

RECORD OF PROCEEDINGS

[illegible]

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PROFORMA FOR FIRST LISTING

SECTION _____

The case pertains to (Please tick/check the correct box):

- ☐ Central Act : (Title) CONSTITUTION OF INDIA
- ☐ Section : 14, 19, 21
- ☐ Central Rule : (Title) N/A
- ☐ Rule No(s) : N/A
- ☐ State Act : (Title) N/A
- ☐ Section : _____
- ☐ State Rule : (Title) N/A
- ☐ Rule No(s) : N/A
- ☐ Impugned Interim Order : (Date) N/A
- ☐ Impugned Final Order/Decree : (Date) N/A
- ☐ High Court : (Name) N/A
- ☐ Names of Judges : N/A
- ☐ Tribunal/Authority : (Name) N/A

1. Nature of matter : ☒ Civil ☐ Criminal2. (a) Petitioner/appellant No.1 : Rajdeep Singh & ors(b) e-mail ID: Avinash.Menon@menonco.org.in(c) Mobile phone number: 98731695993. (a) Respondent No. 1: Reserve Bank of India & Anr(b) e-mail ID: N/A(c) Mobile phone number: N/A

4. (a) Main category classification: 18
 (b) Sub classification: 1807 other
5. Not to be listed before: N/A
6. Similar/Pending matter: WP(C) No. 1071 OF 2017 & WP(C) No 1076/17
7. Criminal Matters: N/A
 (a) Whether accused/convict has surrendered: ☐ Yes ☐ No N/A
 (b) FIR No. N/A Date: N/A
 (c) Police Station: N/A
 (d) Sentence Awarded: N/A
 (e) Sentence Undergone: N/A
8. Land Acquisition Matters:
 (a) Date of Section 4 notification: N/A
 (b) Date of Section 6 notification: N/A
 (c) Date of Section 17 notification: N/A
9. Tax Matters: State the tax effect: N/A
10. Special Category (first petitioner/appellant only): N/A
☐ Senior citizen > 65 years ☐ SC/ST ☐ Woman/child ☐ Disabled ☐ Legal Aid case ☐ In custody.
11. Vehicle Number (in case of Motor Accident Claim matters): N/A
12. Decided cases with citation: N/A

Date: 17-4-2018

AOR for petitioner(s)/appellant(s)

(Name) AVINASH MENON
AORRegistration No. 2604

SYNOPSIS

The present writ petition impugns the circular dated 06.04.2018 bearing No. DBR. No. BP.BC.104 /08.13.102/2017-18 ("Circular"), whereby Respondent No. 1, namely the Reserve Bank of India ("RBI"), directed all entities regulated by the RBI not to deal in "virtual currencies" or provide services for facilitating any person or entity in dealing with or settling "virtual currencies". It is submitted that the above said impugned Circular has been issued wholly contrary to the well accepted common law maxim "*tout ce que le loi ne defend pas est permis*" which postulates that everything is permitted which is not forbidden and/or what is not prohibited is permitted and legal. This is a well - recognized principle of statutory law duly accepted and approved by judicial precedents in the country. However, even while there is no law in India which declares virtual currencies/crypto assets/crypto currency and/or the trade or usage of the same as illegal, the impugned Circular, has acted basing itself on such a presumption of illegality. It is pertinent to also note that the issue of regulating crypto currencies is already being examined by this Hon'ble Court vide Writ Petition (Civil) No. 1071 of 2017 i.e. Siddharth Dalmia vs. Union of India and Writ Petition (Civil) No. 1076 of 2017 i.e. Dwaipayan Bhomwick vs Union of India, for which notices have been issued to, *inter alia*, the Respondent No. 1 herein.

It is submitted that the impugned Circular, has been issued in an arbitrary manner, is wholly unreasonable and lacks intelligible differentia. It is contrary to the principles enshrined under Article 14 of the constitution and will result in imminent closure of existing businesses and trade and therefore *inter alia* infringes on the rights of the Petitioners to carry on a trade, profession or occupation of their choice under Article 19(1)(g), where the effect of the restriction i.e., impugned Circular, on the infringement of the right guaranteed under Article 19(1)(g) is also

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outside the limits of Article 19(6). It is also violative of the right to life guaranteed under Article 21 as the impugned Circular has the effect of denying persons using, dealing or trading in crypto assets including virtual currencies/crypto currencies, formal banking channels which are essential public utility services. The fetter is unreasonable and also violative of the Petitioner's right to commercial speech recognised as part of the right to freedom of speech and expression recognised under Article 19(1)(a) of the Constitution.

Further, the press release dated 05.04.2018, immediately preceding the impugned Circular stated that virtual currencies are also referred to as crypto assets and crypto currencies, however, the term "virtual currencies" has not been defined legally or statutorily, and neither the impugned Circular, nor the press releases dated 24.12.2013, 01.02.2017, 05.12.2017 and 05.04.2018 relating to virtual currencies or crypto assets, shed any light on the exact meaning of the term. It is further submitted that "virtual currencies" or "crypto currencies" are a subset of crypto assets, thereby the RBI clearly has failed to understand the nature of assets it seeks to regulate.

Crypto assets, as per various statements made by the Ministry of Finance, do not qualify as "legal tender" in India. It is accordingly submitted that RBI lacks the authority to classify crypto asset as legal or illegal assets, but it is seeking indirect, colourable means to outlaw crypto assets. Such exercise of power amounts to fraudulent exercise of power as an inter-departmental committee constituted by the Ministry of Finance (the "Committee") in 2017, of which the RBI is but one member is in the process of examining the impact of crypto assets and making recommendations for the regulation of such assets. Thus, the impugned Circular completely curtails the business of the Petitioners even before the Committee has

examined questions of legality or illegality of crypto assets, or the regulator which may have jurisdiction over such assets.

The RBI has been cognizant of the trade of crypto assets since 2013, and implicitly allowed it to flourish by not deeming it illegal, creating a legitimate expectation on part of the bona fide users of crypto assets regulated continuity of their businesses.

The concerns of “*consumer protection, market integrity and money laundering*,” sought to be addressed by the impugned circular, are not unique or distinct to the crypto asset trade. In fact regulated entities including banking institutions are regulated comprehensively for these concerns. Therefore to premise these concern as the basis for prohibition defeats the purpose and need for regulation. Pertinently, even today these concerns in absence of regulation are being addressed through voluntary self-regulation for a robust and transparent ecosystem. Therefore, the Circular ought to have proceeded with reasonable regulation short of outright ban on all legitimate activity. The restriction imposed by the Circular also does not comply with the doctrine of proportionality. In *Teri Oats (P) Ltd. v. UT, Chandigarh*, (2004) 2 SCC 130, this Hon’ble Court held that according to the doctrine of proportionality, the least restrictive choice of measures must be taken so as to achieve the object of the legislation or administrative order, and restrictions imposed by administrative orders which are not the least restrictive of the choices available are considered to be disproportionate.

The effect of the Circular and the press releases dated 24.12.2013, 01.02.2017, 05.12.2017 and 05.04.2018 impinges on fundamental rights of all users of crypto assets. It has the effect of greatly diminishing the value of crypto assets unlike any other commodity trade, as it excludes all users, trades and holders across the nation of, not just virtual currencies or crypto currencies but also crypto assets from essential banking services and thereby, the formal economy. The

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Circular denies individuals and business, dealing with or settling crypto assets, access to any formal banking or payment and settlement channels. As an immediate effect of the impugned Circular, some of the Petitioners have also received intimation from their respective banking service providers to proceed with closure formalities in compliance of the Circular which mandates regulated entities to immediately stop providing all Banking services to those dealing or settling in of crypto assets, which includes the Petitioners. The approach adopted by RBI is in direct contradiction to the regulatory approach adopted by several other jurisdictions which have made virtual currency transactions subject to regulation and taxation in order to address potential risks instead of imposing a blanket ban. Such jurisdictions include the Federal Republic of Germany and Japan.

The impugned circular and preceding press releases for, reasons stated in the present Petition among others, is wholly erroneous, illegal, arbitrary and is liable to be set aside. Hence, the present petition.

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LIST OF DATES AND EVENTS

Date	Event
	<p>The Respondent No. 1 is the Reserve Bank of India and Respondent No. 2 is Union of India. The Petitioners are the various stakeholders in the crypto assets ecosystem who have been injured by the circular issued by Respondent No. 1 on 06.04.2018.</p>
24 th Dec, 2013	<p>There was considerable growth and success of blockchain technology and crypto assets, and thereby increase in the number of transactions taking place on the basis of crypto asset exchanges. The Respondent No. 1, considering the usage and trading of these virtual currencies released its Press Release: 2013-2014/1261, dated 24th of December, 2013 cautioning user, holders and traders of "<i>virtual currencies, including Bitcoins</i>", about the potential financial, operational, legal, customer protection and security related risks which such persons are exposing themselves to. However, it was also stated that RBI was examining issues associated with the usage, holding and trading of virtual currencies under the extant legal and regulatory framework of India, including Foreign Exchange and Payment system laws and regulations.</p>
1 st Feb, 2017	<p>The Respondent No. 1, through a press release : 2016-17/2054, dated 1st February, 2017 merely reminded the users, holder and traders of crypto assets of the potential financial, operational, legal, customer protection and security related risks to which such persons were exposing themselves. No efforts were made to identify the exact nature and scope of the risks associated with crypto assets transactions, much less, take any action to mitigate said risks allegedly associated with using, holding or trading crypto assets. Neither Press release 1 nor 2 make any attempt to clarify the meaning of term "virtual currencies"</p>

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and how such assets are to be identified.

In the period prior to Press release 1 and upto Press release 2 and/or thereafter, numerous members of the Indian citizenry have delved themselves into the use, trade and sale of crypto assets and have harnessed the underlying technology of blockchain to establish highly successful businesses in the form of crypto-exchanges and blockchain driven start-ups.

12th April, 2017

Ministry of Finance constituted a nine-member inter-disciplinary committee on 12th of April, 2017 with the mandate to submit a comprehensive report on the nature of crypto assets, which would provide clarity and regulatory certainty for the various embedded users upon stakeholder interaction. Shortly after the Committee was constituted, comments were only solicited on the website www.MyGov.in on the issue of banning or/and regulation of crypto assets but this was not widely publicized. Comments as available on a thread themselves appear to be brief opinions, considerably rudimentary in nature and can also not be verified.

July, 2017

As per the reply by the Department of Economic Affairs to an application dated 6th February, 2018, under the Right to Information Act, 2005, (DOEAF/R/2018/50056), the Chairman of the committee constituted on 12th April, 2017 had submitted the report by the committee to the Finance Minister in July, 2017. However, the text of the report, alongwith the minutes of meetings of the committee, were not disclosed in the reply to the application, because it was stated that the report and the minutes of the meeting "*deal with policy issues of strategic importance and hence attracts section 8(1)(a) of RTI, 2005.*"

7th Aug, 2017

Due to non-transparency in regulatory framework,

companies such as Zeb IT Service Pvt. Ltd., along with other crypto exchanges formed Digital Assets and Blockchain Foundation of India ("DABFI"). DABFI aims to be the regulatory regime for crypto exchanges in India.

18th Sept 2017

Petitioner No. 8 wrote to the RBI seeking to make a presentation on a crypto currency developed by them which would be based on Ethereum and would be fast and secure. It was suggested that as per the Petitioner's estimate this working product could be considered to for the rupee digital currency being contemplated by the RBI as per news reports. However, no response was received from the RBI.

13th Nov, 2017

This Hon'ble Court was pleased to issue notice to the Respondents in the Writ Petition (C) No. 1071/2017, Siddharth Dalmia vs. Union of India & Ors.

5th Dec, 2017

Respondent No. 1 issued another press release: 2017-2018/1530, dated 5th December, 2017 ("Press Release 3"), which reiterated the cautions, without providing any regulatory safeguards or clarity regarding using, holding or trading in crypto assets whatsoever.

13th Dec, 2017

This Hon'ble Court was pleased to issue notice to the Respondents in Writ Petition (C) No. 1076/2017 i.e. Dwaipayan Bhomwick vs. Union of India & Ors.

21st Dec, 2017

Kotak Mahindra Bank supplied a formal notice to Razorpay Software Private Limited ("Razorpay") directing it to cease all transactions in relation with crypto assets and currencies and thereby stop offering any and all payment gateway services to the Petitioner No. 6 at a time when there was no prohibition on use, trade and exchange of crypto assets.

29th, Dec 2017

The Ministry of Finance further by a press release on 29th December, 2017 without taking into account various

legitimate transactions, users and stakeholders, brazenly compared "virtual currencies" to Ponzi schemes and declared them to be lacking any real value.

Dec, 2017

In December 2017, the Ministry of Finance constituted another committee to study the impact of crypto assets and to make recommendations to regulate the same.

6th Jan, 2018

Razorpay provided a written notice to Petitioner No. 6 stating that it had been directed by Kotak Mahindra Bank to stop all transactions involving any kind of crypto asset and providing services relating to the same at a time when there was no prohibition on use, trade and exchange of crypto assets.

1st Feb, 2018

While the report of the committee constituted in December, 2017 was awaited, the Hon'ble Minister of finance during the union budget speech stated that crypto assets were not legal tender in India.

7th Mar, 2018

In a reply to an application made under the Right to Information Act, 2005, the RBI stated that no recommendations were submitted by the RBI to the inter-disciplinary committee constituted under the chairmanship of the Special Secretary (Economic Affairs) on 12th April, 2017 to examine the existing framework with regard to "virtual currencies".

13th Mar, 2018

The Chair of the Financial Stability Board of the G20 States, of which India is a member, has noted vide a letter dated 13th March, 2018 that crypto assets do not pose risks to the global financial stability in status quo as they are insignificant to the financial system.

5th Apr, 2018

The Respondent No. 1 issued a press release: 2017-2018/2641 ("Press Releases"), dated 05th April, 2018, titled "Statement on Developmental and Regulatory Policies" whereby, the RBI prohibited, with immediate

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effect, all the entities regulated by it from dealing with or providing services to any individual or business entities dealing with or settling "virtual currencies". Those regulated entities who were already engaged in virtual currencies were directed to terminate such engagement. However, no clarification was provided on how to and in what manner such existing relationship among banking institutes, users and businesses dealing with crypto assets was to be affected.

The same press release, however, noted that Respondent No. 1 acknowledges the growth and need of digital currencies and shall explore introducing a central bank digital currency. It however once again failed to throw light on the definition of "virtual currency", though it did mention the constitution of a committee by Respondent No.1 which would study the feasibility of a central bank digital currency.

6th Apr, 2018

The Respondent No.1 on 06.04.2018 released a notification RBI/2017-18/154, DBR. No.BP.BC.104 /08.13.102/2017-18, prohibiting all entities regulated by Respondent No. 1 from dealing in "virtual currencies" or provide services for facilitating any person or entity in dealing with or settling "virtual currencies". The regulated entities have been directed to exit from the relationship within three months from date of the Circular.

9th April, 2018

Petitioners received intimations from their banks and payment service provider asking them to complete all necessary formalities for the closure of their bank accounts on account of the impugned Circular.

April, 2018

Hence, the present Writ Petition.

IN THE SUPREME COURT OF INDIA
ORIGINAL WRIT JURISDICTION
IN
WRIT PETITION (CIVIL) NO. 333 OF 2018

IN THE MATTER OF

- 1) Rajdeep Singh
Age: 32 years Shareholder of
Bitfair Technologies Pvt. Ltd.
R/o 601 Tower 4, Blueridge Apartments,
Hinjewadi Phase 1, Pune 411 057
 - 2) Shubham Yadav
Age: 32 years Shareholder of
Bitfair Technologies Pvt. Ltd.
R/o 601 Tower 4, Blueridge Apartments,
Hinjewadi Phase 1, Pune 411 057
 - 3) Bitfair Technologies Pvt. Ltd.
First Floor, H. NO. 14/20,
B Block, DLF Phase 1
Gurgaon 122001
[Through its Director]
 - 4) Pramod Emjay
D-12, Second Floor,
D-Block, Kalkaji, Delhi 110019
 - 5) Rahul Raj
Age: 24 years Shareholder of
Discidium Internet Labs Pvt. Ltd.
505, C- Wing, Hari Kunj II,
Near Sindhi Society Gymkhana,
Chembur (East), Mumbai
 - 6) Discidium Internet Labs Pvt. Ltd.
A/101, VirajSoc, Govardhan Nagar,
-

Mulund (W) Mumbai 400080

[Through its Director]

7) Aditya Ahluwalia

Age 29 Years

House No. 1938, Sector 4

Gurgaon, Haryana 122 001

8) Gopal Abhishek

Shareholder of Throughbit Technologies Pvt Ltd.

953, 1st Floor, 20th Main, 32nd E Cross,

Jayanagar, 4th T Block, Bangalore – 560041

9) Throughbit Technologies Pvt. Ltd.

953, 1st Floor, 20th Main, 32nd E Cross,

Jayanagar, 4th T Block, Bangalore – 560041

[Through its Authorised Representative

Mr Kumaraswamy]

10) Sumit Gupta

Age 26 Years, Shareholder of

Neblio Technologies Pvt. Ltd

Flat No B-407, Maple Leaf Building No 15,

CTS No 119F/1A of Tungwa Village,

Opp. Chandivali Studio, Mumbai – 400072

11) Neblio Technologies Pvt. Ltd.

Flat No B-407, Maple Leaf Building No 15,

CTS No 119F/1A of Tungwa Village, Opp.

Chandivali Studio, Mumbai – 400072

[Through its Director]

.....Petitioners

Versus

1) Reserve Bank of India

Through its Governor

18th Floor, Central Office Buildings

Shahid Bhagat Singh Marg

Mumbai- 400 001

e-mail: cgmdpss@rbi.org.in

2) Union of India

Through the Cabinet Secretary

Cabinet Secretariat Rashtrapati Bhawan

New Delhi- 110 001

e-mail: cabinet@nic.in

....Respondents

PETITION UNDER ARTICLE 32 OF THE CONSTITUTION OF INDIA

To

Hon'ble The Chief Justice of India

and His Lordship's Companion

Justices of the Supreme Court of

India.

