



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
5<sup>th</sup> Floor, Amar Building  
Sir P M Road  
Mumbai - 400 001

Present

**J.K. Pandey**  
**Chief General Manager**

Date: March 08, 2017  
CA No 4182 / 2016

In the matter of

**IIFL Holdings Limited**  
**IIFL Centre, Kamala City, Off. Senapati Bapat Marg**  
**Lower Parel, Mumbai - 400013**

**(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 September 29, 2016 (received in the Reserve Bank on October 04, 2016) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contravention sought to be compounded is making overseas direct investment without obtaining requisite prior approval from SEBI, the regulatory authority in India for the Indian Party. The above amounts to the contravention of Regulation 7(1)(iii) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB dated July



7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The applicant was incorporated as Probity Research and Services Private Limited on October 18, 1995 (CIN: L74999MH1995PLC093797). The applicant changed its name to India Infoline.Com Limited on May 23, 2000, then to India Infoline Limited on March 23, 2001 and finally to IIFL Holdings Limited on February 18, 2014. The applicant is a Securities and Exchange Board of India (SEBI) regulated entity, engaged in merchant banking activities. A Wholly Owned Subsidiary (WOS) of the applicant company, namely, India Infoline Commodities DMCC, Dubai, was incorporated on December 7, 2005, for undertaking commodities broking business on Dubai Gold and Commodities Exchange (DGCX), Dubai. The applicant made the following remittances to its WOS:

S.No.	Date of remittance	Amount of remittance (USD)	Amount of remittance (INR)
1	November 16, 2006	261,000	1,18,32,611
2	January 30, 2009	175,000	86,23,429
Total			2,04,56,040

The applicant, on account of being engaged in financial services sector, was required to take prior approval of the regulatory entity, in the extant case, of SEBI, before making these investments. The applicant was issued the No Objection Certificate by SEBI on June 25, 2008. This certificate had a validity period of only six months, for submission to RBI. However, the certificate was not submitted to RBI within the validity period, but was submitted with a delay on February 12, 2009, by when it had become invalid. The applicant was thus advised to apply for a fresh NOC to SEBI. The fresh NOC was received from SEBI on March 21, 2011. Following further correspondence and meeting of certain other requirements by the applicant, the UIN with regard to the investments was granted by RBI on February 20, 2015. The transactions which



were in contravention of Regulation 7(1)(iii) of Notification No. FEMA 120/2004-RB, have now been taken on record.

3. In terms of Regulation 7(1)(iii) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, "...an Indian Party engaged in financial services sector in India may make investment in an entity outside India: Provided that the Indian party has obtained approval from the concerned regulatory authorities both in India and abroad, for venturing into such financial sector activity."

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/8799/15.20.67/2016-17 dated March 01, 2017 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on March 07, 2017 during which Shri R. Mohan, Chief, Compliance, IIFL, Shri KPV Karunakaran, Head Compliance, IIFL Wealth Fund and Shri Jayesh Upadhyaya, Senior Manager, represented the applicants. The representatives of the applicant submitted that the applicant had inadvertently failed to comply with the FEMA regulations due to ignorance and requested that a lenient view may be taken in the matter. 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 7(1)(iii) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time. The amount of contravention is Rs. 2,04,56,040/- (USD 436,000) and the period of contravention ranges from seven years to nine years 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. 2,03,420/- (Rupees two lakh three thousand four hundred and twenty only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, Regulation 7(1)(iii) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time, on payment of a sum of Rs. 2,03,420/- (Rupees two lakh three thousand four hundred and twenty 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 eighth day of March, 2017

Sd/-

**J.K. Pandey**  
**Chief General Manager**