



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: June 14, 2017  
CA No. 4253/2016

In the matter of

**Cisco Systems (India) Private Limited**  
**SEZ, Cessna Business Park**  
**Kadubeesanahalli Village, Varthur Hobli**  
**Sarjapur, Marathahalli Outer Ring Road**  
**Bengaluru - 560103**

**(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 07, 2016 (received in the Reserve Bank of India on December 22, 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 deemed borrowing (expenditure occurred by group companies on behalf of the applicant, not paid within the stipulated time period) in foreign exchange from its group companies abroad without meeting the stipulated conditions, in contravention of Regulation 3 read with Schedule I of Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 notified vide Notification No. FEMA 3/2000-RB dated May 3, 2000, as amended from time to time (hereinafter referred to as Notification No. FEMA 3/2000-RB).



2. The relevant facts of the case are as follows: The applicant was incorporated in India, as Cisco Systems (India) Private Limited on December 29, 1995 (CIN: U31909KA1995PTC019505). The applicant is engaged in the business of providing software development services to overseas Cisco Group affiliates, additionally provides technical support services, marketing support services, administrative/ other support services etc., to various Cisco group affiliates. The applicant is jointly held by Cisco Systems Management B.V., Netherlands, CSI, Mauritius Inc. (Cisco Mauritius) and Cisco Systems Denmark ApS (Cisco Denmark). The applicant entered into certain transactions with Cisco US (Group Company) and Cisco Netherlands (one of the parent companies) from the years 2001 to 2011, as follows:

S.No.	Name of the parent company	Date of transaction	Amount (USD)	Amount (INR)(million)
1	Cisco System Inc., USA	30.12.2000	108561.56	6.81
2	-do-	25.01.2001	431053.17	27.02
3	-do-	22.02.2001	570843.65	35.79
4	-do-	31.03.2001	389527.46	24.42
5	-do-	30.04.2001	36906.94	2.31
6	-do-	29.06.2001	26269.20	1.65
7	-do-	27.08.2001	136647.16	8.57
8	-do-	31.03.2002	77578.37	4.86
9	-do-	29.04.2002	238163.90	14.94
10	-do-	30.05.2002	30066.72	1.89
11	-do-	31.03.2003	168406.97	10.56
12	-do-	22.04.2003	158092.34	9.91
13	-do-	30.05.2003	151398.23	9.50
14	-do-	23.06.2003	32181.09	2.03
15	-do-	28.07.2003	372298.21	23.34
16	-do-	29.08.2003	190676.15	11.95
17	-do-	26.09.2003	278880.68	17.49
18	-do-	31.10.2003	208583.01	13.08
19	-do-	24.03.2004	99477.90	6.24



20	-do-	28.04.2004	267593.46	16.78
21	-do-	26.05.2004	321034.65	20.13
22	-do-	14.01.2005	333552.18	20.91
23	-do-	30.01.2005	76687.37	4.82
24	-do-	27.02.2005	337895.70	21.18
25	-do-	27.03.2005	346682.98	21.73
26	-do-	25.04.2005	410649.02	25.74
27	-do-	22.05.2005	639675.15	40.10
28	-do-	23.06.2005	387642.37	24.30
29	-do-	31.07.2005	630302.40	39.51
30	-do-	22.08.2005	332600.63	20.85
31	-do-	30.09.2005	479200.51	30.04
32	-do-	30.10.2005	355113.84	22.26
33	-do-	21.11.2005	392391.35	24.60
34	-do-	30.12.2005	327043.17	20.50
35	-do-	23.01.2006	272322.19	17.07
36	-do-	26.02.2006	699600.43	43.86
37	-do-	31.03.2006	86907.00	5.45
38	-do-	30.04.2006	1188639.36	74.52
39	-do-	24.07.2006	248181.18	15.57
40	-do-	28.08.2006	459208.99	28.79
41	-do-	30.09.2006	558230.79	35.00
42	-do-	25.10.2006	1118192.03	70.10
43	-do-	26.11.2006	531854.85	33.35
44	-do-	19.12.2006	489555.54	30.69
45	-do-	28.01.2007	543724.80	34.09
46	-do-	18.02.2007	501978.89	31.47
47	-do-	31.03.2007	742027.88	46.52
48	-do-	29.04.2007	1678541.15	105.23
49	-do-	23.05.2007	781270.48	48.99
50	-do-	29.06.2007	940156.66	58.94
51	-do-	23.07.2007	1914839.47	120.04