The Humble petition of the Petitioner above named

MOST RESPECTFULLY SHOWETH:

1. The instant Petition has been filed by the Petitioners herein *inter alia*, seeking appropriate directions/orders from this Hon'ble Court to declare the impugned circular, namely circular dated 06.04.2018 bearing no DBR.No.BP.BC.104 /08.13.102/2017-18, whereby Respondent No. 1, namely the RBI, has inter-alia directed all entities regulated by the RBI, to *"...not deal in VCs or provide services for facilitating any person or entity in dealing with or settling VCs. Such services include maintaining accounts, registering, trading, settling, clearing, giving loans against virtual tokens, accepting them as collateral, opening accounts of exchanges dealing with them and transfer / receipt of money in accounts relating to purchase/ sale of VCs."* It is pertinent to note here that the terms "VCs" or Virtual Currencies has not defined legally or statutorily, and the impugned Circular itself sheds little to no light on the exact meaning of the term. However, the Press Release dated 05 April, 2018 which preceded the impugned Circular states that virtual currencies are also referred to as crypto assets and crypto currencies. Thus, it may be seen that the effect of the impugned Circular is to exclude all users, traders and holders across the nation of not just crypto currencies but also crypto assets (which in essence would include any entity/user that makes use of blockchain technology which are powered by crypto assets) from Banking services and thus the

formal economy. It is pertinent to note that as per records maintained by petitioner exchanges, the total number of investors in Indian crypto market is approximately 20,00,000 (twenty lakhs) and the average daily trade volume is at least Rupees One Hundred and Fifty Crores.

2. Further, this Hon'ble Court is already examining the issue of regulation of Virtual Currencies by way of Writ Petition(C) No. 1071/2017 i.e. Siddharth Dalmia vs Union of India & Ors. and Writ Petition (C) No. 1076/2017 i.e. Dwaipayan Bhomwick vs. Union of India & Ors. in which notices have been issued and the next tentative date of hearing in the same is 07.05.2018.

3. The Petitioners herein are as under:

- i) Petitioner No. 1, is 25 years old tech entrepreneur and an alumnus of IIT Mumbai who along with Petitioner No. 2 are shareholders and cofounded Bitfair Technologies Pvt. Ltd., i.e. Petitioner No. 3 in August 2017, which runs the online platform www.coindelta.com, which is a prominent, Indian crypto asset exchange. Petitioner No. 1 is currently a Director of Petitioner No. 3.
- ii) Petitioner No. 2, is 24 years old tech entrepreneur and an alumnus of IIT Mumbai. Petitioner No. 2 a blockchain and smart contract enthusiast. Petitioner No. 2 is shareholder and co-founded Bitfair Technologies Pvt. Ltd., i.e. Petitioner No. 3 and is currently a Director of Petitioner No. 3.
- iii) Petitioner No. 3, is Company incorporated in August 2017 which runs a crypto assets exchange platform coindelta.com. Through the said platform Petitioner No. 3 aims to provide a facility to safely and securely trade digital assets in India, which it believes is the first step towards bringing a better understanding of blockchain technology to the lay public. It actively seeks to engage with public in discussions about blockchain technology and also lead a community of blockchain enthusiast. A copy of the Memorandum of Association of Petitioner

No. 3 is annexed herewith and marked as **Annexure P-1** pages (62 to 69).

- iv) Petitioner No. 4 is an individual trader in crypto assets. He is an alumnus of the National Institute of Technology, Tiruchirappalli, has worked as a consultant with prominent international banks, and headed the business and strategy relations for start-ups. Petitioner No. 4 has pioneered technology for cross-border remittance using digital currency system. Petitioner No. 4 sought to actively engage with the RBI for the purpose of putting a regulatory system in place which would have allowed cross border remittance of payments using digital currency system. Through such a system it would have been possible to have cross border remittance at a fraction of the current costs and would have been especially beneficial to poor migrant Indian labourers looking to repatriate their earning in India. However, on account of lack of regulatory clarity and control presently the technology is currently lying unutilized. Through his efforts, Petitioner No. 4 has raised significant funds for Indian athletes participating in the Sochi Winter Olympics and for flood victims in Chennai and Kashmir.
- v) Petitioner No. 5 is a 24 years old tech entrepreneur and an alumnus of IIT Kharagpur. Petitioner No. 5 is a shareholder and co-founded the Petitioner No. 6 and is the current CEO of Petitioner No. 6.
- vi) Petitioner No. 6 is a company incorporated under the Indian Companies Act, 2013 in July 2017, which runs the largest online crypto exchange platform in India namely "www.koinex.in" and employs a staff of nearly 60 people. A copy of the memorandum of association of Petitioner No. 6 is annexed herewith and marked as **Annexure P-2** pages (70 to 76).
- vii) Petitioner No. 7 is an individual crypto assets trader who runs the biggest, organically built crypto community in India with 10,000 engaged crypto investors across 5 channels (Facebook Group, Email, Telegram, Youtube and offline events). The said community has a

strong offline presence in India as well. The members of the said community are primarily working professionals from marketing, tech, product, crypto founders, and investors.

- viii) Petitioner No. 8 is the shareholder and founder of Petitioner No. 9 company incorporated under the Companies Act, 2013 on 17.02.2016 which operates the website www.throughbit.com a popular crypto asset exchange website in India.
 - ix) Petitioner No. 9 is a company incorporated under the Indian Companies Act, 2013 on 17th February, 2016, which operates the website "www.throughbit.com", a popular crypto asset exchange in India. A copy of the memorandum of association of Petitioner No. 9 is annexed herewith and marked as Annexure P - 3 Pages (~~37~~ to 22).
 - x) Petitioner No. 10 is a 26 year old alumnus of IIT Bombay. He is a shareholder and founded the Petitioner No.11 company incorporated under the Indian Companies Act, 2013 on 22nd January, 2018, which operates the website www.coindex.com, crypto assets exchange in India.
 - xi) Petitioner No.11 is a company incorporated under the Indian Companies Act, 2013 on 22nd January, 2018, which operates the website www.coindex.com, crypto assets exchange in India. However it is also submitted that upon considerable research and development for over five months and capital investment of approximately 20 lakhs in developing the product, the said Petitioner's above website went live only on 07.04.2018, after the issuance of the impugned Circular.
4. Respondent No.1 is RBI which is the central bank of the country and has been established under the Reserve Bank of India Act, 1934 enacted by Respondent No. 2, Union of India. Respondent No. 1 has issued the impugned Circular in the exercise of its powers conferred under section 35A read with section 36(1)(a) of Banking Regulation Act, 1949, section 35A read with section 36(1)(a) and section 56 of the Banking Regulation Act, 1949, section 45JA and 45L of the Reserve Bank of India Act, 1934

and Section 10(2) read with Section 18 of Payment and Settlement Systems Act, 2007.

5. The facts relating to the present writ petition are set out herein after:

- a) The proliferation of crypto assets, in particular assets such as “bitcoins”, popularly known as “crypto currencies” or “virtual currencies” has been of particular note over the past decade. While the explosion of the crypto assets market is recent, these assets have been in use and implemented since 2009. The crypto assets have seen a boom in their use and retail acceptance because these wholly digital or virtual assets work on the principles of the “blockchain” technology. The blockchain, is a public ledger, in which all transaction that take place using the concerned crypto assets are recorded and reconciled. Since the blockchain is a public ledger it is distributed/decentralised and therefore less prone to fraud or hacking thereby, the ledger cannot be tampered with and it does away with the need for intermediaries. It is for these reasons that the “blockchain” technology and the underlying crypto assets have gained traction for several applications such as land records management and identity/data management, as a store of value or medium of payment.
- b) In light of the success of the blockchain technology and crypto assets, and thereby increase in the number of transactions taking place on the basis of crypto asset exchanges, RBI released its Press Release: 2013-2014/1261, dated 24th of December, 2013 (hereinafter referred to as “**Press Release 1**”) cautioning user, holders and traders of “virtual currencies, including Bitcoins”, about the potential financial, operational, legal, customer protection and security related risks which such persons are exposing themselves to. The RBI stated that the creation, trading or usage of the crypto assets, as a medium for payment is not authorized by any central bank or monetary authorities. Additionally, the RBI stated it is examining the issues associated with the usage, holding and trading of “virtual currencies” under the extant legal and regulatory framework of India, which issues include Foreign

Exchange and payment system laws and regulations. The RBI did not, however, provide any regulatory or legal definition of "virtual currencies" or "crypto currencies", nor did the RBI highlight any intention of banning the use of the same; rather the RBI merely cautioned and made the users, holders and traders of the crypto assets against the various risks that they might be exposed to. A copy of Press Release 1 dated 24.12.2013 is annexed herewith and marked as **ANNEXURE P- 4 (Pages 83 to 84)**.

- c) In the meanwhile, markets and consumers in India were keenly aware of the potential benefits of crypto assets and the underlying blockchain technology and were exploring various ways and means to exploit the same. Petitioner No. 4 herein built a technology that would have allowed for cheap in-ward remittance through the use of crypto assets. This technology would have been particularly useful to migrant Indian labourers, as the cost of such remittance would have been reduced to 1.5 % of the current costs. Petitioner No. 4 sought to actively engage with the RBI for proper approvals/clearance. However, RBI kept such approvals in abeyance as they were awaiting instructions on regulating crypto assets. It is pertinent to note, that at no point during Petitioner No. 4's interaction with the RBI, did RBI give any indication that crypto assets were an illegal commodity. Due to the afore-said, the technology pioneered by Petitioner No. 4 which could have proven to be a boon for the families of millions of migrant Indian labourers was pre-maturely shelved and lies completely unutilized. A copy of the correspondence dated 20 November 2015 between Petitioner No. 4 and the RBI is annexed herewith and marked as **Annexure P -5 (pages 85 to 96)**.

- d) The RBI thereafter released its Press Release: 2016-17/2054 dated 1st of February, 2017 ("**Press Release 2**") wherein while referring to its previous and only press release and communication of any kind whatsoever, the RBI once again merely reminded the users, holder and traders of crypto assets of the potential financial, operational, legal, customer protection and security related risks which such persons are exposing themselves to. It may be seen, that although nearly half a

decade had lapsed since the issuance of Press Release 1, RBI, in the interim, has failed to not only delineate or identify the exact nature and scope of the risks associated with crypto assets transactions, much less, taken any action to mitigate said risks allegedly associated with using, holding or trading crypto assets. It may be inferred from RBI's actions that it lacks a proper or studied understanding of the broader economic consequences of using, holding or trading in crypto assets. This inference is augmented by the fact that, as per the reply of RBI to RTI queries, it did not submit any recommendations to Shri Dinesh Sharma, the Chairman of the inter-disciplinary committee which submitted the report to the Hon'ble Finance Minister in July, 2017. Therefore, it stands to reason that until at least July, 2017, the RBI had not come to any conclusion regarding the crypto assets in India. The text of the report, alongwith the minutes of meetings of the committee, were not disclosed in the reply to the RTI application because it was stated that the report and the minutes of the meeting "*deal with policy issues of strategic importance and hence attracts section 8(1)(a) of RTI, 2005.*"

It is pertinent to note that in none of the reiterations of Press Release 1, whether in writing or by way of public statements, has the RBI made any attempt to clarify what is meant by term "virtual currencies" and how such assets are to be identified. Further, the RBI did not, at any point in time in the past, either ban, allude to banning or otherwise exhibit an intention to exclude crypto assets from the formal economy; and neither did it release any guidelines, rules, regulations or notifications regarding the same. In the duration prior to Press Release 1 and upto Press Release 2 and/or thereafter, numerous members of the Indian Citizenry have delved into the use, trade and sale of crypto assets and have harnessed the underlying technology of blockchain to establish highly successful businesses in the form of crypto-exchanges and blockchain driven start-ups. A copy of Press Release 2 dated 01.02.2017 is annexed herewith and marked as ANNEXURE P-6 (Pages 93).

- e) The Ministry of Finance opted to constitute a nine-member inter-disciplinary committee on 12th of April, 2017 and tasked it with the

mandate to submit a comprehensive report on the nature of crypto assets and suggest the way forward. It was hoped that the said committee would provide clarity and regulatory certainty for the various embedded users upon stakeholder interaction. The constitution of the above-stated committee as reported comprises of Shri Dinesh Sharma as Chairman in his capacity as Special Secretary in the Department of Economic Affairs, and certain other representatives from RBI, Department of Revenue, Department of Financial Services, NITI Aayog and State Bank of India. Additionally, the government, invited comments vide its "MyGov.in" portal on issues relating to banning and regulation of "virtual currencies". However, such invitation was not widely publicized and neither the industry nor any other stakeholders were actively engaged, considering the public interest and technicality of the subject matter sought to be regulated. The stakeholder consultation would have allowed the committee to analyze the intricacies and the likely impact or repercussions on the crypto assets industry. The nature of comments as available on a thread themselves appear to be brief opinions, considerably rudimentary in nature and can also not be verified. There are no means to determine whether the various comments so made by the members of the Indian citizenry, have even been taken into consideration by the Dinesh Sharma Committee while preparing its report. This report has also not been made public. Further, RTI queries seeking substantive information regarding the same have also been shot down, citing vague concerns. It may please be appreciated that considering the various competing public interests involved, the committee report, its recommendations and/or its basis and rationale ought to at the very least have been made public so that stakeholders could have assessed and made necessary efforts to act in accordance with the committee's position and wherever necessary, petition the government for redress and clarity. However, for reasons best known to the Respondent No. 2, i.e. Union of India, the report, findings, recommendations, basis and rationale have yet not been made publicly available. No credible information regarding the exact position of the Union of India on virtual currencies and the various sub-set of its users was forthcoming. A copy of the press release by the Press Information Bureau dated

12.04.2017 detailing the formation of the Dinesh Sharma committee has been annexed herewith as ANNEXURE P-7 (Pages 98). A copy of the MyGov.in website calling for comments from the public has been annexed herewith as ANNEXURE P - 8 (Pages 99)

- f) Faced with regulatory opaqueness, companies such as Zeb IT Service Pvt. Ltd., which operates the highly popular crypto-exchange "Zebpay", along with other popular crypto-exchange platforms such as Unocoin, Coinsecure and Searchtrade launched the Digital Assets and Blockchain Foundation of India (hereinafter referred to as "DABFI") which is an association of crypto-exchanges, for transparent growth and regulation of the crypto-asset market. DABFI has sought to regulate the crypto-exchange industry by implementing extensive Anti-Money Laundering, Know Your Customer and Combating Financing for Terrorism guidelines. Further, DABFI through various media outlets sought to publicise the need to establish a task force which shall oversee the activities and functioning of crypto-exchanges. Such propositions, however fell on deaf ears as the RBI as well as the Government of India chose to ignore such efforts by industry body. A copy of such media report, dated 07.08.2017 is annexed herewith and marked as ANNEXURE P- 9 (Pages 100 to 101). A copy of the Know Your Customer and Anti Money Laundering Policy adopted by Petitioner No. 3 is annexed herewith and marked as ANNEXURE P- 10 (Pages 102 to 106). A copy of the Terms and Conditions of Petitioner No. 6 is annexed herewith and marked as ANNEXURE P-11 (Pages 107 to 125). A copy of the Anti Money Laundering Policy of Petitioner No. 6 is annexed herewith and marked as ANNEXURE P-12 (Pages 126 to 131).
- g) On 18th September, 2017 Petitioner No. 8 wrote to the RBI seeking to make a presentation on a crypto currency developed by them which would be based on Ethereum and would be fast and secure. It was suggested that as per the Petitioner's estimate this working product could be considered to for the rupee digital currency being contemplated by the RBI as per news reports. However, no response was received from the RBI. A copy of e-mail dated 18.09.2017 is

annexed herewith and marked as ANNEXURE P- 13 (Pages 132).

h) Notices were issued in Writ Petition (C) No. 1076/2017 i.e. DwaipayanBhomwick vs. Union of India &Ors. wherein the Petitioner was seeking the regulation of virtual currencies. The next tentative date of hearing in the same is 07.05.2018. Further, W.P (C) No. 1071/2017, wherein the petitioner is seeking a complete ban on virtual currencies has also been tagged with the said writ petition. A copy of the order passed by this Hon'ble Court dated 13.11.2017 in Writ Petition (C) No. 1076/2017 i.e. DwaipayanBhomwick vs. Union of India &Ors. is annexed herewith and marked as ANNEXURE P- 14 (Pages 133)

i) The RBI issued yet another a press release: 2017-2018/1530, dated 5th December, 2017 ("Press Release 3") wherein it reiterated the cautions alluded to above, without providing any regulatory safeguards or clarity with regard to using, holding or trading in crypto assets. A true typed copy of Press Release 3 dated 05.12.2017 is annexed herewith and marked as ANNEXURE P- 15(Pages 134).

j) Kotak Mahindra Bank supplied a formal notice to Razorpay Software Private Limited ("Razorpay") directing it to cease all transactions in relation with crypto assets and currencies and thereby stop offering any and all payment gateway services to the Petitioner No. 6 at a time when there was no prohibition on use, trade and exchange of crypto assets. A copy of the notice dated 21.12.2017 is annexed herewith and marked as ANNEXURE P- 16(Pages 135 to 136).

k) The Ministry of Finance, vide a press release dated 29th December, 2017, without considering the various legitimate transactions and users and stakeholders, capriciously likened "virtual currencies" to ponzi schemes and declared them to be lacking any real value. The press release went on to inter-alia state that "virtual currencies" are not legal tender. A copy of the press release dated 29th December, 2017 is annexed herewith and marked as ANNEXURE P-17 (Pages 133 to 137).

- l) Razorpay provided a written notice to Petitioner No. 6 stating that it had been directed by Kotak Mahindra Bank to stop all transactions involving any kind of crypto asset and providing services relating to the same at a time when there was no prohibition on use, trade and exchange of crypto assets. A copy of the notice dated 06.01.2018 is annexed herewith and marked as ANNEXURE P- 18 (Pages 139 to 143).
- m) As per press reports, the Ministry of Finance has instituted another committee in December, 2017 to study the impact of crypto assets and make recommendations to regulate the same. The committee reportedly consists of the Chairman of the Securities Exchange Board of India, and the Deputy Governor of the Reserve Bank of India. Again, neither is it known if the said committee has completed its deliberations and submitted a report, which is available publicly, nor has the committee held any stakeholder or public consultations. A copy of the media report dated 03.02.2018 detailing the establishment of the committee in December 2017 is annexed herewith and marked as ANNEXURE P-19 (Pages 144 to 149).
- n) The Respondents and the other financial regulators continued their silence on the matter of regulation, governance and administration of "virtual currencies" and persons dealing with them, including without limitation, not providing a clear definition, any reasonable classification or even clarifying its legality. The Respondents and other financial regulators have chosen to remain mute spectators, being fully aware of the growing success and acceptance of crypto assets and crypto asset based blockchain platforms.
- o) Based on news reports, it appears that the report of the committee formed in December 2017 is awaited. Meanwhile, the Hon'ble Minister for Finance, on 1st of February, 2018 as part of the Union Budget, 2018, stated that crypto assets are not legal tender in India. The Respondents, chose not to preclude holding, using or trading in crypto assets. The reluctant approach adopted by the Government of India is

in sharp contrast with the approaches adopted by other economies such as Germany, Canada, Singapore and Japan that have embraced crypto assets and preferred to engage with stakeholders, rather than painting everyone with the same brush of funding illicit and/or illegitimate activities or terror funding. Germany has recognized bitcoins to be legally binding financial instruments which are units of value that have the function of payment within private trading exchanges, or they are substitute currencies that are used as a means of payment in multilateral trading transactions on the basis of legal agreements. Japan has more than sixteen government approved crypto exchanges, which are moving towards forming a self-regulatory body. As per news reports, the Supreme Court of Israel recently prevented the closure of bank accounts of an individual engaged in crypto assets exchange, ruling that speculative concerns cannot be the reason to close accounts for persons engaged in transparent business activities. Importantly, Respondent No. 2 through any of its functionaries, did not, declare the trading, use or transfer of the crypto assets as illegal or barred by any law. A true copy of German Federal Financial Supervisory Authority's guidance on regulation of exchanges is annexed hereto and marked herewith as Annexure P- 20 (pages 146 to 151).

