THE LEXSPHERE

LEGAL SERVICES & EDUCATION · VARANASI

LEGAL COMPLIANCE & BANKING REMEDIES TOOLKIT

MCA Compliance · RBI Ombudsman · CFR Tagging
Freezing & Unfreezing of Bank Accounts

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Disclaimer & Document Notice

⚖️ Nature of This Document

This toolkit is prepared by student interns at The LexSphere under faculty supervision for educational and advisory reference purposes. It does not constitute legal advice and does not create a lawyer-client relationship.

All statutory provisions, circular references, and case law cited are accurate to the best of the authors' knowledge as of June 2026. Readers must verify citations against official sources before relying upon them in any legal proceedings or compliance filings.

Official sources used: Companies Act 2013 (mca.gov.in), RBI website (rbi.org.in), PMLA 2002 (mca.gov.in), BNSS 2023 (mca.gov.in), RBI CMS (cms.rbi.org.in), I4C Legal Bulletin 2025 (cybercrime.gov.in (official portal; i4c.mha.gov.in redirects to mha.gov.in — use cybercrime.gov.in for all client-facing references)).

📌 Assignment Overview

This document covers four major areas of legal compliance and banking remedies: (1) MCA compliances for companies under the Companies Act 2013; (2) The RBI Integrated Ombudsman Scheme 2021 and complaint filing procedure; (3) CFR/Red-Flagging of bank accounts under RBI Fraud Risk Management Directions 2024; (4) The law on freezing and unfreezing of bank accounts across five distinct legal tracks.

Each section contains: the statutory framework, step-by-step practical procedures, judicial pronouncements, real-world case illustrations, and creative deliverables (heat maps, response protocols, defence frameworks) designed to make this toolkit stand out as a client-advisory resource.

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PART I — MCA LEGAL COMPLIANCES

Legal Compliance & Banking Remedies Toolkit 2026 • The LexSphere

1.1 — MCA Ecosystem & Regulatory Map

The Ministry of Corporate Affairs (MCA) administers the Companies Act 2013 and regulates the entire lifecycle of companies and LLPs in India — from incorporation to winding-up. All core filings route through the MCA21 electronic system.

Forum / Authority	Role & Powers	Key Statute
MCA21 Portal	Single electronic filing system for all company and LLP compliances; generates automated fee calculations and DIN/GSTIN/PAN integrations through SPICe+	Companies Act 2013 / MCA21 Rules
Registrar of Companies (ROC)	Handles incorporation, scrutiny of annual returns, adjudication of penalties for non-filing, and strike-off proceedings under Section 248	Companies Act 2013, Sections 7, 92, 137, 248
Regional Director (RD)	Hears appeals against ROC orders; grants certain approvals (e.g., change of registered office across states); oversees ROC operations	Companies Act 2013, Section 400+
National Company Law Tribunal (NCLT)	Judicial forum for insolvency (IBC), oppression & mismanagement, merger/demerger schemes, winding-up petitions, and fraud-related matters	Companies Act 2013, Section 408+; IBC 2016
National Company Law Appellate Tribunal (NCLAT)	Appellate authority over NCLT orders; second-tier judicial oversight of corporate disputes	Companies Act 2013, Section 410
Serious Fraud Investigation Office (SFIO)	Investigates complex corporate frauds; its reports can form the basis for prosecution under Section 212	Companies Act 2013, Sections 210, 211, 212
Adjudicating Officers (AOs)	Impose monetary penalties for specific violations (e.g., Section 454 adjudication for non-filing penalties)	Companies Act 2013, Section 454

1.2 — Company Lifecycle Compliance Map

Corporate compliance is not a single event — it is a continuous lifecycle. The LexSphere maps it in five phases:

Phase A: Incorporation & Commencement

Action	Form / Mechanism	Timeline	Penalty if Missed
Incorporation (name reservation + MOA/AOA + director details + PAN/TAN)	SPICe+ (Part A + Part B simultaneously)	Before first business activity	Without incorporation, no legal entity exists — unlimited personal liability for promoters
Declaration of Commencement of Business	INC-20A: Filed by directors confirming subscription money received	Within 180 days of incorporation date (Section 10A)	Penalty: ₹50,000 on company + ₹1,000 per day on officers; ROC can initiate strike-off if INC-20A not filed
Opening corporate bank account in company's legal name	No specific form — KYC with Certificate of Incorporation + PAN	Within 60 days of COI issuance (good practice)	No statutory deadline but delay breaks corporate veil ([Removed — Renusagar Power Co. v. GEC concerns international arbitration; not applicable here] principle)

Phase B: Board Governance & Statutory Registers

Compliance	Requirement	Statutory Basis	Consequence of Default
Board Meetings	Minimum 4 meetings per year; maximum gap between any two meetings: 120 days; OPCs and small companies have relaxed norms	Section 173, Companies Act 2013	Fine: company ₹25,000; each director in default ₹5,000 per default
Minutes Book	All board and general meeting resolutions must be recorded in a bound minutes book within 30 days of meeting	Section 118, Companies Act 2013	Penalty: ₹25,000 per violation; evidentiary gap in disputes
Register of Members	Maintain complete and updated record of all shareholders and share transfers	Section 88, Companies Act 2013	Fine up to ₹1,00,000; company and officers held liable
Register of Charges	Record every charge (mortgage, pledge) created by the company within 30 days of creation	Section 85, Companies Act 2013	Charge may become void against liquidator if not registered in CHG-1

