.

3. Regulation 14 (6)(i) of FEMA 20 states that "Downstream investment by an Indian company, which is not owned and / or controlled by resident entity/ies, into another Indian company, would be in accordance / compliance with the relevant sectoral conditions on entry route, conditionalities and caps, with regard to the sectors in which the latter Indian company is operating....". Para 2(1) of Schedule 1 to FEMA 20 as amended from time to time states that "...An Indian company, not engaged in any activity / sector mentioned in Annex



A to this Schedule may issue [shares or convertible debentures or warrants] to a person resident outside India, subject to the limits prescribed in Annex B to this Schedule, in accordance with the Entry Routes specified therein and the provisions of Foreign Direct Investment Policy....”

Further, as per SI.No.F.8 of Annex B to Schedule 1 of FEMA 20 foreign investment in ‘Other Financial Services’, other than those specifically stated therein, would require prior approval of the Government.

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/8816/15.20.67/2017-18 dated April 26, 2018 for further submission in person and/or producing documents, if any, in support of the application. The representatives of the applicant Shri Ketan Ugrankar, Shri Suresh Jakhotiya and Ms. Dipti Dave attended the personal hearing on May 09, 2018. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the personal hearing.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulation 14(6)(i) read with Para 2(1) of Schedule 1 and SI.No.F.8 of Annex B to Schedule 1 of FEMA 20. The amount and period of contravention is as follows: Amount of contravention – Rs. 5,00,000/- and Period of contravention – 5 months approximately.

6. 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.52,500 /- (Rupees fifty two thousand and five hundred only) will meet the ends of justice in the circumstances of this case.



7. It has been declared in the compounding application dated March 19, 2018 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 declaration dated March 19, 2018 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 against it thereafter. Accordingly, the above contravention which is being compounded in 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. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contravention committed by the applicant namely, Regulation 14(6)(i) read with Para 2(1) of Schedule 1 and SI.No.F.8 of Annex B to Schedule 1 of FEMA 20, on payment of a sum of Rs.52,500/- (Rupees fifty two thousand and five hundred 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 ninth day of August, 2018

Sd/-

(Meghna Singh)
Assistant General Manager