- p) It is of note that nearly five years have transpired at this point since Press Release 1 was released and ambiguity still persists regarding the definition of "virtual currencies" and regulation of crypto-exchanges. In the interim both – crypto assets and crypto-exchanges have flourished thoroughly. Numerous entities have since established legal trade and businesses revolving around exchange of crypto assets. An overwhelming majority of such entities have, in the exercise of good faith to establish their *bona fides*, voluntarily implemented Know Your Customer Policies and Anti-Money Laundering Policies in line with those implemented by regulated entities, despite not being mandated to do so under any statutory provision. Thus the crypto exchange industry has attempted to self-regulate itself in the face of lack of clarity from the regulatory bodies responsible for providing such guidelines.
- q) From information gathered through RTI queries, it appears that as late as July, 2017 (when the report of the inter-disciplinary committee

chaired by Mr. Dinesh Sharma was reportedly submitted), the RBI had no recommendations to make so far as regulation of crypto assets was concerned. This admission on the part of the RBI leads to the inference that the decision to cut-off all access to formal banking channels for facilitating any one settling and/or dealing in crypto assets may have been made in haste without due reason. A true copy of the RTI response dated 07.03.2018 is annexed herewith and marked as **Annexure P- 21 (pages 152 to 154)**.

- r) It is of note that in the midst of such regulatory ambiguity and lack of understanding of the impact the crypto assets have on the global economy, the Financial Stability Board which coordinates the financial regulation for the G20 States, of which India is a member, has noted vide a letter dated 13th March, 2018 that crypto assets do not pose risks to the global financial stability in status quo as they are insignificant to the financial system. A true copy of the letter dated 13.03.2018 is annexed herewith and marked as **ANNEXURE P- 22 (Pages 155 to 164)**.
- s) Thereafter, the RBI released a Press Release: 2017-2018/2641 ("**Press Release**"), dated 5th April, 2018 titled "**Statement on Developmental and Regulatory Policies**" whereby with immediate effect entities regulated by the RBI were prohibited from dealing with or providing services to any individual or business entities dealing with or settling "**virtual currencies**". Regulated entities which already provided such services were directed to exit such relationship. However, no clarification was given regarding the manner in which such existing relationship between banking institutes and users and businesses dealing with crypto assets was to be affected. The same Press Release however noted that the RBI acknowledges the growth and need of digital currencies and shall explore introducing a central bank digital currency. The RBI however, yet again failed to define what a "**virtual currency**" is. Pertinently, the Press Release did make mention of RBI's constitution of committee which would study the feasibility of a central bank digital currency. A true typed copy of Press Release dated

05.04.2018 is annexed herewith and marked as ANNEXURE P- 23 (Pages 165 to 170).

- t) Ironically the RBI and other regulatory bodies while demonizing crypto assets and crypto currencies in general, have continued to recognize and encourage the benefits of underlying blockchain technology. It is pertinent to note that the proliferation of the blockchain technology is driven by crypto assets as the ability to acquire crypto assets on the basis of work done is the incentive to develop a blockchain. Popularly used blockchains such as the Ethereum blockchain, upon which various block chain applications are built, are highly efficient and reliable because of the developers' ability to earn cryptocurrencies such as "Ether" by way of conducting and adding transactions to the blockchain. The Respondent No.1 overlooks and disregards the benefits that cryptocurrencies bring forth despite acknowledging that blockchain technology has the potential to improve the efficiency and inclusiveness of the financial system.
- u) Immediately thereafter, on 6th April, 2018, the RBI in the purported exercise of its powers under section 35A read with section 36(1)(a) of Banking Regulation Act, 1949, section 35A read with section 36(1)(a) and section 56 of the Banking Regulation Act, 1949, section 45JA and 45L of the Reserve Bank of India Act, 1934 and Section 10(2) read with Section 18 of Payment and Settlement Systems Act, 2007 released a notification: RBI/2017-18/154, DBR. No.BP.BC.104 /08.13.102/2017-18 ("Circular"). The Circular prohibits all entities regulated by the Reserve Bank from dealing in "virtual currencies" or provide services for facilitating any person or entity in dealing with or settling "virtual currencies". Services, under the notification includes maintaining accounts, registering, trading, settling, clearing, giving loans against virtual tokens, accepting them as collateral, opening accounts of exchanges dealing with them and transfer / receipt of money in accounts relating to purchase/ sale of "virtual currencies". The regulated entities have been directed to exit from the relationship

within three months from date of the Circular. A copy of impugned Circular bearing no. RBI/2017-18/154, DBR. No.BP.BC.104 /08.13.102/2017-18 dated 06.04.2018 is annexed herewith and marked as **ANNEXURE P- 24 (Pages 131)**.

- v) That immediately following the release of the impugned circular, businesses engaged in the trade of crypto assets started receiving intimations from banking and payment service providers asking them to complete all necessary formalities for the closure of their accounts. A copy of the email received by Petitioner No. 3 from its banking and payment service providers asking them to close their accounts is annexed herewith marked as **Annexure P-25 (pages 132)**. Another copy of the email received by Petitioner No. 3 from its banking and payment service providers asking them to close their accounts is annexed herewith marked as **Annexure P- 26 (pages 133)**. A copy of the communication received from Yes Bank on 06.04.2018 is annexed herewith and marked as **Annexure P-27 (pages 134)**. A copy of the communication dated 10.04.2018 received by Petitioner No. 3 from one of its payment service provider is annexed herewith and marked as **Annexure P-28 (pages 135)**. A copy of the communication dated 10.04.2018 received by Petitioner No. 5 from one of its payment service provider is annexed hereto and marked herewith as **Annexure P-29(pages 136)**.
- w) This action by the RBI will effectively lead to Indian citizenry involved in crypto assets incurring substantial losses. These individuals, cut-off from access to formal banking channels, will be unable to liquidate their crypto assets investments, unless they move to the cash-based informal economy, effectively rendering them worthless in the formal economy in India. It is of importance to note that the RBI, SEBI, Ministry of Finance and every other body and institution capable of providing any notifications had remained silent on the issues of investment and trading of crypto assets and allowed the industry to thrive before releasing such a notification. The language of the notification directs regulated entities, which implies banking institutions, from facilitating any transactions that relate with crypto

assets and thereby freeze such assets and render them useless and cause a loss of numerous persons engaged in legal business.

- x) It is pertinent to note here, that the actions of RBI in this regard were shrouded in secrecy. The previous conduct whereby RBI had formulated committees and issued indirect statements that regulations were being drafted has been such, that bona fide users and traders of crypto assets were under the reasonable impression that the regulator was aiming to regulate the crypto trade. There was absolutely no inkling that the regulator would overnight take such a drastic action which would in effect bring the entire crypto assets industry to a grinding halt and vaporize the value of their accumulated assets. The Press Release and Circular itself is very ambiguously worded and provides no clarity as to the exact meaning and scope of the terms crypto assets and the manner in which users, traders and businesses settling or dealing with crypto assets are meant to exit their existing banking relationship.
 - y) It may be seen that the regulator and the State have alike chosen to ignore the beneficial impact the use crypto assets and blockchain technology have had on the nation. As per news reports, despite the discouraging stance of the State, blockchain and crypto industries in India posted the highest number of job opening in the APAC (i.e. Asia Pacific region). The share of India in global blockchain crypto jobs has increased from less than 1% in 2015 to about 7% in 2016 and over 7% in 2018. A true copy of the said news report dated 11.04.2018 is marked and annexed herewith as Annexure P- 30 (pages 177 to 178).
6. The Petitioner has no alternative equally efficacious remedy and the instant writ petition has been filed, *inter alia* on the following grounds:
- GROUND**
- i. The common law maxim "*tout ce que le loi ne defend pas est permis*" which postulates that everything is permitted which is not forbidden and/or what is not prohibited is permitted and legal is a well - recognized principle of statutory law duly accepted and approved by judicial
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- precedents in the country. There is no law in India which declares virtual currencies/crypto assets/crypto currency and/or the trade or usage of the same as illegal. It is therefore palpably wrong to assume it to be illegal through a circuitous route.
- ii. That the Impugned Circular is violative of Article 14 of the constitution of India as it imposes arbitrary sanctions without any intelligible differentia. It unfairly and unduly differentiates between individuals who are all carrying legitimate business activity. The petitioners herein cannot be differentiated from other individuals purely because they are engaged in the use, trade or deal in virtual currencies and/or crypto assets. Article 14 forbids class legislation and only permits reasonable classification. Therefore in order to sustain the classification as permissible under Article 14 it has to satisfy the twin tests: (1) that the classification is founded on an intelligible differentia which distinguishes persons or things that are grouped together from others left out of the group and (2) the differentia must have a rational relation to the object sought to be achieved by the impugned provision. The present case however, does not satisfy this twin test.
 - iii. All citizens of India, in the exercise of their fundamental right guaranteed under Article 19(1)(g) have the right to carry on any trade, occupation or business relating to crypto assets for their livelihood. Such a right cannot be impinged upon without following the due process of law. Respondent by way of the impugned Circular has effectively imposed a prohibition on all trades and businesses which deal or trade in crypto assets, by curtailing all modes by which such businesses may have access to banking or payment and settlement services in India. The nature of restriction imposed is unreasonable and contrary to Article 19(6) considering the
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effect of the impugned circular on the infringement of the Petitioners' right guaranteed by Article 19(1)(g). It is submitted that the restrictions imposed by Respondent No. 1 are palpably arbitrary in nature and would have the effect of depriving citizens of their valuable right to carry on trade, business or occupation of their choice without following the due process of law;

- iv. That the Petitioners herein, like all citizens who carry on any legally permissible trade, business or occupation have a right to partake and have access to essential public utility services including those relating to banking and payment and settlement. In the present instance Respondent No. 1 has without any reasonable basis chosen to discriminate only against those citizens who carry on trade in crypto assets by denying them access to the formal economy. The impugned circular is therefore also contrary and violative of Article 21 of the Constitution of India as it impinges upon the Petitioners' right to life without following the procedure established by law.
- v. That the effect of the impugned Circular is such that it also impinges upon and violates the fundamental right to freedom of speech and expression guaranteed to the Petitioners' under Article 19(1)(a). The Petitioners' right to commercial speech so as to freely dissemination information regarding the product has also been contrived by the impugned Circular. The effect of the impugned circular is that the public at large has been deprived of the benefit available upon dissemination of information regarding crypto assets/crypto currencies/virtual currencies and their utility, functioning, benefit and use. In a democratic economy free flow of commercial information is indispensable. The economic system in a democracy would be handicapped without there being freedom of commercial speech. This

Hon'ble Court has authoritatively held in the *Tata Press Limited v. Mahanagar Telephone Nigam* (1995) 5 SCC 139 case that commercial speech is a part of the freedom of speech and expression guaranteed under Article 19(1) (a) of the constitution and restraint or curtailment of commercial speech would affect the fundamental right under Article 19(1) (a) on the aspects of propagation, publication and circulation. It was also inter-alia held that the public at large has a right to receive the commercial speech and therefore Article (19) (1) (a) not only guarantees freedom of speech and expression, it also protects the rights of an individual to listen, read and receive the said speech. Accordingly, it has been held that the protection of Article 19(1)(a) is available to the speaker as well as to the recipient of the speech as the recipient of commercial speech may be having much deeper interest in the advertisement than the businessman who is behind the publication.

- vi. It is submitted that any act of the executive, whether it be by way of a legislation or policy decision taken by an administrative authority, which has the effect of curtailing the rights of the Petitioners guaranteed under Part III of the Constitution may be the subject of judicial review before this Hon'ble Court. It is submitted that impugned Circular and various press releases passed by the Respondent immediately preceding it, even when considered from the perspective of matters of economic or fiscal policy which receive greater latitude from courts, still require to be away from the vice of arbitrariness. The action has to be based on some empiric information for experimentation, which is in the respectful submission of the Petitioners' lacking in the present case. In the facts of the present case, it is respectfully submitted that the economic decision to come out with

the impugned circular, is demonstrably violative of the constitutional limits on exercise of power. While the Respondent have the right to experimentation and trial and error, it must be bonafide, within the limits of the authority available, non-arbitrary and not uninformed. Similarly, arbitrariness may also be perceived in the action if it is done in haste. The impugned circular, the preceding press releases and the acts on the part of the Respondent fall prey to these well enunciated principles and measures of judicial review in economic or fiscal matters.

- vii. It is further submitted that the impugned circular and preceding press releases are also ultra vires the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 and the Payment and Settlement Systems Act, 2007 inasmuch as it seeks to prohibit the trade and dealing in virtual currencies/crypto assets/crypto currencies indirectly despite acknowledging that these are not legal tender and thereby outside the purview of the Respondent No.1. Even otherwise, it is respectfully submitted that the need was to come out with regulations upon exercise of legislative power prior to seeking enforcement through sub delegation. In the absence of sufficient guidelines or norms regarding the manner, scope or nature of exercise of the delegated power, the action of the Respondent No.1 remains unfettered and uncanalised. The impugned circular is therefore arbitrary being unreasonable, without any adequate determining principle and non-rational, depending on the will alone.
- viii. That the exercise of power by the Respondent No. 1 is also hit by the well established principle of administrative law on fraudulent exercise of power. It has been held by this Hon'ble Court in the case of *Express Newspapers (P) Ltd. vs. Union of India (1986) 1 SCC 133* that fraud on

power voids the order if it has not been exercised for the end design. It has been inter-alia held that when an authority misuses its power in breach of law, say by taking into account, bona fide and with best of intentions, some extraneous matter or by ignoring relevant matter, then that would render the impugned act ultra vires, as it would be a case of fraud on power or fraudulent exercise of power. It is respectfully submitted that the exercise of power by the Respondent No.1 by directing entities regulated by it to, with immediate effect, not deal in virtual currencies, or provide services for facilitating any person or entity in dealing with or settling virtual currencies and further the direction that all existing relationships should be exited within three months from the date of the impugned circular, is a fraudulent exercise of power.

- ix. It is submitted that any restriction imposed on a fundamental right must be proportionate to the situation sought to be remedied and must be the least restrictive of the right sought to be impinged. In the present matter, RBI by way of the impugned Circular has unreasonably infringed and restricted the Petitioners right to carry on trade, occupation or business of their choice as well the Petitioners right to livelihood, by completely cutting of the access of the Petitioners to the formal economy. As per the impugned Circular, the RBI's decision to impose such a prohibition was done in view of the "*associated risks*" with crypto assets. It is submitted that the risks associated with the trade of crypto assets are such as may be effectively curtailed by having a suitable regulatory regime in place which mandates compliance with know your customer (KYC), anti-money laundering (AML) guidelines etc., for all those who deal with and settle in crypto assets and other similar measures. Comparable measures have been adopted by RBI for payment instruments which posed like risks such as
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pre-paid wallets. As such the impugned Circular, seeks to impose a restriction on the exercise of rights which is not only disproportionate to the ends sought to be achieved but is also not the least restrictive manner in which the objectives sought may have fructified;

- x. That all citizens of India, including those who carry on trade and allied activities in relation to crypto assets, have the fundamental right to carry on such trade and business activities. However, the impugned Circular and Press Releases issued from time to time denies individuals and businesses dealing with or settling crypto assets access to any formal banking or payment and settlement channels. The impugned Circular has the direct and imminent effect of shutting down such businesses. As such, the impugned Circular is violative of the fundamental right of these individuals and entities to carry on their trade and business; The law permits only reasonable restriction to be imposed. The outright ban and prohibition imposed is without rationale, reason and utterly unreasonable. The impugned circular and press releases does not even place any basis or explanation for such drastic measures. It fails to consider and acknowledge the various legitimate and varied bonafide commercial users which deal with and/or in crypto assets and the likely impact the impugned circular and press releases will have on their investments. The prohibition being absolute totally lacks reasonable criteria for such generalised description and/or classification. It is respectfully submitted that the impugned decision cannot be sustained as it effects the Petitioners in a fundamental and egregious manner, without following the due process of law;
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- xi. It is submitted that the restrictions sought to be imposed on individuals and business entities that deal with or settle in crypto assets by the impugned Circular and Press Releases are far greater than and contrary to the nature of restrictions which are permitted to be imposed under the Constitution; The effect of the restriction imposed has the effect of putting unreasonable fetters on the Petitioners' fundamental right under Article 19(1)(g). The restriction imposed is without basis and rationale;
- xii. It is submitted that there is no direct and proximate nexus or a reasonable connection between the restrictions imposed and the objective sought to be achieved. From the Press Release it may be seen that the concerns that the RBI sought to address are those relating to "*consumer protection, market integrity and money laundering, among others*". In effect, on the contrary, the RBI's actions harm users, hurt the market and increase the risk of money laundering. By taking away access to formal banking channels, the trade of crypto assets will move to the informal (cash based) economy and over-the-counter exchanges which are impossible to regulate and are conducive to money laundering;
- xiii. It is submitted that the RBI's concerns in the Press Release relating to "*consumer protection, market integrity and money laundering, among others*" are also equally applicable to other forms of transactions. To address the aforesaid concerns, the RBI should mandate procedures to enable reporting of suspicious transactions, including mandatory KYC and AML procedures, and grievance redressal mechanisms, among others. In other instances, the RBI addresses these concerns by mandating Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures, reporting of suspicious transactions, and implementing grievance redressal

mechanisms. It is submitted that similar reasonable restrictions and regulations could be imposed on businesses dealing in crypto assets instead of imposing a blanket ban on their access to banking and financial services. It is further submitted that many crypto exchanges already self-regulate and comply with KYC/AML regulations;

- xiv. In any event, it is evident from RBI's previous Circular dated 24 December 2013 that it set out certain risks in relation to virtual currencies, such as potential threats to storage of virtual currencies, no recourse to customer problems, high volatility and financial risks, usage of virtual currencies for illicit transactions. It is submitted that none of these risks warrant a complete prohibition on virtual currencies. That is because the RBI already has a framework readily available in to curb risks in relation to the potential threats to storage and usage of currencies for illicit transactions. In 2013, the RBI released the Master Circular for Know Your Customer (KYC) norms, Anti-Money Laundering (AML) standards and Combating of Financing of Terrorism (CFT) norms, which can be applied *mutatis mutandis* to transactions related to virtual currencies to curb the potential risks identified by the RBI. In fact, the said norms have recently been applied *mutatis mutandis* to pre-paid payment and settlement systems (including e-wallet and digital wallet companies such as PayTM, Mobikwik, PayU etc.) in relation to which the RBI had similar concerns. Even Press Release 1 of the RBI categorically stated that it is examining the issues associated with usage, holding and trading of virtual currencies under the extant legal and regulatory framework of India which issues include foreign exchange and payment system laws and regulations;

- xv. In fact, it is submitted that there is no intelligible differentia between pre-paid payment systems (such as PayTM, Mobikwik, PayU etc.) and virtual currency systems in relation to the potential risks identified by the RBI.

