

# RBI revamps Master Directions on Compounding under FEMA

New Direction aligned with FEM (Compounding of Proceedings) Rules, 2024 and provides clarity on operational matters

- MoF issued FEM (Compounding of Proceedings) Rules, 2024 ([Rules, 2024](#)) effective from 12.09.2024 thereby repealing FEMA (Compounding of Proceedings) Rules, 2000. [Refer [here](#)]
- To align with the Rules, 2024 and to provide clarity on operational matters, RBI issued Directions - Compounding of Contraventions under FEMA, 1999 ([New Directions](#))[Blue] effective from 01.10.2024 thereby repealing Master Direction-Compounding of Contraventions under FEMA, 1999 ([Erstwhile Directions](#))[Light Blue].

## When to Compound?

Did not clearly specify when one can opt for compounding.

Clearly provide for the same:

- Suo moto; or
- When memorandum of contraventions (MoC) is issued by the RBI. In such a case, compounding to be opted within the period stated in MoC or else relevant provisions of FEMA will apply. [Refer para 3.1]

## When can compounding application be returned by the RBI?

- In case proper approvals or permission from the Government /statutory authority not obtained or
- Mandatory details in the form are incomplete. [Refer para 6.2]

- Fees not paid;
- Application is incomplete; or
- Administrative action pending (defined and an indicative list of actions provided – such as obtaining approval, reversing transactions, repatriating the receivables, etc.) [Refer para 3.5 & 4.2]

## Whom to apply for compounding?

Contravention related to FDI – Regional Office. [Refer para 3]

Contravention related to FDI – Regional office having jurisdiction over the registered office of the investee Indian company concerned. [Refer para 2.3]

## Application fee in case compounding application returned

Refunded [Refer para 5.6]

Will not be refunded, however, in case the application is re-submitted then the application fee need not be paid again. [Refer para 3.5]

## How to compound?

Submit the application physically. [Refer para 5.1]

Submit the application physically or through [Pravaah](#) portal [Refer para 3.1]

## Payment intimation to RBI for application fee or compounding order amount

DD to be drawn in favour of RBI. [Refer para 5.1]

- Allows online payment options in addition to DD.
- Payment intimation to be provided to RBI within 2 hours of payment in the [prescribed](#) format. [Refer para 3.2]

## Re-compounding of similar offences

If a party who has been compounded earlier applies for compounding again for similar contravention, the amount calculated as above may be enhanced by 50%. [Refer para 7.2(II)(v)]

If an applicant against whom a compounding order had been passed earlier and applicant didn't pay the compounding amount and reapplies for compounding of contravention relating to the same transaction, the amount may be enhanced by 50% of earlier compounding amount. [Refer para 5.4(II)(v)]

