

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:191

ANSWERED ON:06.08.2010

Subject: `VIOLATIONS OF ECB / FCCB GUIDELINES`

Jaiswal Shri Gorakh Prasad ;Rathod Shri Ramesh

Will the Minister of FINANCE be pleased to state:

(a) the number of cases of violation of External Commercial Borrowing (ECB)/Foreign Currency Convertible Bonds (FCCB) guidelines detected in the country during each of the last three years alongwith details of the prosecution launched in such cases, company-wise;

(b) whether such cases involving telecom companies have also been reported:

(c) if so, the details thereof for the last one year and the current year;

(d) the action taken by the Government in the matter, company-wise; and

(e) the further action being taken to tighten the existing anti- money laundering, foreign exchange and taxation related laws to check recurrence of such cases?

Answer

MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (e): A statement is placed on the Table of the House

Statement referred to in the reply to Lok Sabha Starred Question No. 191 by SHRI RAMESH RATHOD AND SHRI GORAKH PRASAD JAISWAL, Members of Parliament, for 06-08-2010 regarding `VIOLATIONS OF ECB / FCCB GUIDELINES`

(a): As reported by RBI, 123 cases of violation of External Commercial Borrowing (ECB)/Foreign Currency Convertible Bonds (FCCB) guidelines have been detected during the last three years(2007-08 to 2009-10). Of this, 119 cases have been disposed or are in the process of being disposed of by compounding the contraventions. 4 cases have been referred to the Enforcement Directorate for issuing Show Cause Notices for contravention of relevant provisions of Foreign Exchange Management Act, 1999 (FEMA).

FEMA does not provide for prosecution and only envisages imposing of monetary penalty through the process of adjudication.

(b) (c) & (d): Three such cases involving telecom companies have been reported as per following details:

Sr. N	Name of Applicant	Date of Application	Date of compounding	Amount of penalty
	order imposed by			
	RBI (in INR)			

1.	Easy Link Services corporation India Pvt. Ltd	13-11-07	09-05-08	1,000,000
----	---	----------	----------	-----------

2.	Volex Interconnect India Pvt. Ltd.	15-06-09	11-12-09	500,000
----	------------------------------------	----------	----------	---------

3.	Ripe Component Tecnologies Pvt. Ltd.	05-10-09	29.03.10	700,000
----	--------------------------------------	----------	----------	---------

(e): The existing provisions under Foreign Exchange Management Act, 1999, (FEMA) and Prevention of Money Laundering Act, 2002 (PMLA) are considered adequate to deal with foreign exchange related contraventions and money laundering offences. To strengthen the existing Anti Money Laundering Legislation, an amendment was brought in the PMLA in March 2009 to include Authorized person as defined in clause (c) of Section 2 of FEMA, 1999 and Payment system Operator including credit card operations, debit card operations, smart card operations, money transfer operations or similar operations within its ambit.