These risks are similar for both pre-paid payment systems and virtual currency systems (i.e. risks associated with storing currency in digital wallets on computer or mobile systems and risks associated with using currency stored on digital wallets for illicit activities). The measures made applicable to pre-paid payment systems which use digital wallets to store money (i.e. KYC, AML and CFT norms) can therefore be applied in relation to virtual currencies.

- xvi. It is also submitted that the restriction imposed under the RBI Circular on fundamental rights does not comply with the doctrine of proportionality. In *Teri Oats (P) Ltd. v. UT, Chandigarh*, (2004) 2 SCC 130, this Hon'ble Court held that according to the doctrine of proportionality, the least restrictive choice of measures must be taken so as to achieve the object of the legislation or administrative order, and restrictions imposed by administrative orders which are not the least restrictive of the choices available are considered to be disproportionate. Given that the RBI already has KYC, AML and CFT norms in place and those norms can curb the potential risks identified by the RBI in relation to virtual currencies, a complete prohibition on all transactions in relation to virtual currencies is not the least restrictive measure. Therefore, a complete ban on all transactions related to virtual currencies is contrary to the doctrine of proportionality.

- xvii. In fact, following the doctrine of proportionality, several other jurisdictions have made virtual currency transactions subject to regulation and taxation in order to address potential risks instead of imposing a blanket ban. For instance, in Germany and Japan, virtual currencies have been subject to taxation and licensing regimes which allow for government authorities to regulate transactions in virtual currencies. Given that India's Forward Markets Commission and the Securities and Exchange Board of India have the capability to regulate virtual currencies, such regulation should be adopted as a lesser restrictive measure in comparison to the total prohibition on all transactions in virtual currencies. Regulating trade and transactions of virtual currencies by licensing and taxation is therefore proportionate to the objectives sought to be achieved by the RBI, and a complete prohibition is disproportionate.
- xviii. The immediate and direct consequence of the impugned Circular would be the prohibition of trade in all forms of crypto assets and thereby in effect outlawing crypto assets over night. As crypto assets, by the Respondents own admissions, do not qualify as "legal tender" in India, it is submitted that RBI lacks the authority to classify crypto assets as legal/illegal assets. The impugned Circular can thus be classified as an instance of colourable exercise of power, whereby through indirect means the RBI is seeking to outlaw crypto assets although it lacks the authority to do so.
- xix. It is submitted that, in the face of competing public interests in the trade of crypto assets, the need of the hour is to harmonize competing public interests instead of foreclosing access to all formal banking channels. It is submitted that providing policy norms to balance such competing interests will push the crypto asset ecosystem, including the underlying blockchain

based digital infrastructure, towards a regulated framework that will provide transformative economic and technological benefits to the country;

- xx. An Independent expert statutory regulatory authority ought to have been constituted under a central statutory enactment and given express powers to comprehensively regulate the sector by framing rules and regulations in discharge of the above objective so as to make it a self contained code. Such an expert regulator would have also been well placed to coordinate with various other government agencies and statutory authorities constituted under different enactments;
 - xxi. It is submitted, that there are a number of commodities/securities transactions that involve an equivalent amount of complexity/risks that are not only recognised but regulated by various State Agencies. As such, the act of Respondent No. 1 whereby, persons dealing with and settling in crypto assets alone were selectively excluded from the formal banking sector is an instance of unfair discrimination and as it is not based on any intelligible differentia;
 - xxii. It is submitted that the Circular does not distinguish between any crypto asset that is used in any blockchain in India for lawful and legitimate purpose. Therefore, the Circular is irrational and manifestly arbitrary by including all the crypto assets used for legitimate and lawful purposes on any blockchain in India;
 - xxiii. It is submitted that the impugned Circular has been issued without any rational basis and without taking into consideration the relevant facts and is thus manifestly arbitrary. That the purported aim of the Circular is to
-

protect users, holders and traders of crypto assets from the risks associated with them. It is submitted that excluding such individual and businesses from formal banking channels not only fails to protect them from the risks as identified by RBI, but also exposes them to the vagaries and risks associated with the informal sector as following the Circular that is the only avenue left for users, holders and traders of crypto assets to trade; Moreover the investments made and accrued may fetch a heavily depreciated - discounted rate of exchange, compounding the extent of loss sufferers on account of hasty and unfounded apprehensions;

- xxiv. That the Circular explicitly prohibits all entities regulated by the RBI from providing services to any exchanges dealing with crypto assets to the extent that all such entities have been prohibited from maintaining accounts or opening accounts of such exchanges. In addition, the Circular also prohibits transfer or *"receipt of money in accounts relating to purchase or sale"* of crypto assets. The prohibition on maintaining accounts, opening of accounts and transfer of *"receipt of money in accounts relating to purchase or sale"* of crypto assets leads to a blanket foreclosure of all formal banking channels to crypto assets exchanges for all purposes including other legitimate business activities such as payment of salaries to staff members and payment of utility bills, among others. Such a blanket foreclosure does not distinguish between the use of formal banking channels for the sale and purchase of crypto assets, and any other activity. Therefore, there is no intelligible differentia in the list of activities sought to be prohibited by the Circular. The enforcement of the Circular will lead to arbitrary foreclosure of access to formal banking channels;

- xxv. The Circular directs entities regulated by the RBI to cease banking services to all businesses and individuals dealing with or settling crypto assets from the date of publication of the Circular. The immediate enforcement of the Circular removes all avenues available to a holder of crypto asset to dispose off his or her crypto assets on account of foreclosure of access to all banking channels. The Circular unreasonably removes all options available to holders of crypto assets from selling their crypto assets in international markets even at a loss;
- xxvi. That banking services have been termed as an essential service under the Essential Services Maintenance Act, 1981. Even otherwise, it may be seen that banking services in today's society, wherein the State is increasingly pushing for the inclusion of all class of citizens in the formal banking sector, access and use of banking services has become an important facet of the right to life. The impugned Circular in effect arbitrarily takes away the right of individuals and businesses dealing in crypto assets to access banking, an essential service, thereby infringing on their right to life as guaranteed under the Constitution without following due process of law;
- xxvii. That on account of the impugned Circular several banking and online payment gateways in India have with immediate effect sought to terminate their existing business relationship with Petitioner No. 3, making it logistically impossible for Petitioner No. 3 to carry on its trade. Once the impugned Circular has achieved its full effect and the Petitioner No. 3 has been precluded from all services by RBI regulated entities in India, Petitioner No. 3 will no longer be able to undertake its day to day business activities such as payment of salaries to its staff, payment to vendors and other service providers, as all these operations are dependent on banking services. Consequently Petitioner No. 3 will be precluded from carrying

out its business altogether. Hence, the rights of Petitioners No. 1 and 2, who are the founders/directors of Petitioner No. 1, to carry on any occupation, trade or business has been infringed;

xxviii. That all trading on the www.koinex.in, i.e. the online crypto exchange platform operated by Petitioner No. 6 is done in terms Indian National Rupees ("INR"). Hence, access to banking and payment gateways in India is indispensable to the business model of Petitioner No. 6. The manifestly arbitrary act of the RBI will unjustifiably restrict the ability of Petitioner No. 6 to carry on its trade but will consequently also restrict and adversely impact the livelihood of the founder and other employees of Petitioner No. 6. It is further submitted that the RBI Press Release 1 and Press Release 2 has caused undue hardships for Petitioner No. 6 in past as well and has harmed its business. Vide a letter dated 21st December, 2017 Kotak Mahindra Bank directed the payment gateway provider of the Petitioner No. 6 to terminate and sever all relations with Petitioner No. 6 because it provided services enabling the use and transfer of crypto assets. The explanation offered by Kotak Mahindra Bank for making such direction remained that the RBI has vide Press Release 1 and Press Release 2 advised all banks that no licenses and authorizations were given to any company to deal with crypto assets;

xxix. That the RBI and the State have at various instances identified the potential benefits of blockchain technology. That the Circular with immediate effect prohibits all the entities regulated by the RBI from either dealing with, *"or provid[ing] services for facilitating any person or entity in dealing with or settling VCs"*. There is no statutory, judicial,

commercial or academic definition of virtual currencies. The Circular itself does not clarify meaning of virtual currencies and only makes an indirect reference that virtual currencies include bitcoin. The situation is made more ambiguous if the circular is read with the earlier Press Release which states that virtual currencies include crypto assets and crypto currencies. It is submitted that virtual currencies can be read to include crypto assets. Crypto assets are essential to the functioning of blockchain. Several blockchain applications for governance, including those being used in India, are built on the Ethereum blockchain which relies on its crypto asset, Ether, to facilitate transactions on the Ethereum blockchain. A number of government institutions including the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI) and the NitiAayog are exploring applications of the blockchain technology on account of the transparency, efficiency, economic and privacy benefits available through the use of blockchain. It is submitted that restricting crypto assets and their transactions on crypto exchanges will restrict the full realization of blockchain technology and its applications;

- xxx. It is submitted that Indian companies have set-up and developed world-class exchanges with low latency, high liquidity, intuitive user-experience and enhanced security. Moreover, such growth in innovation has been accompanied by significant employment generation resulting in a technically competent workforce and a rapidly growing startup ecosystem. It is submitted the exchanges are embedded in the startup ecosystem of crypto assets. Clamping down on exchanges will prove to be a death knell for the rapidly growing startup ecosystem. It is submitted that the Circular has the effect of either destroying all Indian innovation built in this field over years and with significant expenditure, or displacing such innovative

companies to other jurisdictions that provide favourable rules and regulations

xxxi. In keeping with global trends, crypto assets have been fast gaining a foothold in India since 2009. This fact has been acknowledged and accepted by various government bodies including the RBI since 2013. Since 2013, the RBI has issued advisories through three press releases cautioning the users against the risks associated with crypto assets. In these press releases, it has provided details about the risks associated with the crypto assets, and has also clarified that it has not provided any licence to any of the entities involved in the trading of crypto assets. However, the RBI never provided any inclination that it shall, or that it intends to restrict access to formal banking channels to the entities that either deal with or settle crypto assets, considering there was bonafide belief, expectation and understanding that the expert committees shall devise a well thought and conceived framework for regulating the sector and the Union of India prior to framing a law undertake stakeholder interaction considering the competing public interests involved so as to understand the views and regulatory models that may be implemented for harnessing the technology. However the sudden move on part of the RBI to foreclose all formal banking channels "*to any individual or business entities dealing with or settling*" in crypto assets amounts to a capricious move that infringes on right against arbitrariness of the users of crypto assets in India;

xxxii. It is submitted that the right to reputation is an element of personal dignity and is protected under the provisions of the Constitution, equally with the right to enjoyment of life and liberty. By failing to regulate crypto assets

and simultaneously restricting access to formal banking channels for their sale and purchase, the State is encouraging a perception in society that crypto assets are illicit articles, thus lowering the reputation of legitimate users and traders of crypto assets in society. It is further submitted that directions that effectively restrict the use of crypto assets have been issued by the RBI without giving relevant stakeholders, including traders of crypto assets opportunities to comment upon and/or present their objections to the same. Further, the careless and callous manner in which the RBI released its various press releases has caused fear and psychosis in the minds of the regulated entities and caused them to deny services to legitimate businesses such as Petitioner No. 6 without any legal basis;

xxxiii. It is further submitted, an inter-departmental committee constituted by the Ministry of Finance (the "Committee"), of which the RBI is but one member is in the process of examining the impact of crypto assets and making recommendations for their regulation. Thus, it is respectfully submitted that the RBI has not only acted prematurely but in effect with the notification of the impugned circular and press release rendered the committee undertaking examination of the impact of crypto currencies/virtual currency for its regulation irrelevant if not redundant considering the impugned circular and press release has prohibited trade in all forms of crypto currencies / virtual currencies (which includes crypto assets) It is further submitted that the Circular is arbitrary in that it completely curtails the business of the exchanges and has the effect of shutting them down even before the Committee has concluded its examination and formulated recommendations on the questions of legality or illegality or categorisation of crypto assets or the regulator that may

have jurisdiction over crypto assets and a decision has been taken in that regard by the competent authority;

xxxiv. That the RBI has since 2013 been cognizant of the trade in crypto assets in India and has also monitored its growth. The RBI had implicitly allowed trade in crypto assets to flourish by not deeming it illegal. The consistent past practices on the part of the RBI and the State have created a legitimate expectation on part of the bonafide users of crypto assets that the State may seek to regulate the businesses dealing with crypto assets but will not take any action that effectively amounts to a ban on trading in crypto assets through formal banking channels. However, presently the RBI has without any forewarning or stakeholder consultation, sought to capriciously shut the entire crypto asset industry overnight through the impugned Circular. This action by the RBI will also effectively lead to Indian investors in crypto assets incurring substantial losses. These investors, cut-off from access to formal banking channels, will be unable to liquidate their crypto assets investments, unless they move to the cash-based informal economy, effectively rendering them worthless in the formal economy in India;

xxxv. It is submitted that such acts on the part of the State are averse to the principles of natural justice which demand that before such a drastic adverse action may be taken, at the very least (1) an explanation should be provided as to the cause of such action; and (2) an opportunity must be given to the stake-holders in the crypto assets industry to have their say against such contemplated action;

- xxxvi. That Petitioner No. 4 sought to engage directly with RBI for the purpose of seeking clarity on the legality of crypto assets. However, at no point of time did RBI ever indicate to him that crypto assets are or may be deemed to be illegal at a future date although they did indicate that RBI, amongst other regulatory agencies is considering adequate means of regulating crypto assets. On account of such conduct and representation by the Respondents the Petitioner No.4 had a legitimate expectation that while crypto assets may be regulated at a future date, RBI would not take any action which would have the effect of outlawing crypto assets in India over night. However, the impugned circular by foreclosing all avenues of legitimate access to banking channels has the precise effect of outlawing crypto assets over night. It is submitted that the impact of the impugned Circular, on not just the Petitioner No. 4, but all individual traders who had invested their hard-earned savings in crypto assets will be unduly severe as they have been left without formal banking means.
- xxxvii. It is further submitted that the impugned Circular does not set out the basis on which the prohibition in dealing in virtual currencies has been imposed. The prohibition is merely based on the "*various risks*" and "*associated risks*" in relation to virtual currencies, without specifying the same having been defined or specified. That is an insufficient basis for the RBI to have effectively imposed a complete ban on the trading of virtual currency.
- xxxviii. In *Dwarka Prasad LaxmiNarain v. State of U.P.*, 1954 SCR 803, this Hon'ble Court held that "*reasonable restriction*" connotes that the limitation imposed upon a person in enjoyment of a right should not be

arbitrary or of an excessive nature of what is required in the interest of the public. Given that the impugned Circular prohibits transactions in all virtual currencies (including those which have no relationship or nexus with the risks identified by the RBI and object sought to be achieved), it is not a "*reasonable restriction*" on fundamental rights.

xxxix. In *Chintaman Rao v. State of M.P.*, 1950 SCR 759, this Hon'ble Court held that "*the word 'reasonable' implies intelligent care and deliberation, that is, the choice of a course which reason dictates*". It cannot be said that the prohibition on all virtual currencies under the RBI Circular has been made after "*intelligent care and deliberation*". That is because there have been no technical or expert determinations made by the RBI on whether the "*potential risks*" identified by the RBI actually exist in relation to transactions of virtual currencies and actually affect the public.

xl. In cases involving scientific or technical matters, such as the present case, this Hon'ble Court has allowed restrictions to be imposed on the exercise of fundamental rights pursuant to expert reports being made on the subject-matter. For instance, in *Pyarali K. Tejani v. Mahadeo Ramchandra Dange*, (1974) 1 SCC 167, this Hon'ble Court held that a restriction in a technical and scientific matter was reasonable as it was taken after consultations with a high-powered technical committee. There have been no expert reports or consultations pursuant to which the RBI Circular have been made. In the absence of an expert report on the impact and alleged harmful effects of virtual currencies, a complete prohibition on all transactions related to virtual

currencies is unreasonable, and cannot be considered to be a "*reasonable restriction*".

8. The Petitioners crave leave of this Hon'ble Court to add to, amend and/or modify the instant petition, subsequently in case the need arises in interests of justice. It is submitted, that the impugned Circular affects the fundamental rights of the users of crypto assets in all parts of India and is not confined to the territorial realms of any particular State. Hence, the Petitioner had no alternate remedy to address it's grievances but to approach this Hon'ble Court;
9. That the present Petitioners have not filed any other or similar writ petition or any petition in any other court of this country or this Hon'ble Court on the subject matter of the present petition.
10. The Petitioners state that this Hon'ble Court has jurisdiction to entertain this Petition and adjudicate the issues raised therein. The Petitioners also state that there are no delays or laches in filing the present petition.
11. The instant writ petition is being filed bonafide and in the interests of justice.

PRAYER

In the above premises, it is prayed that this Hon'ble Court may be pleased:

- i) issue appropriate writ, direction or declaration declaring that impugned Circular dated 06.04.2018 bearing no DBR.No.BP.BC.104/08.13.102/2017-18 and all earlier press releases issued on the subject as being ultra vires, unconstitutional being violative of Article 14, 19 and 21 of the Constitution of India; and
- ii) Issue a writ of mandamus or any other writ or order or appropriate direction to the Respondents to not restrict or direct any person or entity regulated by it including banking service and payment service providers from denying the provision of such service to all or any person using, trading, or dealing in crypto assets including virtual currencies or crypto currencies; and

- iii) Pass appropriate orders, directions directing the Respondents to hold consultations with the relevant industry stakeholders including Petitioners for coming out with an enactment relating to regulation of crypto assets in India; and
- iv) Pass such other orders as may be deemed necessary on the facts and in the circumstances of the case.

FOR WHICH ACT OF KINDNESS, THE PETITIONER SHALL AS IN DUTY BOUND, EVER PRAY.

