



**KAMARAJ IAS ACADEMY**  
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# Paytm Receives RBI Compounding Order Under FEMA, To Pay ₹18.76 Lakh Penalty

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One97 Communications Ltd, the parent company of Paytm, has received a compounding order from the Reserve Bank of India (RBI).

The company will pay a compounding fee of ₹18.76 lakh for certain contraventions under the Foreign Exchange Management Act (FEMA), 1999.

## **Reason for the Action:**

The violations relate to foreign investment transactions associated with Paytm's subsidiary Little Internet Private Limited.

These transactions were carried out during the period 2016–2017 and involved non-compliance with FEMA regulations.

## **About Compounding:**

Compounding of offences allows companies to settle regulatory violations by paying a monetary penalty, without undergoing lengthy legal proceedings.

Once the compounding amount is paid, the matter is considered closed by the RBI.

## **Company's Response:**

Paytm stated that the penalty will not have a material impact on its financial position or operations.

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The company is complying with the RBI's order.

### **Foreign Exchange Management Act (FEMA), 1999**

Objective: To facilitate external trade and payments and promote the orderly development of India's foreign exchange market.

Administered by: Reserve Bank of India and Enforcement Directorate (ED).

#### **RBI's Role in FEMA:**

RBI is empowered to compound certain FEMA contraventions under Section 15 of the Act.

Compounding helps in faster regulatory resolution and reduces litigation.

#### **Enforcement Directorate (ED):**

ED investigates major FEMA violations and can issue show-cause notices in serious cases.

RBI handles compounding, while ED focuses on enforcement