

RBI issued amendment to Master Directions - Compounding of contraventions under FEMA, 1999

The Reserve Bank of India (RBI) vide its Master Direction No. 04/2025-26 dated April 22, 2025, has consolidated instructions regarding the compounding of contraventions under the Foreign Exchange Management Act, 1999 (FEMA). This Master Direction follows the notification of the Foreign Exchange (Compounding Proceedings) Rules, 2024, which superseded the 2000 rules.

It outlines the process for compounding contraventions of FEMA, excluding those under Section 3(a), upon application by the contravener. The RBI's Regional Offices and the FED, CO Cell in New Delhi is designated as compounding authorities for specific regulations. Applications can be submitted physically or via the PRAVAAH Portal with a fee of ₹10,000 plus GST.

The document details the application procedure, cases not eligible for compounding (e.g., repeated contraventions within three years, serious offenses like money laundering, and non-completion of administrative actions), and the factors considered when determining the compounding amount, including undue gains, loss caused, and the contravener's conduct.

A guidance note provides a computation matrix for various types of contraventions. The compounding authority will issue an order after a hearing, and the specified amount must be paid within 15 days. Failure to pay results in the application being deemed invalid.

Link - https://rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12839&Mode=0