FILED BY:

AVINASH MENON

Drawn On: 12.04.2018

Filed on: 17.04.2018

IN THE SUPREME COURT OF INDIA
ORIGINAL WRIT JURISDICTION
CIVIL WRIT PETITION NO. OF 2018

IN THE MATTER OF:

Rajdeep Singh and Ors

...Petitioners

VERSUS

Reserve Bank of India & Anr

...Respondents

AFFIDAVIT

I, Pramod Emjay, S/o M. J. Krishna, Aged about 27 years, R/o D-12, Second Floor, D-Block, Kalkaji Delhi 19, do hereby solemnly affirm and state as under:-

1. That I am the Petitioner No. 4 in the present matter and as such I am fully competent and authorized to swear and depose this affidavit and fully aware of the facts and circumstances of the present case.
2. That I have read and understood the accompanying Synopsis and List of dates (from page nos. B to I), writ petition (Para No. 1 to 11), from page nos. 1 to 41 and interim applications and I state that the facts mentioned therein are believed to be true and correct to the best of my knowledge and that nothing material has been concealed therefrom. The annexures of the writ petition are true copies/translations of their respective originals.



DEPONENT

VERIFICATION

I, Pramod Emjay, named do hereby verify that contents of the above affidavit are true as per my knowledge and belief and nothing material has been concealed therefrom.

Verified at New Delhi on 13th day of April 2018.



DEPONENT



ATTESTED

 Notary Public
 13 APR 2018

I. Constitution of India

a. Article 14:

"Equality before law: The State shall not deny to any person equality before the law or the equal protection of the laws within the territory of India Prohibition of discrimination on grounds of religion, race, caste, sex or place of birth"

b. Article 19:

"19. Protection of certain rights regarding freedom of speech etc

(1) All citizens shall have the right

(a) to freedom of speech and expression;

(b) to assemble peaceably and without arms;

(c) to form associations or unions;

(d) to move freely throughout the territory of India;

(e) to reside and settle in any part of the territory of India; and

(f) omitted

(g) to practise any profession, or to carry on any occupation, trade or business

(2) Nothing in sub clause (a) of clause (1) shall affect the operation of any existing law, or prevent the State from making any law, in so far as such law imposes reasonable restrictions on the exercise of the right conferred by the said sub clause in the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality or in relation to contempt of court, defamation or incitement to an offence

(3) Nothing in sub clause (b) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevent the State from making any law imposing, in the interests of the sovereignty and integrity of India or public order, reasonable restrictions on the exercise of the right conferred by the said sub clause

(4) Nothing in sub clause (c) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevent the State from making any law imposing, in the interests of the sovereignty and integrity of India or public order or morality, reasonable restrictions on the exercise of the right conferred by the said sub clause

(5) Nothing in sub clauses (d) and (e) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevent the State from making any law imposing, reasonable restrictions on the exercise of any of the rights conferred by the said sub clauses either in the interests of the general public or for the protection of the interests of any Scheduled Tribe

(6) Nothing in sub clause (g) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevent the State from making any law imposing, in the interests of the general public, reasonable restrictions on the exercise of the right conferred by the said sub clause, and, in particular, nothing in the said sub clause shall affect the operation of any existing law in so far as it relates to, or prevent the State from making any law relating to,

(i) the professional or technical qualifications necessary for practising any profession or carrying on any occupation, trade or business, or

(ii) the carrying on by the State, or by a corporation owned or controlled by the State, of any trade, business, industry or service, whether to the exclusion, complete or partial, of citizens or otherwise"

c. Article 21:

"Protection of life and personal liberty" No person shall be deprived of his life or personal liberty except according to procedure established by law"

d. Article 32:

"Remedies for enforcement of rights conferred by this Part"

(1) The right to move the Supreme Court by appropriate proceedings for the enforcement of the rights conferred by this Part is guaranteed

(2) The Supreme Court shall have power to issue directions or orders or writs, including writs in the nature of habeas corpus, mandamus, prohibition, quo warranto and certiorari, whichever may be appropriate, for the enforcement of any of the rights conferred by this Part

(3) Without prejudice to the powers conferred on the Supreme Court by clause (1) and (2), Parliament may by law empower any other court to exercise within the local limits of its jurisdiction all or any of the powers exercisable by the Supreme Court under clause (2)

(4) The right guaranteed by this article shall not be suspended except as otherwise provided for by this Constitution"

II. Banking Regulation Act, 1949

a. "35A. Power of the Reserve Bank to give directions:

(1) Where the Reserve Bank is satisfied that

a) in the public interest; or

(aa) in the interest of banking policy; or

(b) to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors or in a manner prejudicial to the interests of the banking company; or

(c) to secure the proper management of any banking company generally, it is necessary to issue directions to banking companies generally or to any banking company in particular, it may, from time to time, issue such directions as it deems fit, and the banking companies or the banking company, as the case may be, shall be bound to comply with such directions.

(2) The Reserve Bank may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-section (1), and in so modifying or cancelling any direction may impose such conditions as it thinks fit, subject to which the modification or cancellation shall have effect."

b. "36. Further powers and functions of Reserve Banks:

(1) The Reserve Bank may

(a) caution or prohibit banking companies or any banking company in particular against entering into any particular transaction or class of transactions, and generally give advice to any banking company;

(b) on a request by the companies concerned and subject to the provision of section 44A, assist, as intermediary or otherwise, in proposals for the amalgamation of such banking companies;

(c) give assistance to any banking company by means of the grant of a loan or advance to it under clause(3) of sub-section (1) of section 18 of the Reserve Bank of India Act, 1934 (2of 1934);

(d) at any time, if it is satisfied that in the public interest or in the interest of banking policy or for preventing the affairs of the banking company being conducted in a manner detrimental to the interests of the banking company or its depositors it is necessary so to do, by order in writing and on such terms and conditions as may be specified therein

(i) require the banking company to call a meeting of its Directors for the purpose of considering any matter relating to or arising out of the affairs of the banking company; or require an officer of the banking company to discuss any such matter with an officer of the Reserve Bank;

(ii) depute one or more of its officers to which the proceedings at any meeting of the Board of Directors of the banking company

or of any committee or of any other body constituted by it; require the banking company to give an opportunity to the officers so deputed to be heard at such meetings and also require such officers to send a report of such proceedings to the Reserve Bank;

- (iii) require the Board of Directors of the banking company or any committee or any other body constituted by it to give in writing to any officer specified by the Reserve Bank in this behalf at his usual address all notices of, and other communications relating to, any meeting of the Board, committee or other body constituted by it;
 - (iv) appoint one or more of its officers to observe the manner in which the affairs of the banking company or of its offices or branches are being conducted and make a report thereon;
 - (v) require the banking company to make, within such time as may be specified in the order, such changes in the management as the Reserve Bank may consider necessary
- (2) The Reserve Bank shall make an annual report to the Central Government on the trend and progress of banking in the country, with particular reference to its activities under clause (2) of section 17 of the Reserve Bank of India Act, 1934 (2 of 1934), including in such report its suggestions, if any, for the strengthening of banking business throughout the country.
- (3) The Reserve Bank may appoint such staff at such places as it considers necessary for the scrutiny of the returns, statements and information furnished by banking companies under this Act, and generally to ensure the efficient performance of its functions under this Act.

56. *Act to apply to co-operative societies subject to modifications.*—The provisions of this Act, as in force for the time being, shall apply to, or in relation to, co-operative societies as they apply to, or in relation to, banking companies to the following modifications, namely

(a) Throughout this Act, unless the context otherwise requires,—

(i) references to a "banking company" or "the company" or "such company" shall be construed as reference to a Co-operative Bank,

(ii) references to "commencement of this Act" shall be construed as references to commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965);

(b) in Sec. 2, the words and figures "the Companies Act, 1956 (1 of 1956) and" shall be omitted;

c) in Sec. 5,—

³(f) after Cl. (cc), the following clauses shall be inserted, namely:

(cci) "Co-operative Bank" means a State Co-operative Bank, a Central Co-operative Bank and a primary Co-operative Bank;

(ccii) "co-operative credit society" means a co-operative society, the primary object of which is to provide financial

¹ Ins. by Act 58 of 1958, Sec. 20 (w.e.f. 1st February, 1959).

² Ins. by Act 23 of 1963, Sec. 14 (w.e.f. 1st March, 1964). The Original Sec. 56 was repealed by Act 35 of 1957, Sec. 2 and Sch. I.

³ Subs. by Act 61 of 1981, Sec. 61 and the Second Schedule, Pt. II (w.e.f. 1st May, 1982).

accommodation to its members and includes a co-operative land mortgage bank;

(cciii) "director", in relation to a co-operative society, includes a member of any committee or body for the time being vested with the management of the affairs of that society;

(cciv) "primary agricultural credit society" means a co-operative society,—

(1) the primary object or principal business of which is to provide financial accommodation to its members for agricultural purposes or for purposes connected with agricultural activities (including the marketing of crops); and

(2) the bye-laws of which do not permit admission of any other co-operative society as a member

Provided that this sub-clause shall not apply to the admission of a Co-operative Bank as a member by reason of such Co-operative Bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose;

(ccv) "primary co-operative bank" means a co-operative society, other than a primary agricultural credit society,—

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserve of which are not less than one lakh of rupees; and

(3) the bye-law of which do not permit admission of any other co-operative society as a member

Provided that this sub-clause shall not apply to the admission of a Co-operative Bank as a member by reason of such Co-operative Bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose;

(ccvi) "primary credit society" means a co-operative society, other than a primary agricultural credit society—

(1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member

Provided that this sub-clause shall not apply to the admission of a Co-operative Bank as a member by reason of such Co-operative Bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.

Explanation.—If any dispute arises as to the primary object or principal business of any co-operative society referred to in Cls.

(cciv), (ccv) and (ccvi), a determination thereof by the Reserve Bank shall be final;

(ccvii) "Central co-operative bank", "co-operative society" "primary rural credit society" and "State Co-operative Bank" shall

have the meanings respectively assigned to them in the National Bank for Agriculture and Rural Development Act, 1981;]

¹[(ii) Cls. (ft), (h) and (lib) shall be omitted; (d) for Sec. 5-A, the following section shall be substituted, namely:

"5-A. *Act to override bye-law, etc.*—(1) The provisions of ²[this Act] shall have effect, notwithstanding anything to the contrary contained in the bye-law of a co-operative society, or in any agreement executed by it, or in any resolution passed by it in general meeting, or by its Board of Directors or other body entrusted with the management of its affairs, whether the same be registered, executed or passed, as the case may be, before or after the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965).

(2) Any provision contained in the bye-law, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the provisions of [this Act], become or be void, as the case may be."

(e) in Sec. 6, in sub-section (1),—

(i) in Cl. (b), the words "but excluding the business of a managing agent or secretary and treasurer of a company" shall be omitted;

(ii) in Cl. (d), after the word "company", the words "co-operative society" shall be inserted;

(iii) in Cl. (m), after the word "company", the words "or co-operative society" shall be inserted;

³[(f) for Sec. 7, the following section shall be substituted, namely

"7. *Use of words 'bank', 'banker', 'banking'.*—(1) No co-operative society other than a Co-operative Bank shall use as part of its name or in connection with its business any of the words 'bank', 'banker', or 'banking', and no co-operative society shall carry on the business of banking in India unless it uses as part of its name at least one of such words.

(2) Nothing in this section shall apply to—

(a) a primary credit society, or

(b) a co-operative society formed for the protection of the Mutual interest of Co-operative Banks or Co-operative Land Mortgage Banks, or

(c) any co-operative society, not being a primary credit society, formed by the employees of—

¹ Subs. by Act 1 of 1968, Sec. 42 (w.e.f. 15th February, 1968).

² Subs. by Act 56 of 1968, Sec. 21, For "this Part" (w.e.f. 1st February, 1969).

³ Subs. by Act 1 of 1968, Sec. 42 (w.e.f. 15th February, 1968).

(i) a banking company or the State Bank of India or a corresponding new bank or a subsidiary bank of such banking company, State Bank of India or a corresponding new bank, or

(ii) a Co-operative Bank or a primary credit society or a Co-operative Land Mortgage Bank,

in so far as the word 'bank', 'banker' or 'banking' appears as part of the name of the employer bank, or as the case may be, of the bank, whose subsidiary the employer bank is;"

¹[(f) in Sec. 8, for the proviso, the following proviso shall be substituted, namely

"Provided that this section shall not apply,-

(a) to any such business as aforesaid which was in the course of being transacted on the commencement of Cl. (iii) of Sec. 42 of the Banking Laws (Amendment) Act, 1983, so, however, that the said business shall, be completed before the expiry of one year from such commencement, or

(c) to any business as is specified in pursuance of Cl. (a) of sub-section (1) of Sec. 6;"

(f) in Sec. 9, for the second proviso, the following proviso shall be substituted, namely:

Provided further that in the case of a primary credit society which becomes a primary Co-operative Bank after the commencement of Cl. (iii) of Sec. 42 of the Banking Laws (Amendment) Act, 1983, the period of seven years shall commence from the day it so becomes a primary Co-operative Bank

Provided also that the Reserve Bank may, in any particular case, extend the aforesaid period of seven years by such period as it may consider necessary where it is satisfied that such extension would be in the interests of the depositors of the Co-operative Bank.]

(g)²[Sections 10, 10-A, ³[10-B, 10-BB, 10-C] and 10-D] shall be omitted;

(h) for Sec. 11, the following section shall be substituted, namely:

"11. Requirement as to minimum paid-up capital and reserves. — (1)

Notwithstanding any law relating to co-operative societies for the time being in force, no Co-operative Bank shall commence or carry on the business of banking in India unless the aggregate value of its paid-up capital and reserves is not less than one lakh rupees;

Provided that nothing in this sub-section shall apply to,-

(n) any such bank which is carrying on such business at the commencement of the Banking Laws (applicable to Co-operative Societies) Act, 1965 (23 of 1965), for a period of three years from such commencement; or

¹ Ins. by Act 3 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

² Subst. by Act 58 of 1968, Sec. 2, for "Sec. 10" (w.e.f. 1st February, 1969).

³ Subst. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

(b) to a primary credit society which becomes a primary Co-operative Bank after such commencement, for a period of two years from the date it so becomes a primary Co-operative Bank or for such further period not exceeding one year as the Reserve Bank, having regard to the interests of the depositors of the primary Co-operative Bank may think fit in any particular case to allow.

(2) For the purposes of this section, 'value' means the real or exchangeable value and the normal value which may be shown in the books of the Co-operative Bank concerned.

(3) If any dispute arises in computing the aggregate value of the paid-up capital and reserves of any such Co-operative Bank, a determination thereof by the Reserve Bank shall be final for the purpose of this section."

(i) Sections 12, 12-A, 13 and 15 to 17 shall be omitted;

(j) for Sec. 18, the following section shall be substituted, namely

"18. *Cash reserves*.—(1) Every Co-operative Bank, not being a State Co-operative Bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934), (hereinafter referred to as a Scheduled State Co-operative Bank), shall maintain in India by way of cash reserve with itself of balance in a current account with the Reserve Bank or the State Co-operative Bank of the State concerned or by way of net balance in current accounts, or, in case of a primary Co-operative Bank, with the Central Co-operative Bank of the district concerned, or in one or more of the aforesaid ways, a sum equivalent to at least three per cent. of the total of its demand and time liabilities in India, as on the last Friday of the second preceding fortnight and shall submit to the Reserve Bank before the fifteenth day of every month a return showing the amount so held on alternative Fridays during a month with particulars of its demand and time liabilities in India on such Friday or if any such Friday is a public holiday under the Negotiable Instruments Act, 1881 (26 of 1881) at the close of business on the preceding working day.

Explanation.—In this section and in Sec. 24—

(a) 'liabilities in India' shall not include—

(i) the paid-up capital or the reserves or any credit balance in the profit and loss account of the Co-operative Bank;¹

(ii) any advance taken from a State Government, the Reserve Bank, the Development Bank, the Exim Bank, ²[the Reconstruction Bank], ³[the National Housing Bank], the National Bank, ⁴[the Small Industries Bank] or from the National Co-operative Development Corporation

¹ Subs. by Act 1 of 1934, Sec. 42 (w.e.f. 15th February, 1934).

² Ins. by Act 62 of 1984, Sec. 71, Sch. III (w.e.f. 20th March, 1985).

³ Ins. by Act 53 of 1987, Sec. 56 and Sch. II (w.e.f. 9th July, 1988).

⁴ Ins. by Act 39 of 1989, Sec. 13 and Sch. I, Pt. III (w.e.f. 16th March, 1990).

established under Sec. 3 of the National Co-operative Development Corporation Act, 1962 (26 of 1962), by the Co-operative Bank;

(iii) in the case of a State or Central Co-operative Bank, also any deposit of money with it representing the reserve fund or any part thereof maintained with it by any other co-operative society within its area of operation, and in the case of a Central Co-operative Bank, also an advance taken by it from the State Co-operative Bank of the State concerned;

(iv) in the case of a primary Co-operative Bank, also any advance taken by it from the State Co-operative Bank of the State concerned or the Central Co-operative Bank of the district concerned ;

(v) in the case of any Co-operative Bank, which has granted an advance against any balance maintained with it, such balance to the extent of the amount outstanding in respect of such advance, and

(vi) in the case of any Co-operative Bank, the amount of any advance or other credit arrangement drawn and availed of against approved securities;

(b) fortnight shall mean the period from Saturday to the second following Friday, both days inclusive;

(c) net balance in current accounts shall in relation to a Co-operative Bank, mean the excess, if any, of the aggregate of the credit balances in current account maintained by that Co-operative Bank with the State Bank of India or a subsidiary bank or a corresponding new bank, over the aggregate of the credit balances in current accounts held by the said banks with such Co-operative Bank;

(d) for the purpose of computation of liabilities, the aggregate of the liabilities of a Co-operative Bank to the State Bank of India, a subsidiary bank, a corresponding new bank, a Regional Rural Bank, a banking company, or any other financial institution notified by the Central Government in this behalf shall be reduced by the aggregate of the liabilities of all such banks and institutions to the Co-operative Bank;

(e) any cash with a Co-operative Bank or any balance held by a Co-operative Bank with another bank, shall not, to the extent such cash or such balances represent the balance in, or investment of, agricultural credit Stabilisation Fund of such Co-operative Bank, be deemed to be cash maintained in India.

(2) The Reserve Bank may, for the purposes of this section and Sec. 24, specify from time to time, with reference to any transaction or class of transactions, that such transaction or transactions shall be regarded as liability in India of a Co-operative Bank, and if any question arises as to whether any transaction or class of transactions shall be regarded for the

purposes of this section and Sec. 24, as liability in India of a Co-operative Bank, the decision of the Reserve Bank thereon shall be final."