52	-do-	31.08.2007	1478060.91	92.66
53	-do-	29.09.2007	930552.46	58.34
54	-do-	23.10.2007	1504755.97	94.33
55	-do-	30.11.2007	763470.91	47.87
56	-do-	31.12.2007	965378.25	60.52
57	-do-	23.01.2008	2054886.45	128.82
58	-do-	24.02.2008	1216592.43	76.27
59	-do-	31.03.2008	106798.81	6.71
60	-do-	27.04.2008	2170462.88	136.07
61	-do-	31.05.2008	1472868.33	92.34
62	-do-	30.06.2008	1466462.12	91.93
63	-do-	23.07.2008	1605071.64	100.62
64	-do-	29.08.2008	2162015.83	135.54
65	-do-	26.09.2008	2353014.71	147.52
66	-do-	31.10.2008	3154997.70	197.79
67	-do-	28.11.2008	1409348.85	88.35
68	-do-	26.12.2008	1408004.77	88.27
69	-do-	19.01.2009	2741505.98	171.88
70	-do-	27.02.2009	2294760.57	143.86
71	-do-	31.03.2009	2712448.23	170.04
72	CSI BV, Netherlands	28.02.2007	103337.03	6.48
73	-do-	31.03.2007	137624.75	8.63
74	-do-	30.04.2007	45188.45	2.83
75	-do-	31.05.2007	56444.54	3.54
76	-do-	30.06.2007	123784.31	7.76
77	-do-	31.07.2007	55665.85	3.49
78	-do-	31.08.2007	80250.56	5.03
79	-do-	30.09.2007	165238.96	10.36
80	-do-	31.10.2007	417201.60	26.15
81	-do-	31.12.2007	82608.66	5.18
82	-do-	31.03.2008	259623.57	16.28
83	-do-	31.05.2008	94198.99	5.91



84	-do-	30.06.2008	93110.32	5.84
85	-do-	31.07.2008	91023.03	5.71
86	-do-	31.08.2008	92783.82	5.82
87	-do-	30.09.2008	86844.91	5.44
88	-do-	31.10.2008	997251.12	62.52
89	-do-	31.12.2008	177175.78	11.11
90	-do-	31.01.2009	90754.91	5.69
91	-do-	28.02.2009	79689.18	5.00
92	-do-	31.03.2009	78133.63	4.90
93	-do-	30.04.2009	117778.04	7.38
94	-do-	31.05.2009	87241.81	5.47
95	-do-	30.06.2009	92734.00	5.81
96	-do-	31.07.2009	93778.25	5.88
97	-do-	31.08.2009	93677.56	5.87
98	-do-	30.09.2009	94375.95	5.92
99	-do-	31.10.2009	686650.11	43.05
100	-do-	31.03.2010	321277.25	20.14
101	-do-	15.04.2010	58.58	0.01
102	-do-	19.04.2010	12.81	0.00
103	-do-	20.04.2010	3.39	0.00
104	-do-	21.04.2010	12.81	0.00
105	-do-	28.04.2010	197452.29	12.38
106	-do-	28.07.2010	83138.84	5.21
Total			61346493.14	3845960000

The amounts in relation to these transactions remained outstanding beyond the stipulated time period. The payments since remitted to the group companies, on January 19, 2017, amounted to external commercial borrowings, thereby contravening Regulation 3 read with Schedule I of Notification No. FEMA 3/2000-RB. The post facto approval was provided by RBI vide its letter dated October 27, 2016, subject to compounding.



3. Regulation 3 of Notification No. FEMA 3/2000-RB states that, "Save as otherwise provided in the Act, Rules or Regulations made thereunder, no person resident in India shall borrow or lend in foreign exchange from or to a person resident in or outside India...."

Whereas Schedule I of the same Notification stipulates certain conditions for borrowings in foreign exchange under the automatic route.

4. The applicant was given an opportunity for personal hearing vide the Reserve Bank's letter No. FE.CO.CEFA/9869/15.20.67/2016-17 dated April 03, 2017 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on May 11, 2017 during which Shri Vivek Chhabra, Finance Controller, Cisco Systems (India) Private Limited, Shri Sanjay Krupad, Manager Finance, Cisco Systems (India) Private Limited, Shri Dev Raj Singh, Executive Director, E&Y LLP, Shri Girish Suvarna, E&Y LLP and Shri Rahul Kamath, E&Y LLP, 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.

6. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the provisions of Regulation 3 read with Schedule I of Notification No. FEMA 3/2000-RB dated May 3, 2000, as amended from time to time. The amount of contravention is Rs. 3,84,59,60,000/- and period of contravention ranges from five years to fifteen years approximately.

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. 2,87,90,980/- (Rupees two crore eighty seven lakh ninety thousand nine hundred and eighty only) will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, the contravention of Regulation 3 read with Schedule I of Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 notified vide Notification No. FEMA 3/2000-RB dated May 3, 2000, as amended from time to time, 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. 2,87,90,980/- (Rupees two crore eighty seven lakh ninety thousand nine hundred and eighty only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5<sup>th</sup> 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 of accordingly.

Dated this the fourteenth day of June, 2017

**Sd/-**

**(Shekhar Bhatnagar)**  
**Chief General Manager**