

kcmSnips

FEMA

June 11, 2024

Applicable FEMA Provisions

- Foreign Exchange Management (Non-debt Instruments) Rules, 2019.
- Consolidated FDI Policy (last revised in October 2020).
- Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 read along with Master Direction on FDI.

Reporting Compliance

- Filing of Form FC-GPR.

Type of Contravention

- Delay in allotment of shares.
- Delay in reporting allotment of shares.
- Delay in refund/non-refund of excess share application money.

Penal Action

- Late submission Fees (LSF) based on value of allotment.
- Compounding.
- Enquiry by Directorate of Enforcement.

Compounding Order

M/s. Apollo Cosmetic Surgical Center Private Ltd ("The Company") & Reserve Bank of India, Foreign Exchange Department, Hyderabad vide compounding order no. C.A. no. HYD 308 Dt. August 30, 2018.

The Company has acquired ACSCPL company. ACSCPL has received inward remittance from NRI but could not allot shares or refund the share application money to the foreign investor since he is not traceable hence made delay in refund of unallotted share application money to the foreign investor beyond 180 days from the date of receipt.

Contravention of paragraph 8 of schedule 1 notified vide Notification no. FEMA.20/2000-RB dated 3rd May 2000.

RBI's stance was that the company should allot shares to NRI investors within time specified or refund the share application money if not allotted.

**Compounding Penalty levied for
₹ 37,389**

This document is prepared exclusively for the benefit and use of member firms of KCM Network and their clients. For further analysis and discussion, you may please reach out to our regulatory experts, Ms. Darshana Mankad at darshana.mankad@kcmehta.com and Mr. Nitin Dingankar at nitin.dingankar@kcmehta.com.