(k) for Sec. 19, the following section shall be substituted, namely

*"19. Restriction on holding shares in other co-operative societies.—*No Co-operative Bank shall hold shares in any other co-operative society except to such extent and subject to such conditions as the Reserve Bank may specify in that behalf:

Provided that nothing contained in this section shall apply to—

(i) shares acquired through funds provided by the State Government for that purpose;

(ii) in the case of a Central Co-operative Bank, the holding of shares in the State Co-operative Bank to which it is affiliated;

(iii) in the case of a primary Co-operative Bank, the holding of shares in the Central Co-operative Bank of the State in which it is registered

Provided further that where any shares are held by a Co-operative Bank in contravention of this section at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), the Co-operative Bank shall without delay report the matter to the Reserve Bank and shall, notwithstanding anything contained in this section, be entitled to hold the shares for such period and on such conditions as the Reserve Bank may specify.":

¹[(1) for Sec. 20 of the Principal Act, the following section shall be substituted, namely

"20. Restrictions on loans and advances.—(1) No Co-operative Bank shall—

(a) make any loans or advances on the security of its own shares; or

(b) grant unsecured loans or advances—

(i) to any of its directors; or

(ii) to firms or private companies in which any of its directors is interested as partner or managing agent or guarantor or to individuals in cases where any of its directors is a guarantor; or

(iii) to any company in which the Chairman of the Board of Directors of the Co-operative Bank (where the appointment of a Chairman is for a fixed term) is interested as its managing agent, or where there is no managing agent, as its Chairman or Managing Director:

Provided that nothing in Cl. (b) shall apply to the grant of unsecured loans or advances—

(a) made by a Co-operative Bank—

¹Subs. by Act 38 of 1968, Sec. 21, for "Cl. (1)" (enact. 1st February, 1969).

(i) against bills for supplies or services made or rendered to Government or bills of exchange arising out of *bona fide* commercial or trade transactions, or

(ii) in respect whereof trust-receipts are furnished to the Co-operative Bank;

(b) made by a primary Co-operative Bank to any of its directors or to any other person within such limits and on such terms and conditions as may be approved by the Reserve Bank in this behalf.

(2) Every Co-operative Bank shall, before the close of the month succeeding that to which the return relates, submit to the Reserve Bank a return in the prescribed form and manner showing all unsecured loans and advances granted by it to companies in cases [other than those in which the Co-operative Bank is prohibited under sub-section (1) to make unsecured loans and advances] in which any of its directors is interested as director or managing agent or guarantor.

(3) If, on examination of any return submitted under sub-section (2) it appears to the Reserve Bank that any loans or advances referred to in that sub-section are being granted to the detriment to the interests of the depositors of the Co-operative Bank, the Reserve Bank may, by order in writing, prohibit the Co-operative Bank from granting any such further loans or advances or impose such restrictions on the grant thereof as it thinks fit, and may by like order direct the Co-operative Bank to secure the re-payment of such loans or advance within such time as may be specified in the order."];

¹(mi) in Sec. 20-A, in sub-section (1),

(i) the words and figures "notwithstanding anything to the contrary contained in Sec. 293 of the Companies Act, 1956 (1 of 1956) shall be omitted ;

(ii) in Cl. (a), for the words "any of its directors", the words "any of its past or present directors" shall be substituted];

(n) in Sec. 21, in sub-section (2), in Cls. (c) and (d), for the words "any one company, firm, association of persons or individual", the words "any one party" shall be substituted;

(o) in Sec. 22,—

(i) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely:

"(1) Save as hereinafter provided, no co-operative society shall carry on banking business in India unless-

(a) it is a primary credit society, or

(b) it is a Co-operative Bank and holds a licence issued in that behalf by the Reserve Bank, subject to such conditions, if any, as the Reserve Bank may deem fit to impose:

¹ Subs. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

Provided that nothing in this sub-section shall apply to a co-operative society, not being a primary credit society or a Cooperative Bank carrying on banking business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), for a period of one year from such commencement.

¹“(2) Every Co-operative Society carrying on business as a Co-operative Bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), shall before the expiry of three months from such commencement, every Co-operative Bank which comes into existence as a result of the division of any other co-operative society carrying on business as a Co-operative Bank, or the amalgamation of two or more co-operative societies carrying on banking business shall, before the expiry of three months from its so coming into existence, every primary credit society which becomes a primary Co-operative Bank after such commencement shall before the expiry of three months from the date on which it so becomes a primary Co-operative Bank, and every co-operative society other than a primary credit society shall before commencing banking business in India, apply in writing to the Reserve Bank for a licence under this section

Provided that nothing in Cl. (b) of sub-section (1) shall be deemed to prohibit—

- (i) a co-operative society carrying on business as Co-operative Bank at the commencement of the Banking Laws (Application Co-operative Societies) Act, 1965 (23 of 1965); or
- (ii) a Co-operative Bank which has come into existence as a result of the division of any other co-operative society carrying on business as a Co-operative Bank, or the amalgamation of two or more co-operative societies carrying on banking business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), or at any time thereafter; or
- (iii) a primary credit society which becomes a primary Co-operative Bank after such commencement, from carrying on banking business until it is granted a licence in pursuance of this section or is, by a notice in writing, notified by the Reserve Bank that the licence cannot be granted to it.”]

²“(ii) sub-section (3-A) shall be omitted;
(iii) in sub-section (4) in Cl. (iii), the words, brackets, figure and letter and sub-section (3-A) shall be omitted;”]

¹ Subs. by Act 1 of 1934, Sec. 42 (w.e.f. 15th February, 1965)
² Ibid.

¹ [(p) in Sec. 23,-

² [(i) for sub-section (1), the following sub-section shall be substituted, namely:

"(1) Without obtaining the prior permission of the Reserve Bank, no Co-operative Bank shall open a new place of business or change otherwise than within the same city, town or village, the location of an existing place of business:

Provided that nothing in this sub-section shall apply to—

(a) the opening for a period not exceeding one month of a temporary place of business within a city, town or village or the environs thereof within which the Co-operative Bank already has a place of business, for the purpose of affording facilities to the public on the occasion of an exhibition, a conference or a *mela* or any other like occasion;

(b) the ³[opening or changing the location or branches] by a Central Co-operative Bank within the area of its operation.";

² [(ii) after sub-section (4), the following sub-section shall be inserted, namely

"(4-A) Any Co-operative Bank other than a primary Co-operative Bank requiring the permission of the Reserve Bank under this section shall forward its application to the Reserve Bank through the National Bank which shall give its comments on the merits of the application and send it to the Reserve Bank. Provided that the Co-operative Bank shall also send an advance copy of the application directly to the Reserve Bank";

⁴ [(q) in Sec. 24,—

(i) in sub-section (1), the words "After the expiry of two years from the commencement of this Act" shall be omitted;

(ii) for sub-sections (2) and (2-A), the following sub-sections shall be substituted, namely

"(2) In computing the amount for the purposes of subsection (1)—

(a) any balances maintained in India by a Co-operative Bank in current account with the Reserve Bank or by way of net balance in current account and in the case of a scheduled State Co-operative Bank, also the balance required under Sec. 42 of the Reserve Bank of India Act, 1934 (2 of 1934) to be so maintained,

¹ Ins. by Act 61 of 1961, and Sec. 61 and Sch. II (w.e.f. 1st May, 1962).

² Subs. by Act 23 of 1963, Sec. 14.

³ Subs. by Act 58 of 1968, Sec. 21, for "opening of branches" (w.e.f. 1st February, 1969).

⁴ Subs. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

(b) any balances maintained by a Central Co-operative Bank with the State Co-operative Bank of the State concerned, and

(c) any balances maintained by a primary Cooperative Bank with Central Co-operative Bank of the district concerned or with the State Co-operative Bank of the State concerned,

shall be deemed to be cash maintained in India.

(2-A) (a) Notwithstanding anything contained in sub-section (1) and sub-section (2), after the expiry of two years from the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), or of such further period not exceeding one year as the Reserve Bank, having regard to the interests of the Co-operative Bank concerned, may think fit in any particular case to allow

(i) a scheduled State Co-operative Bank, in addition to the average daily balance which it is or may be, required to maintain under Sec. 42 of the Reserve Bank of India Act, 1934 (2 of 1934), and

(ii) every other Co-operative Bank, in addition to the cash reserve which it is required to maintain under Sec. 18,

shall maintain in India, in cash, or in gold valued at a price not exceeding the current market price or in unencumbered approved securities valued at a price determined in accordance with such one or more of, or combination of, the following methods of valuation, namely, valuation with reference to cost price, market price, book value, or face value as may be specified by the Reserve Bank from time to time, an amount which shall not, at the close of business on any day, be less than twenty-five per cent. or such other percentage not exceeding forty per cent. as the Reserve Bank may, from time to time, by notification in the Official Gazette, specify, of the total of its demand and time liabilities in India, as on the last Friday of the second preceding fortnight.

(b) in computing the amount for the purpose of Cl. (a) the following shall be deemed to be cash maintained in India, namely:

(i) any balance maintained by a scheduled State Cooperative Bank with the Reserve Bank in excess of the balance required to be maintained by it under Sec. 42 of the Reserve Bank of India Act, 1934 (2 of 1934),

(ii) any cash or balances maintained in India by a Co-operative Bank, other than a scheduled State Co-operative Bank with itself or with the State Co-operative Bank of the State concerned, or in current accounts with the Reserve Bank or by way of net balance in current accounts and in the case of a primary Co-operative Bank, also any

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balance maintained with the Central Co-operative Bank of the district concerned, in excess of the aggregate of the cash or balances required to be maintained under Sec. 18,

(iii) any net balance in current accounts.

Explanation.—For the purposes of this sub-section,—

(a) approved securities, or a portion thereof, representing investment of moneys of Agricultural Credit Stabilisation Fund of a Co-operative Bank shall not be deemed to be unencumbered approved securities,

(b) in case a Co-operative Bank has taken an advance against any balance maintained with the State Co-operative Bank of the State concerned or with the Central Co-operative Bank of the district concerned, such balance to the extent to which it has been drawn against or availed of shall not be deemed to be cash maintained in India;

(c) for the purpose of Cl. (a) the market price of an approved security shall be the price as on the date of the issue of the notification or as on any earlier or later date, as may be notified from time to time by the Reserve Bank in respect of any class or classes of securities;"

(iii) in sub-section (3), for the proviso, the following proviso shall be substituted, namely:

"Provided that every Co-operative Bank, other than a primary co-operative bank, shall also furnish within the said period, a copy of the said return to the National Bank."

(iv) in sub-section (6), in Cl. (a) for the words "fourteen days", the words "thirty days" shall be substituted;]

¹[*qq*] after Sec. 24, the following section shall be inserted, namely:

"24-A. Power to exempt.—Without prejudice to the provisions of Sec. 53, the Reserve Bank may, by notification in the Official Gazette, declare that, for such period and subject to such conditions as may be specified in such notification the whole or any part of the provisions of Sec. 18 or Sec. 24, as may be specified therein, shall not apply to any Co-operative Bank or class of Co-operative Banks, with reference to all or any of the offices of such Co-operative Bank or banks, or with reference of the whole or any part of the assets and liabilities of such Co-operative Bank or Banks."

(r) Section 25 shall be omitted;

²[(r-i) in the second proviso to Sec. 26, for the expression "Regional Rural Bank", the expression "Co-operative Bank, other than a primary Co-operative Bank" shall be substituted;

¹ Ins. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984)

² Ins. by Act 61 of 1983, the Second Schedule, Pt. II (w.e.f. 1st May, 1983)

(r-ii) in Sec. 27, for sub-section (3), the following sub-section shall be substituted, namely:

"(3) Every Co-operative Bank, other than a primary Co-operative Bank, shall submit a copy of the return which it submits to the Reserve Bank, under sub-section (1) also to the National Bank and the powers exercisable by the Reserve Bank under sub-section (2) may also be exercised by the National Bank in relation to Co-operative Banks, other than primary Co-operative Banks";]

(s) for Secs. 29 and 30, the following section shall be substituted, namely:

"29. *Accounts and balance-sheet*—(1) At the expiration of each year ending with the 30th day of June, ¹[or at the expiration of a period of twelve months ending with such date as the Central Government may by notification in the Official Gazette specify in this behalf,] every Co-operative Bank, in respect of all business transacted by it, shall prepare with reference to that year ¹[or the period] a balance-sheet and profit and loss account as on the last working day of the year ¹[or the period] in the forms set out in the Third Schedule or is near thereto as circumstances admit:

¹[Provided that with a view to facilitating the transition from one period of accounting to another period of accounting under this sub-section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the preparation of, or for other matters relating to, the balance-sheet or profit and loss account in respect of the concerned year or period, as the case may be.]

(2) The balance-sheet and profit and loss account shall be signed by the manager or the principal officer of the bank and where there are more than three directors of the bank, by at least three of those directors, or where there are not more than three directors, by all the directors.

(3) The Central Government, after giving not less than three months' notice of its intention so to do by a notification in the Official Gazette, may from time to time by a like notification amend the forms set out in the Third Schedule";

²[(t) in Sec. 31,—

(i) for the words "within three months" and "of three months", the words "within six months" and "of six months" shall, respectively be substituted;

(ii) for the second proviso, the following proviso shall be substituted, namely

"Provided further that a Co-operative Bank other than a primary Co-operative Bank shall furnish such returns also to the National Bank";]

(u) Sections 32 to 34 shall be omitted;

¹ Ins. by Act 54 of 1997, Sec. 2

² Ins. by Act 51 of 1981, the Second Schedule, Pt. II, Sec. (a) of 1st May, 1982]

(v) in Sec. 34-A, sub-section (3) shall be omitted;
(w) in Sec. 35,—

(i) in sub-section (1),—

(a) for the words and figures "Sec. 235 of the Companies Act, 1956 (1 of 1956)", the words "any law relating to co-operative societies for the time being in force" shall be substituted;

¹[(b) the following proviso shall be inserted at the end, namely:

"Provided that the Reserve Bank may, if it considers it necessary or expedient so to do, cause an inspection to be made of a primary Co-operative Bank under this sub-section by one or more officers of a State Co-operative Bank in the State in which such primary Co-operative Bank is registered";]

(ii) in sub-section (4), Cl. (b) shall be omitted;

²[(iii) after sub-section (4), the following sub-section shall be inserted, namely:

"(4-A) Without prejudice to the provisions of sub-section (4) the Reserve Bank may, if it considers it necessary or expedient so to do supply a copy of the report on any inspection or scrutiny to the State co-operative bank and the Registrar of Co-operative Societies of the State in which the bank which has been inspected or whose affairs have been scrutinised is registered";]

³[(iv)] in sub-section (6), for the expressions "Regional Rural Banks" and "Regional Rural Bank" wherever they occur, the expressions "Co-operative Bank other than a primary Co-operative Bank" shall, respectively be substituted.];

⁴[(v)] the Explanation shall be omitted;

(x) in Sec. 35-A in sub-section (1) in Cl. (c), for the words "any banking company", the words "the banking business of any Co-operative Bank" shall be substituted;

(y) Section 35-B shall be omitted;

⁵[(z) in Sec. 36, in sub-section (1),—

(a) Clause (b) shall be omitted;

(b) for Cl. (d), the following clause shall be substituted, namely:

"(d) at any time, if it is satisfied that for the reorganisation or expansion of co-operative credit on sound lines it is necessary so to do, by an order in writing and on such terms and conditions as may be specified therein:

¹ Subs. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

² Ins. by *ibid.*, (w.e.f. 15th February, 1984).

³ Re-numbered by Act 61 of 1981, the Second Schedule, Pt II (w.e.f. 1st May, 1982).

⁴ Re-numbered by *ibid.*

⁵ Subs. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

(i) depute one or more of its officers to which the proceedings at any meeting of the Board of Directors of the Co-operative Bank or of any other body constituted by it and require the Co-operative Bank to give an opportunity to the officer so deputed to be heard at such meeting and to offer such advice on such matters as the officer may consider necessary or proper for the reorganisation and expansion of co-operative credit on sound lines, and also require such officer to send a report of such proceedings to the Reserve Bank;

(ii) appoint one or more of its officers to observe the manner in which the affairs of the Co-operative Bank or its offices or branches are conducted and make a report thereon."]

(z-a) in Sec. 36-A,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:

"(1) The provisions of Sec. 11, Sec. 18 and Sec. 24 shall not apply to a Co-operative Bank which has been refused a licence under Sec. 22 or whose licence has been cancelled under that section or which is or has been prohibited or precluded from accepting deposits by virtue of any order made under this Act or of any alteration made in its bye-laws";

(ii) after sub-section (2), the following sub-section shall be inserted, namely:

"(2) Subject to the provisions of sub-sections (1) and (2), a co-operative society carrying on business as a primary Co-operative Bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), or a co-operative society which becomes a primary Co-operative Bank after such commencement shall, notwithstanding that it does not at any time thereafter satisfy the requirements of the definition of primary Co-operative Bank ¹[in Cl. (ccv) of Sec. 5] continue to be a primary Co-operative Bank within the meaning of this Act, and may, with the approval of the Reserve Bank and subject to such terms and conditions as the Reserve Bank may specify in that behalf, continue to carry on the business of banking.";

¹[(z-aa) in Sec. 36-AD, sub-section (3) shall be omitted];

(z-b) Part II-A, ²[Pt. II-C], Pt. III, except sub-sections (1), (2) and (3) of Sec. 45, Pt. III-A except Sec. 45-W shall be omitted;

¹[(z-c) in Sec. 46,—

(i) in sub-section (4), the word "or" occurring at the end of Cl. (i) and Cl. (u) shall be omitted;

¹ Subr. by Act 1 of 1984, Sec. 42 (w.e.f. 15th February, 1984).

² Subr. by Act 58 of 1968, Sec. 21 W2, 1. 1st February, 1969.

(ii) in Cl. (a) of the *Explanation*, after the words "includes A", the words "co-operative society" shall be inserted;

(z-d) in Sec. 47, the words, brackets, figures and letters "sub-section (5) of Sec. 36-AA or" shall be omitted;

(z-e) Section 49 shall be omitted;

(z-f) in Sec. 49-A, for the proviso, the following proviso shall be substituted, namely

"Provided that nothing contained in this section shall apply to-

- a) a primary credit society,
- b) any other co-operative society accepting such deposits at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1965 (23 of 1965), for a period of one year from the date of such commencement; and
- c) any savings bank scheme run by the Government.,

(z-g) Sections 49-B and 49-C shall be omitted;

(z-h) in Sec. 50, the figures and letters "10,12-A,16", "35-B" and "34-A" shall be omitted;

(z-i) Section 51 shall be omitted;

(z-j) in Sec. 52,-

(i) in sub-section (2), the words, figures and letter "and the form in which the official liquidator may file lists of debtors to the Court having jurisdiction under Part III or Part III-A and the particulars which such lists may contain" shall be omitted;

(ii) sub-section (4) shall be omitted;

¹[(z-ji) in Sec. 54, after the expression "Reserve Bank" wherever it occurs, the expression "or the National Bank" shall be inserted.]

(z-k) for Sec. 55 and the First Schedule, the following section shall be substituted, namely

"55. Act 18 of 1891 and Act 46 of 1949 to apply in relation to Co-operative Banks.—

(1) The Bankers' Books Evidence Act, 1891 shall apply in relation to a Co-operative Bank as it applies in relation to a bank as defined in Sec. 2 of that Act.

