

COMPOUNDING OF CONTRAVENTIONS UNDER FEMA, 1999

A.P. (DIR SERIES 2012-13) CIRCULAR NO. 11, DATED 31-7-2012

Attention of all the Authorised Dealer Category - I (AD Category - I) banks and their constituents is invited to A.P. (DIR Series) Circular No. 56 dated June 28, 2010 and the subsequent Press Release dated August 13, 2010, clarifying the position on 'technical' contravention and subsequent compounding thereof.

2. In this connection, it is clarified that whenever a contravention is identified by the Reserve Bank or brought to its notice by the entity involved in contravention by way of a reference other than through the prescribed application for compounding, the Bank will continue to decide (i) whether a contravention is technical and/or minor in nature and, as such, can be dealt with by way of an administrative/cautionary advice; (ii) whether it is material and, hence, is required to be compounded for which the necessary compounding procedure has to be followed or (iii) whether the issues involved are sensitive/serious in nature and, therefore, need to be referred to the Directorate of Enforcement (DOE). However, once a compounding application is filed by the concerned entity *suo moto*, admitting the contravention, the same will not be considered as 'technical' or 'minor' in nature and the compounding process shall be initiated in terms of section 15 (1) of Foreign Exchange Management Act, 1999 read with Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

3. Authorised Dealers may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under sections 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).