Finance Ministry modifies compounding rules for offences under Forex Management Act

NEW DELHI: The Finance Ministry on Thursday modified the compounding rules for offences under the Foreign Exchange Management Act (FEMA) by raising the monetary limits for adjudications by RBI officials and allowing online payments.

As per the Foreign Exchange (Compounding Proceedings) Rules, 2024, the fees for filing compounding application has been doubled to Rs 10,000 plus GST, from Rs 5,000 earlier.

The notification further said that Assistant General Manager rank officials of the RBI can decide on compounding application of up to Rs 60 lakh, up from Rs 10 lakh earlier.

Similarly, the monetary limits for Deputy GM and General Manager rank officers have been raised to Rs 2.5 crore and Rs 5 crore respectively.

Chief General Manager in the RBI will be authorised to decide on compounding cases of above Rs 5 crore.

In a statement, the Finance Ministry said the Foreign Exchange (Compounding Proceedings) Rules, 2024, will replace the Rules issued in 2000.

In pursuance of the Union Budget 2024-25 announcement by Finance Minister Nirmala Sitharaman to simplify rules and regulations for Foreign Investments, the Department of Economic Affairs (DEA), Ministry of Finance, has today notified the Foreign Exchange (Compounding Proceedings) Rules, 2024.

As part of a broader initiative to streamline and rationalize existing rules and regulations to further facilitate ease of doing business, the compounding proceeding rules were comprehensively reviewed in consultation with the Reserve Bank of India, it said.

"The emphasis has been on enabling provisions to expedite and streamline the processing of compounding applications, introduction of digital payment options for application fees and compounding amounts, and a focus on simplification and rationalization of the provisions to eliminate ambiguity and clarify the process," the Ministry said.

These amendments indicate commitment of the Government towards promoting 'ease of investment' for investors and 'ease of doing business' for businesses, it added.

Nangia Andersen India, Partner -Regulatory, Angali Malhotra said one of the key updates in the Rules include a notable upward revision of monetary limits for contraventions subject to compounding, with the revised limits delegating greater responsibility across various levels of authority.

This restructuring imposes that cases are handled more efficiently, reflecting the increased sums involved in such contraventions.

"This revamped structure reflects the evolution of both the regulatory environment and payment systems, providing more streamlined and efficient processes for stakeholders involved," Malhotra said. — PTI

AFTER CONSULTATIONS WITH RBI...

Compounding Rules Eased to Speed Up FEMA Cases

Our Bureau

New Delhi: The finance ministry on Thursday raised the monetary limits of contraventions that can be compounded by relevant officers under the Foreign Exchange Management Act (FEMA) and introduced electronic payment options for aggrieved parties, as it sought to simplify various provisions to fast-track settlements of cases.

Notifying the Foreign Exchange (Compounding Proceedings) Rules, 2024, the ministry said cases involving contraventions up to ₹60 lakh can be handled by an assistant general manager of the Reserve Bank of India (RBI), against up to ₹10 lakh earlier.

The limits for deputy general managers, general managers and chief general managers of RBI have been raised multiple times to ₹2.5 crore, ₹5 crore and more than ₹5 crore, respectively.

At the Directorate of Enforcement (ED) level, compounding cases of contraventions up to ₹5 lakh can be handled by a deputy director, up to ₹10 lakh by additional director, up to ₹50 lakh by special director and Rs 1 crore or more by the director.

The revised limits will leave the senior officers of both the RBI and the ED with fewer but more important cases and enable hundreds of their juniors to take up the bulk of applications, experts said, exuding optimism about fast clearances of both pending and fresh cases.

"Additionally, consolidated compounding form and online payment for application would help in easing the process," said Neha Agarwal, partner at Deloitte.

The revised rules also empower compounding authorities to refer matters to the ED where they believe these require further investigation, she said.

Experts said the revamp of the rules after more than two decades seems to suggest that the compounding of offences is going to be a norm now rather than an exception.

The move follows finance minister Nirmala Sitharaman's budget announcement to simplify rules and regulations for foreign investments.

Cases up to ₹60 lakh can be handled by an RBI AGM, says ministry

The rules have been finalised after comprehensive consultation with the RBI, the finance ministry said.

"With these rules, a lot of legacy matters like IDPMS (Import Data Processing and Monitoring System) mismatch, or other cases about payment remittance from outside India, can now be closed," said Manavendra Mishra, partner at Khaitan & Co. "Especially cases where amounts are minimal or cases where high-net-worth individuals who have proceedings only because their names appeared in some databases and are facing inquiries, can be closed."

Anjali Malhotra, partner (regulatory) at Nangia Andersen India, said: "This revamped structure reflects the evolution of both the regulatory environment and payment systems, providing more streamlined and efficient processes for stakeholders involved."