(2) The Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949, shall apply in relation to a Co-operative Bank as it applies in relation to a banking company as defined in Sec. 2 of that Act";

(z-l) for the Third Schedule and the Fourth Schedule, the following Schedule shall be substituted, namely:

¹ Ins. by Act 62 of 1981, Sec. 61 and the Second Schedule, Pt. II (w.e.f. 1st May, 1982).

III. Reserve Bank of India Act, 1934

a. "45JA. Power of Bank to determine policy and issue directions.

(1) If the Bank is satisfied that, in the public interest or to regulate the financial system of the country to its advantage or to prevent the affairs of any non-banking financial company being conducted in a manner detrimental to the interest of the depositors or in a manner prejudicial to the interest of the non-banking financial company, it is necessary or expedient so to do, it may determine the policy and give directions to all or any of the non-banking financial companies relating to income recognition, accounting standards, making of proper provision for bad and doubtful debts, capital adequacy based on risk weights for assets and credit conversion factors for off-balance sheet items and also relating to deployment of funds by a non-banking financial company or a class of non-banking financial companies or nonbanking financial companies generally, as the case may be, and such nonbanking financial companies shall be bound to follow the policy so determined and the directions so issued.

(2) Without prejudice to the generality of the powers vested under subsection (1), the Bank may give directions to non-banking financial companies generally or to a class of non-banking financial companies or to any nonbanking financial company in particular as to—

(a) the purpose for which advances or other fund based or non-fund based accommodation may not be made; and

(b) the maximum amount of advances or other financial accommodation or investment in shares and other securities which, having regard to the paid-up capital, reserves and deposits of the non-banking financial company and other relevant considerations, may be made by that nonbanking financial company to any person or a company or to a group of companies.

b. "45L. Power of Bank to call for information from financial institutions and to give directions.

(1) If the Bank is satisfied that for the purpose of enabling it to regulate the credit system of the country to its advantage it is necessary so to do, it may—

(a) require financial institutions either generally or any group of financial institutions or financial institution in particular, to furnish to the Bank in such form, at such intervals and within such time, such statements, information or particulars relating to the business of such financial institutions or institution, as may be specified by the Bank by general or special order.

(b) give to such institutions either generally or to any such institution in particular, directions relating to the conduct of business by them or by it as financial institutions or institution.

(2) Without prejudice to the generality of the power vested in the Bank under clause (a) of sub-section (1), the statements, information or particulars to be furnished by a financial institution may relate to all or any of the following matters, namely, the paid-up capital, reserves or other liabilities, the investments whether in Government securities or otherwise, the persons to whom, and the purposes and periods for which, finance is provided and the terms and conditions, including the rates of interest, on which it is provided.

(3) In issuing directions to any financial institution under clause (b) of subsection (1), the Bank shall have due regard to the conditions in which, and the objects for which, the institution has been established, its statutory responsibilities, if any, and the effect the business of such financial institution is likely to have on trends in the money and capital markets.

IV. Payment and Settlements System Act, 2007

a. "10. Power to Determine:

(1) The Reserve Bank may, from time to time, prescribe—

(a) the format of payment instructions and the size and standards shape of such instructions;

(b) the timings to be maintained by payment systems;

- (c) the manner of transfer of funds within the payment system, either through paper, electronic means or in any other manner, between banks or between banks and other system participants;
 - (d) such other standards to be complied with the payment systems generally;
 - (e) the criteria for membership of payment systems including continuation, termination and rejection of membership;
 - (f) the conditions subject to which the system participants shall participate in such fund transfers and the rights and obligations of the system participants in such funds.
- (2) Without prejudice to the provisions of sub-section (1), the Reserve Bank may, from time to time, issue such guidelines, as it may consider necessary for the proper and efficient management of the payment systems generally or with reference to any particular payment system."

b. "18. Power of Reserve Bank to give directions generally:

Without prejudice to the provisions of the foregoing, the Reserve Bank may, if it is satisfied that for the purpose of enabling it to regulate the payment systems or in the interest of management or operation of any of the payment systems or in public interest, it is necessary so to do, lay down policies relating to the regulation of payment systems including electronic, non-electronic, domestic and international payment systems affecting domestic transactions and give such directions in writing as it may consider necessary to system providers or the system participants or any other person either generally or to any such agency and in particular, pertaining to the conduct of business relating to payment systems."

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MEMORANDUM OF ASSOCIATION

OF

BITFAIR TECHNOLOGIES PRIVATE LIMITED

Company Limited by Shares

Indian Non-Government Company

Having share capital

Incorporated under THE COMPANIES ACT, 2013

(NO. 18 OF 2013)

- 1st The name of the company is **BITFAIR TECHNOLOGIES PRIVATE LIMITED**?
- 2nd The registered office of the company will be situated in the State of Haryana.
- 3rd (a) The objects to be pursued by the company on its incorporation are:—
1. To carry on in India or elsewhere, the business of Software designing, development, customization, implementation, maintenance, testing and benchmarking, designing, developing and dealing in computer software, cryptography based services and solutions, and to import, export, sell, purchase, distribute, host (in data centres or over the web) or otherwise deal in own and third party computer software packages, programs and solutions, and to provide Internet / web based applications, services and solutions, research and develop in the field of cryptography, provide or take up Information technology related assignments on sub-contracting basis, offering services on-site/ offsite or through development centres using owned /hired or third party infrastructure and equipment, providing recruitment and HR related services, providing and taking personnel / consultants/ human resources to / from other organizations, providing solutions/ Packages/ services through applications services provider mode via internet or otherwise, to undertake IT enabled services like call Centre Management, Medical and legal transcription, data processing, Back office processing, Accounting, HR and payroll processing, Insurance claims processing, credit

card processing, loans and letters of credit processing, cheque processing, data warehousing and database management, to carry on the business of manufacturing, dealing and maintenance of computer hardware, computer systems and assemble data processors, program designs and to buy, sell or otherwise deal in such hardware and software packages and all types of tabulating machine, accounting machines, calculators, computerised telecommunication systems and network, their components, spare parts, equipments and devices and to carry on the business of establishing, running and managing institutions, school, and academics for imparting education in computer technology, offering equipment, solutions and services for Networking and network management, data center management and in providing consultancy services in all above mentioned areas.

2. To develop, provide, undertake, design, import, export, distribute and deal in Systems and application software for microprocessor based information systems, off shore software development projects, internet service provider, and solutions in all areas of application including those in Emerging niche segments like Internet and Intranet website applications solutions software enterprise, resource planning, e-commerce, value added products and other business applications either for its own use for sale in India or for export outside India and to design and develop such systems and application software for and on behalf of manufacturers owners and users of computer, telecom, digital, electronic equipments in India or elsewhere in the world.
3. To manufacture, sell, export, import all kinds of electric & electronic components capable of being used in Electrical & mechanical and electronic Industries including Computers telecommunications to carry out software research and development, to design and develop system software, application software and any other software in India and abroad to start Integrated services Digital Local Network (ISDLAN) dial for data Centres technology parks, wide area network Internet, user net, cyber café services in India and abroad.

3(b) Matters which are necessary for furtherance of the objects specified in clause 3(a) are

1. To enter into any arrangement or agreement or contract with any person, association firm or corporation whether in India or out technicians, or for such other purpose that may seem beneficial and conducive to the objects of the Company.
 2. To acquire and undertake all or any part of business, property liabilities and rights of any persons, firm or company carrying on any business which this company is authorized to carry on or be possessed of property suitable for the purpose of the company.
 3. To enter into any agreement with government or authority. (Supreme, local municipal or otherwise) that may seem conducive of the company's objects or any of them and to obtain from any such Government or authority all rights, concession.
 4. To design, develop, alter, exchange, deal either as principal agents, let on hire, import or export, technical knowhow, machinery, assembling, components and such other parts specified above and ancillaries thereof.
 5. To institute, conduct, defend, compound, compromise any legal proceedings against or by the company.
 6. To remunerate any person, firm or Company for services rendered or to be rendered in the acquisition of property by the Company or conduct of its business.
 7. Generally to purchase or take on lease or in exchange, hire or otherwise acquire any movable or immovable property and any rights or privileges which the company may think necessary or convenient with reference to any of these objects and capable of being profitable dealt with in connection with and to the company's property or right, for the time being.
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8. To employ, expert to investigate and examine into the condition prospect value character and circumstances of any business concern and undertaking and generally of any assets property or rights proposed to be acquired by the Company.
 9. To sell, improve, manage, develop, exchange, lease, mortgage, dispose of, or otherwise deal in or any part of the property and rights of the Company.
 10. To open account or accounts with any individual, firm or company or with any Bank or Bankers, Financial institutions or sheriffs and to pay into and to withdraw money from such account.
 11. To distribute as dividend or bonus, among the members or to place to reserve or otherwise to apply as the company may from time to time think fit, any money received by way of premium on shares or debentures issued at a premium by the Company and money arising from the sale by the Company of forfeited shares.
 12. To undertake the study of consumer in Indian or foreign markets, and to co-operate with Trade Associations, Government Agencies.
 13. To establish, Purchase and take on lease or otherwise acquire and run shops showrooms, distributing centers, stores and depots at any place in India or abroad.
 14. To acquire, purchase and take on lease all or any of the fixed assets, machinery, furniture, stores, stocks of raw and finished materials, privileges, quota rights, goodwill pertaining to any business to achieve the aforesaid objects.
 15. To guarantee the performance of any contract or obligation of and the payment of money unsecured of and interest on, any debenture, stock or securities of any Company, corporation, firm or person in any case in which such guarantee may be considered likely directly or indirectly to further the main objects of the company and in the above context to act as securities
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16. To borrow from any state financial corporations, Banks, companies firms or other financial institutions any terms loan or other sums on such security and other charges as stipulated by the financial corporation or Banks with mortgage on all or any of property of the Company whether present or future or both.
 17. To adopt such means of making known the products/services of the Company as may deem expedient and in particular by advertising in the press, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes, rewards and dominations.
 18. To take interest and promote and undertake the formation and establishment of such institutions and companies as may be considered to be conducive to the interest of the Company and also to promote subsidiaries.
 19. To sell, lease, mortgage, or otherwise dispose of property, assets or undertaking of the Company or any part thereof for such consideration as the Company may think fit, and in particular for shares, stocks, debentures or securities or any other such Company having objects altogether or in part similar to those of this Company.
 20. To employ/acquire technical experts, technocrats, engineers, mechanics, foremen, skilled and unskilled labour for the business of the Company.
 21. To amalgamate with or take any other company or companies having objects altogether or in part similar to those of this Company.
 22. To insure with any person or company against losses, damages, risk and liabilities of any kind which may effects the Company either wholly or in part directly or indirectly.
 23. To enter into partnership, agreements or arrangements for sharing profits or any union of interest, joint venture, reciprocal concession or co-operation with any person or person, company or companies carrying on or engaged in or about to carry on or
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engage in or being authorized to carry on or engage in any business or transaction which this company is authorized to carry on or engage in, or any business or transaction capable, of being conducted so as directly or indirectly to benefit the Company.

24. To apply for, purchase or otherwise acquire and protect and renew in any part of the world. any design/trademarks/copy rights, patent rights, ingestion licences, concessions and the like conferring any exclusive or non-exclusive or limited rights their use or any information as to any invention which may seem calculated directly or indirectly to benefit the company in connection with its business and to use, exercise, develop or grant licences in respect of the information so acquired and to spend money in experimenting upon, testing or improving any such patents, inventions or rights
 25. To produce the registration or other recognition of company in any country, state or place and to regulate agency for the purpose of the company's business and to apply or join in applying to any parliament, Local Government, Municipal or other authority or body, Indian or foreign, for any Acts or parliament Laws, objects or any of them and to oppose any proceedings or applications which may seem calculated directly/indirectly or to prejudice company's interest.
 26. To trade, deal in and undertake manufacturing of bricks, tiles, pipes, cement, lime and building construction requisites and to carry on the business of builders, contractors, decorators and furnishers and to acquire, hold, mortgage, lease, take on lease, exchange or otherwise deal in land buildings, houses, flats, bungalows, shops of any tenure or freehold for residential or business purposes.
 27. To do all or any of company's business as principals, agents or the business as representative of any person, firm, company or corporation, having business or objects, altogether or in part similar to those of this company and to carry on the business of the business of the company with foreign collaboration on terms and conditions subject to laws governing the same.
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28. To invest in any, real or personal property rights or interest acquired by or belonging to the Company on behalf of or for the benefit of the company but with the declared trust in favour of the company.
 29. To carry on any business or branch of a business which this company is authorized to carry on by means of or through the agency of any subsidiary or ancillary Company or companies and to enter into any arrangement with any such subsidiary company/companies for taking the profits or losses of any business or branch so carried on, or for financing any such subsidiary company or guaranteeing its liabilities, or to make any other arrangement which may seem desirable with reference to any other business or branch so carried on, and to appoint Directors or managers of any such company.
 30. To take such steps as may be necessary to give the Company the same rights or privileges in any part of the world as are possessed by local companies or concerns of a similar nature.
 31. To create depreciation fund, sinking fund, insurance fund, provident fund or any special or other fund, whether for depreciation or for repairing, improving, extending or maintaining any of the properties of the Company or for any other such purpose whatsoever conducive to the interest of the Company.
 32. To pay all costs, charges and expenses of and incidental to the promotion, registration and establishment of the Company.
 33. To draw, accept, make, endorse, discount and negotiate promissory notes, cheques, hundies bill of exchange, bill of lading and other negotiable instruments of all types in connection with the business of the company.
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34. To train or pay for the training in India or abroad of any of the Company's officers, employees or any candidate in the interest of or for the furtherance of the company's objects.
35. To make donations to such persons or institutions either in cash or any other assets as may be thought directly or indirectly conducive to any of the Company's objects or otherwise expedient and to provide for the welfare of the directors, officers, employees and ex-directors, ex-officers and ex-employees of the Company and wives, windows and families of the dependents.
36. To give to officers, servants or employees of the Company's business or any branch thereof and whether carried on by means of or through the agency of any subsidiary/ancillary Company or not and for that purpose to enter into any arrangements, the Company may think it.
37. To establish and maintain or procure the establishment and maintenance of any contributory or non- contributory provident, pension or superannuation funds for the benefit of, and give or procure the giving of donation, gratuities, pension, allowances or employment or any other pecuniary aid to any person who are or were at any time in the employment or service of the company, or of any company, which is a subsidiary of the company or is allied to or associated with the Company.
38. To provide residential and/or sleeping accommodation for workmen and in connection with to afford to such person facilities and convenience for washing bathing, cooling reading and writing and for the purchase, sale and consumption of provision both liquid and solid and for the safe custody of goods.
39. To do all and everything necessary, suitable or proper for the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth.

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Pursuant to Schedule I (see Sections 4 and 5) to

SPICE MOA

70

the Companies Act, 2013)] FORM NO. INC-33

(e-Memorandum of Association).

MOA language: (*) English Hindi

SRN of from INC-1 . G47864889 Pre-fill

Table applicable to company as notified under schedule I of the companies Act, 2013 A

Table A- Memorandum of Association of A Company LIMITED BY SHARS

1. The Name of the Company is DISCIDIUM INTERNET LABS PRAVATE LIMITED

2. The Registered office of the company will be situated in the state of Maharashtra-MH

3. (a) The objects to be pursued by the company on its incorporation are

To carry on in Indian and abroad, the businesses of designing, developing, customizing, modifying, installing, implementing, planning, testing of computer systems, computer hardware and software packages, internet/ web based applications and platforms and to market, sell, purchase, distribute or otherwise deal in computer systems, computer hardware and software packages, internet/ web based applications and platforms and to provide consultancy, training and support to end users/customers in the same.

3 (b) Matters which are necessary for furtherance of the objects specified in clause 3(a) are

1. To enter into agreements, franchise agreement and contracts with Indian or Foreign individuals, firms or companies for technical, financial or other assistance or collaboration for carrying on all or any of the objects of the Company.

2. To apply for purchase or otherwise acquire any trademarks, copyrights, patents, licenses, concessions and the like, concerning any exclusive or non-exclusive or limited rights of any kind which may appear to be necessary or convenient for the business of the Company and to purchase or otherwise acquire any information as to any invention which may seem capable of being used for any of the purposes of the Company.
 3. To acquire and take over the whole or any part of the Business, Goodwill, Property and Liabilities of any person or persons, Firm, Corporation or Undertaking, either existing or new engaged in any Business which the Company is authorized to carry on and to pay for the same either in cash or in shares or partly in cash and partly in shares.
 4. To amalgamate, enter into partnership or make any arrangements for sharing profits, co-operation, joint venture or reciprocal concession, with any individual person or Company carrying on or engaged in or about to carry on with similar or identical objects.
 5. To sell, lease or otherwise dispose of the undertaking of the Company or any part thereof as the Company may deem fit.
 6. To purchase, take on lease or in exchange, hire, construct or otherwise acquire any movable or immovable properties or any rights or privileges, which the Company may think necessary or convenient for the purpose of its business.
 7. To subscribe or contribute or otherwise to assist or to grant money to charitable, benevolent, religious, scientific, national, public or any other useful institutions, objects or purposes or for any exhibition.
 8. To pay out of the Company's funds the costs and expenses incurred in connection with all matters preliminary and incidental to the formation, promotion and incorporation of
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this Company and the costs and expenses incurred in connection with all matters preliminary and incidental to the formation and incorporation of any Company which may be promoted by this Company and to remunerate any person, firm or Company for services rendered in the promotion of the Company or the conduct of its business.

9. To provide for the welfare of the employees (including Directors) or ex-employees of the Company and their families or the dependents or relations of such persons by building or contributing to the building of houses, dwellings or quarters or by grant of money, gratuities, pensions, allowances, incentives bonus or any other payments or by creating and subscribing or contributing to provident and other funds, associations, institutions, profit sharing or other schemes or trusts and by providing or subscribing or contributing towards places of instructions and recreations, hospitals and dispensaries and medical assistance.
 10. To invest any money of the Company, not for the time being required, for any of the purposes of the Company in such investments as may be thought proper and to hold, sell or otherwise deal with such investments subject to the provisions of the Companies Act, 2013 or any other applicable Act(s), Rule(s) and Regulation(s) etc.
 11. To open account or accounts with any bank or banks in the name of the Company and to operate upon the same.
 12. To create any depreciation fund, sinking fund, insurance fund, reserve fund or any special or other funds, whether for depreciation or for repairing, improving, extending or maintaining of any of the property of the Company or for any purposes, whatsoever to the interests of the Company.
 13. To make, draw, accept, endorse, execute, discount, negotiate and issue cheques, promissory notes, hundies, bills of exchange, bills of lading, railway receipts, debentures and other negotiable or transferable instruments subject to the Banking Regulation Act, 1949.
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14. To employ or pay experts, foreign consultants, management consultants and others in connection with the prospecting, acquiring, planning, execution, development, delivery and maintenance, training, and consulting, of all or any part of the business which the Company is entitled to carry on.
15. To promote any other Company or companies for the purpose of acquiring all or any of the property of the Company or advancing directly or indirectly the objects or interests thereof and to take or otherwise acquire and hold shares in any such Company or companies.
16. To distribute among members in specie or otherwise any property or assets of the Company and particularly the shares, debentures or other securities of any other Company including the Company formed to take over the whole or any part of the assets of this Company, subject to provisions of the Companies Act, 2013 or any other applicable Act(s), Rule(s) and Regulation(s) etc.
17. To borrow or raise moneys, from commercial banks/financial institutions and/or other companies, or to receive it on deposit at interest or otherwise, and to secure the payment of such money in such manner as the Company may think fit and in particular by the issue of debentures or debenture stock, perpetual or otherwise, stocks, bonds, obligations, notes and securities of all kinds, to mortgage, pledge, guarantee, hypothecate or charge the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled paid capital, by special assignment or otherwise, or to transfer or convert the same absolutely or any interest therein and to give the lenders power of sale and other powers as may seem expedient and to purchase, redeem or pay off such securities provided, the Company shall not carry on banking business as defined in the Banking Regulation Act, 1949.
18. To advance, deposit or lend with or without security money, securities, assets and property to or with such person, companies or corporations and on such terms as may

seem expedient, to negotiate loans, to discount, buy, sell and deal in bills, notes, warrants, coupons and other negotiable or transferable security or documents.

19. To enter into any arrangements with the Government of India or with any states, with any authorities, municipal, local or otherwise or with any other persons, that may seem conducive to the Company's objects or any other and to apply for and obtain and to purchase or otherwise acquire from any such Government, State, authorities or persons, any rights, powers, privileges, decrees, licenses, sanctions, grants and concessions whatsoever (whether statutory or otherwise) which the Company may think it desirable to obtain and acquire and to carryout exercise and comply with any such arrangements, rights, powers, privileges, licenses, decrees, sanctions, grants and concessions.
 20. To grant licenses or concessions over or in respect of any property or rights of the Company.
 21. To accept any payment for any property or rights sold or otherwise disposed off or dealt with by the Company either in cash, by installments or otherwise or in fully or partly paid-up shares of any Company or corporation with or without preferred or deferred rights in respect of dividend or repayment of capital or otherwise or in debentures, debenture stocks or other securities of any Company or corporation or partly in one mode and partly in other and generally on such terms as the Company may adopt.
 22. To institute, conduct and defend all actions and legal proceedings, against the Company and its officers and to refer any claim or demand by or against the Company and its officers to arbitration and to perform or challenge the awards if necessary.
 23. To exercise all or any of its corporate powers, rights and privileges and to conduct its business in all or any of its branches in India and in any or all states, territories, possessions and dependencies thereof and in any or all foreign countries, and for this purpose to have and maintain and to discontinue such number of offices and agencies therein as may be convenient.
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24. To do all and everything necessary suitable or proper for the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers hereinbefore set forth, either alone or in association with other corporate bodies, firms, or individuals, and to do every other act or acts, thing or things, incidental or appurtenant to, or growing out of, connected with the aforesaid business or powers or any part or parts thereof provided the same be not inconsistent with the laws of the Union of India.
4. The liability of the member(s) is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.
5. The share capital of the company is 1,000,000.00 rupees, divided into,
6. We, the several persons, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set against our respective names:
-

S.No.	Subscriber Details					
	Name, Address, Description and Occupation	DIN/PAN/ Passport Number	No. of shares taken		DSC	Dated
1	RAHUL RAJ ADDRESS: FLAT NO. 201, MAJESTIC PLAZA, WEST BORING CANAL ROAD, PHULWARI, PATNA, BIHAR- 800001, INDIA OCCUPATION: BUSINESS	07228300	3334	Equity	DAU Digitally signed by RAHUL RAJ U L Date:2017.07.21 16:15:50+05'30'	21/07/17
2	ADITYA SACHIN NAIK ADDRESS: A/101, VIRAJ SOC, GOVARDHAN NAGAR, MULUND (W), MUMBAI, MAHARASHTRA- 400080, INDIA OCCUPATION: BUSINESS	07173363	3333	Equity	Digitally signed by ADITYASACHIN NAIKDate:2017.07.21 16:16:09 +05:30	21/07/17
3	RAKESH YADAV ADDRESS: 202, SAGAR KI DHANI, NANGAL KOJU, JAIPUR, Rajasthan- 303804, INDIA OCCUPATION: BUSINESS	07873051	3333	Equity	Digitally signed by RAKESH YADAV Date:2017.07.21 16:16:31 + 05'30'	21/07/17
Total Shares taken			10000	Equity		

Signed before Me					
Name	Address, Description and Occupation		DIN/PAN/Passport Number/Membership Number	DSC	Dated
ACS	SHIVALI GUJELA	ADDRESS: WZ-1800 A,BASAI DARA PUR, NEWDELHI-110015 OCCUPATION:PRACTICING COMPANY SECRETARY	44603	Digitally signed by SHIVALI SHIVALI GUJELA GUJELA Date:2017.07.21, 18:05:26, +05'30'	21/07/17

Modify

Check Form

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77
ANNEXURE-P3

THE COMPANIES ACT, 2013

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

THROUGHBIT TECHNOLOGIES PRIVATE LIMITED

1. The name of the company is THROUGHBIT TECHNOLOGIES PRIVATE LIMITED
2. The Registered office of the company will be situated in the State of Karnataka
3. The Objects for which the Company is established are:

A) THE OBJECTS TO BE PURSUED BY THE COMPANY ON ITS INCORPORATION ARE:

1. To develop and provide a trading website that will let buyers and sellers exchange Crypto Commodities and/or similar commodities with each other.
2. To provide a website that will
 - a. Provide specialized software for trading, clearing and settlement of Crypto Commodities or similar commodity trades.
 - b. Ensuring that each and every transaction is recorded and occurs in a cost effective, quick and efficient manner for the benefit and protection of the investors and traders in Crypto Commodities.
 - c. Address the desire of the Indian Crypto Commodities community in this new emerging internet domain, to own, use, buy, sell and trade Crypto Commodities in an ethical manner.
3. To carry on in India or elsewhere the business of sale, purchase, import, export, deal distribution, marketing, development, programming, design, hosting, licensing, integration, solutions, testing, maintain, service, training, support, outsourcing, franchising, research, development, computer software, computer programs and data processing services, hardware, information technology, computers, networking, internet and intranet, interoperability products, software online platform, cryptography and crypto-currency based products and services.

B) Matters which are necessary for furtherance of the objects specified in clause 3 (a) are:

1. To undertake the designing and development of systems and applications software either for its own use or for sale in India to clients & others.
2. To provide, buy or sell in India and/or outside as importers, exporters, agents or otherwise of any goods or services which can be advantageously dealt in by the Company to attain the main objects, and to carry on operations or business of any nature which the Company from time to time may deem fit or expedient to carry on in connection with its main business at any time being conducted and which may seem calculated or capable of being conducted so as to directly or indirectly benefit the Company
3. Subject to compliance with the provisions of Section 188 of the Companies Act, 2013, to enter into contracts, agreements and arrangements with any other person, firm, company, body corporate or statutory body, on behalf of the Company, for carrying out any of the objects for which the Company is established.
4. To establish/construct and maintain or wind up branch offices, agent offices, representative office and/or new offices in India or elsewhere as it may be necessary to protect and promote the interest of the Company.
5. To apply for, purchase or otherwise acquire any patent, patent rights, copyright, trade-marks, formulae, license, lease, concessions, manufacturing process, know-how designs, patterns conferring any exclusive or limited right to use any secret or other information as to any invention which may seem capable of being used for any of the purposes of the company or the acquisition of which may directly or indirectly benefit the company and to use, exercise, develop or grant licences in respect of or otherwise turn to account the property, rights or information so acquired and to pay for any rights or properties so acquired by the Company.
6. To amalgamate or enter into any arrangement for sharing of profits, entering into partnerships, joint ventures, union of interests, co-operations, reciprocal concessions with and/or to acquire and undertake the whole or any part of the business properties and liabilities of any person or company carrying on the same business or transaction which the company is authorized to carry on or engage in or proposing to carry on any business which the Company is authorized to carry on.
7. To enter into any arrangement with any Government or authority whether municipal level or otherwise or any person, that may seem conducive to the company's objects or any of them and to obtain from such Government or authority any rights, privileges and concessions which the company may think it desirable to obtain; and to carry out, exercise and comply with any such arrangement, rights, privileges and concessions.
8. To establish or promote or concur in establishing or promoting a company or companies having similar objects and to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the shares, debentures or other securities of any such company.
9. To establish or support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences for the benefit of past or present

employees or directors of the company or the dependents of such persons and to grant pensions and allowances, to make payments towards insurance, to subscribe or guarantee money for charitable or benevolent objects or useful objects for general public;

10. To promote any other company or companies for the purpose of acquiring or taking over all or any of the property, rights and liabilities of a company or for any other purpose which may directly or indirectly benefit the company
11. To purchase or import, take on lease or in exchange hire otherwise acquire and / or give any movable or immovable property and any rights or privileges on lease, hire or otherwise which the company may think necessary or convenient for the purposes of its business or may enhance the value of any other property of the company and in particular any land, buildings easements, machinery, plants, equipments, accessories and stock-in-trade and either to retain any property to be acquired for the purposes of the company's business or to turn the same to account as may be expedient and for that purpose to enter into contracts, agreements and arrangements with any other person, firm, company, body corporate or statutory body corporate.
12. To advertise and adopt means of making known the business activities of the Company or any articles or goods traded or dealt in by the Company in any way as may be expedient including posting of bills in relation thereto and the issue of circulars, books pamphlets and price lists and conducting competitions, exhibitions, use of audio, video channels, demonstrations and the giving of prizes and , rewards;
13. Subject to the restrictions under Section 185 and compliance with Section 186 of the Companies Act, 2013 to lend and advance money or give credit to any person or company; to give guarantee or indemnify for the payment of money or the performance of contracts or obligations by any person; to secure or undertake in any way the repayment of moneys lent or advanced to, or the liabilities incurred by any person. The company shall not carry on Banking Business as defined under the Banking Regulation Act, 1949
14. To borrow or raise money(ies) in any manner that shall not tantamount to a Deposit referred to under Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposit Rules), 2014 whether secured or unsecured, upon such terms and conditions, in such forms and contents and from any source(s) as the Company may deem fit and expedient, in particular by way of issue of debentures, debenture-stocks, perpetual or otherwise or any other bonds or securities and instruments as may be in vogue and prevailing from time to time to create and cause security for the money(ies) so borrowed by way of mortgage, pledge or a charge or otherwise on whole or any part of the property of the Company, present or future, including its uncalled capital and to repay or redeem any such money(ies) and securities in such manner and at such time or from time to time subject to the compliance with Section 180 of the Companies Act, 2013.
15. To draw, make, accept, transfer, endorse, discount, execute, negotiate and issue promissory notes, bills of exchange, bills of lading, warrants, drafts, letters of credit, dock warrants, railway receipts, transport receipts, warehouse keepers certificates, debentures and other negotiable or transferable instruments and securities

16. To sell, lease, mortgage or otherwise dispose off the property, assets or undertaking of the Company or any part thereof for such consideration as the Company may think fit subject to the approval of the Shareholders pursuant to Section 180 of the Companies Act, 1956;
17. To remunerate any person for services rendered, or to be rendered, in placing or assisting to place or guaranteeing the placing of any of the shares in the company's capital or any debentures or other securities issued by the company either by way of payment of cash or allotment of securities of the company;
18. To adopt such means of making known and advertising and publicity of the business and products of the company as may be expedient;
19. To apply for, promote and obtain any order, regulation, or other authorisation or enactment which may directly or indirectly benefit the company;
20. To procure recognition of the company in any country or place outside India;
21. To issue or allot fully or partly paid shares in the capital of the company in full payment or for part payment of any movable or immovable property purchased or otherwise acquired by the company or any services rendered to the company provided that the transaction is backed by Report from a Registered Valuer as stipulated under the Companies Act, 2013 and the Rules made thereunder;
22. To take or hold mortgages, liens and charges to secure payment of the purchase price, or any unpaid balance of the purchase price of any part of the company's property of any kind sold by the company, or any money due to the company from buyer;
23. To pay out of the funds of the company all or any expenses which the company may lawfully pay for services rendered for formation and registration of the company and for promotion of any other company by it, subject to the provisions of the Act;
24. To produce gas and generate electricity necessary for the purposes of the business of the company and process or deal with all products resulting from any ancillary to such production;
25. To ensure any of the properties, undertakings, contracts, risk or obligations of the company in any manner whatsoever;
26. To make donations either in cash or any kind for such objects or causes as may be directly or indirectly conducive to any of the company's object or otherwise expedient subject to compliance with Section 181 of the Companies Act, 2013;
27. To aid and support, any person, association, body or movement, whose object is solution, settlement, or surrounding of industrial or labor problems or the promotion of industry, trade or business of the company or for the promotion of Science and Technology, Cultural activities, Sports environment, rural development and other social and welfare activities;
28. To establish or support associations, institutions, schools hospitals, guest houses, clubs, funds and trusts which may be considered beneficial to any employees or ex-

- employees and to officers and ex-officers of the company or dependents of any such persons;
29. To undertake and execute any trusts the undertaking of which may seem to the Company desirable and either gratuitously or otherwise.
 30. To refer all questions, disputes or differences arising between the Company and any other person including a member in connection with or in respect of any matter relating to the business or affairs of the company to arbitration in such manner and upon such terms as the company and such other person may mutually agree upon in each case and such reference to arbitration may be in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and the rules of the International Chamber of Commerce relating to arbitration, and to institute legal proceedings or defend any proceedings and to appoint advocates, Consultants or Advisors in this behalf, and to do all acts, deeds, matters and things as may be necessary or expedient or to settle mutually any or all such questions, disputes or differences and to observe and perform and to do all acts, deeds, matter and things to carry out or enforce the arbitration awards.
 31. To enter into collaboration, technical, financial or otherwise with any person or Government for obtaining any grants, license or on other terms, formulae and other rights and benefits and to obtain technical information, know-how and expert advise for the production, manufacture and export / import or purchase of all types of goods which the company is authorised to produce or to deal in;
 32. To arrange for the marketing in India and abroad and sale of the products and by products of the Company and purchase of raw materials, goods and articles as are necessary for carrying on the business of the company and for that purpose, either to establish its own shops, agencies or marketing organizations or to appoint selling or buying agents or distributors or both (whether individuals, firms or bodies corporate) in any place in or outside India and allot, specify, alter or modify their areas of operation or the terms and conditions of their appointment and to pay remuneration to such selling or buying agents or distributors or both by way of such commission or in such other manner as the Company may deem fit;
 33. To create any depreciation fund, reserve fund, sinking fund, insurance fund, or any special or other fund whether for repayment of redeemable preference shares, redemption of debentures, or debenture stock, for dividends, for equalizing dividends, for repairing, improving, extending and maintaining any part of the property of the company;
 34. To open and operate any type of bank accounts with the Bank and obtain credit facilities with or without securities for its business;
 35. To acquire any such shares, stocks, debentures, bonds, mortgages, obligations and other securities by original subscription, tender, syndicate participation, purchase, exchange or otherwise and to subscribe for the same either conditionally or otherwise and to guarantee the subscription thereof,
 36. To make advances upon, hold in trust, issue on commission, sell or dispose any of the investments aforesaid.
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37. To build construct, alter, improve, maintain, enlarge, pull down, remove or replace and to develop, work, manage, carry out and control any buildings, officials, chawls and other works, conveniences which may seem calculated directly or indirectly to advance the Company's interests and to contribute to subscribe or otherwise assist to take part in the construction, improvement, maintenance, development, working, management, carrying out thereof for the business of the Company.
 38. To train or pay for training in India or outside India of the company's employees or officers or any candidate in the interest of or furtherance of the company's objects.
 39. To establish branches in or outside India for or in connection with any of the objects of the Company.
 40. To carry out in India and outside India all or any part of the company's objects as principals, agents, factor, trustee, contractor or otherwise either alone or in conjunction with any other person, firm, association, corporate body, municipal corporation, province or government colony or dependency thereof.
 41. To establish research and development centers for the business of the company and to undertake or promote scientific or other type of research relating to any business or class of business in which the company is engaged in.
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4. The Liability of the members is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.
 5. The Authorised Share Capital of the Company is Rs. 5,00,000/- (Rupees Five Lakh Only) divided into 50,000 (Fifty Thousand) Equity Shares of Rs.10/- (Ten) each.

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December 24, 2013

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ANNEXURE P4

RBI cautions users of Virtual Currencies against Risks

The Reserve Bank of India has today cautioned the users, holders and traders of Virtual currencies (VCs), including Bitcoins, about the potential financial, operational, legal, customer protection and security related risks that they are exposing themselves to.

The Reserve Bank has mentioned that it has been looking at the developments relating to certain electronic records claimed to be "Decentralised Digital Currency" or "Virtual Currency" (VCs), such as, Bitcoins, litecoins, bbqcoins, dogecoins etc., their usage or trading in the country and the various media reports in this regard.

The creation, trading or usage of VCs including Bitcoins, as a medium for payment are not authorised by any central bank or monetary authority. No regulatory approvals, registration or authorisation is stated to have been obtained by the entities concerned for carrying on such activities. As such, they may pose several risks to their users, including the following:

VCs being in digital form are stored in digital/electronic media that are called electronic wallets. Therefore, they are prone to losses arising out of hacking, loss of password, compromise of access credentials, malware attack etc. Since they are not created by or traded through any authorised central registry or agency, the loss of the e-wallet could result in the permanent loss of the VCs held in them.

Payments by VCs, such as Bitcoins, take place on a peer-to-peer basis without an authorised central agency which regulates such payments. As such, there is no established framework for recourse to customer problems / disputes / charge backs etc.

There is no underlying or backing of any asset for VCs. As such, their value seems to be a matter of speculation. Huge volatility in the value of VCs has been noticed in the recent past. Thus, the users are exposed to potential losses on account of such volatility in value.

It is reported that VCs, such as Bitcoins, are being traded on exchange platforms set up in various jurisdictions whose legal status is also unclear. Hence, the traders of VCs on such platforms are exposed to legal as well as financial risks.

There have been several media reports of the usage of VCs, including Bitcoins, for illicit and illegal activities in several jurisdictions. The absence of information of counterparties in such peer-to-peer anonymous/ pseudonymous systems could subject the users to unintentional breaches of anti-money laundering and combating the financing of terrorism (AML/CFT) laws.

The Reserve Bank has also stated that it is presently examining the issues associated with the usage, holding and trading of VCs under the extant legal and regulatory framework of the country, including Foreign Exchange and Payment Systems laws and regulations.

Ajit Prasad

Press Release: 2013-2014/1261 Assistant General Manager

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