Compliance	Requirement	Statutory Basis	Consequence of Default
Register of Directors & KMP	Updated record of all directors, their DINs, interests, and disqualifications	Section 170, Companies Act 2013	Penalty for non-maintenance; director disqualification if DIN data is incorrect

Phase C: Annual Meetings & Annual Filings

Filing	Form	Deadline	Penalty Framework
Annual General Meeting (AGM)	No e-form; physical/virtual meeting with proper notice	Within 6 months of FY end (30 September for 31 March FY); first AGM within 9 months	Section 99: Fine up to ₹1,00,000 on company + ₹5,000 per day continuing; OPCs exempt from AGM
Financial Statements to ROC	AOC-4 (AOC-4 CFS for consolidated statements)	Within 30 days of AGM (Section 137)	Section 137(3): ₹10,000 + ₹100/day capped at ₹2,00,000 (company); ₹50,000 per defaulting officer
Annual Return to ROC	MGT-7 (Pvt Ltd) or MGT-7A (OPC and small companies)	Within 60 days of AGM (Section 92)	Section 92(5): ₹10,000 + ₹100/day capped at ₹2,00,000 (company); ₹50,000 per defaulting officer
Auditor Appointment / Reappointment	ADT-1	Within 15 days of AGM at which auditor is appointed/reappointed	Late fee + adjudication; non-appointment creates audit vacuum

Phase D: Event-Based Filings

Event	Form	Deadline	Why It Matters
Appointment / resignation / change of director	DIR-12	Within 30 days of the board resolution effecting the change	Delayed DIR-12 = ROC records show wrong directors; creates liability for outgoing director
Change of registered office (within state)	INC-22	Within 30 days of the change	Non-filing means official correspondence goes to wrong address; creates regulatory gap
Registration / modification of charge	CHG-1	Within 30 days of creation (extension possible with reasons)	Unregistered charge = void against liquidator; lender's security at risk
Return of allotment of shares	PAS-3	Within 30 days of allotment	Non-filing = allotment not recorded with ROC; share certificates may be disputed
Declaration of commencement of business	INC-20A	Within 180 days of incorporation	Discussed in Phase A — strike-off risk if not filed

Phase E: Annual Director KYC (DIN Discipline)

📘 DIR-3 KYC — Annual Director Identity Verification

Every director holding a DIN must file DIR-3 KYC annually by 30 September to confirm their identity and contact details remain current.

Penalty for non-compliance: DIN is automatically deactivated after the deadline. Reactivation requires filing DIR-3 KYC with a late fee of ₹5,000.

Cascading consequence: A director with a deactivated DIN cannot sign company forms, cannot attend board meetings validly, and cannot be appointed to new companies. Effectively locks the director out of all ROC compliance for the company.

1.3 — Master Penalties Table

Section	Violation	Penalty on Company	Penalty on Officer	Cap
Sec. 10A (INC-20A)	Non-filing of commencement declaration within 180 days	₹50,000	₹1,000 per day continuing	Company: fixed at ₹50,000; Officers: ₹1,000/day continuing; officer cap: ₹1,00,000. ROC may also initiate strike-off.
Sec. 92(5) (MGT-7)	Non-filing of annual return within 60 days of AGM	₹10,000 + ₹100/day	₹50,000 per defaulting officer	₹2,00,000 for company
Sec. 137(3) (AOC-4)	Non-filing of financial statements within 30 days of AGM	₹10,000 + ₹100/day	₹50,000 per defaulting officer	₹2,00,000 for company
Sec. 99 (AGM)	Failure to hold AGM within prescribed period	Up to ₹1,00,000	₹5,000 per day continuing	Subject to court order
Sec. 173 (Board Meetings)	Failure to hold 4 meetings or gap >120 days	₹25,000 per default	₹5,000 per director in default	Per-meeting basis
Sec. 118 (Minutes)	Failure to maintain minutes book	₹25,000 per violation	₹25,000 per officer	Per-occurre nce
Dir-3 KYC	DIN not verified annually by 30 September	N/A	₹5,000 reactivation fee (per DIN per year)	DIN deactivation is automatic
Sec. 164(2)	3 consecutive years of non-filing of accounts or annual return	N/A	Director disqualified from all appointments for 5 years	Applies to entire directorial profile
Sec. 248	Company fails to file and shows no activity	ROC initiates strike-off; company name removed from register	Post-strike-off revival only through NCLT order	Company effectively dissolved

1.4 — MCA Compliance Heat Map

Use this heat map to visually communicate a company's enforcement risk status to clients in the first advisory meeting:

Zone	Profile	What It Looks Like	Enforcement Risk
🟢 GREEN ZONE	All core filings on track	AGM held on time, AOC-4 and MGT-7 filed within deadlines, INC-20A filed, DIR-3 KYC current, no outstanding charges, minutes book maintained	LOW: Minor procedural risk only. Banking, investor, and government due diligence will pass cleanly.
🟡 AMBER ZONE	1-2 years of delay; penalties accruing but no disqualification yet	One year of late MGT-7/AOC-4 with penalty of ₹10,000 + ₹100/day; director KYC missed once but reactivated	HIGH COST, MEDIUM RISK: Penalties accumulate; bank loan due diligence may flag ROC non-compliance; investors may require clean-up before funding.
🔴 RED ZONE	3+ consecutive years of non-filing	AGM not held for 3 years; AOC-4 and MGT-7 not filed for 3 consecutive FYs; directors auto-disqualified under Section 164(2)	CRITICAL: Director disqualification triggers simultaneously across all their directorships. Section 248 strike-off initiated. Revival only through NCLT (costly, slow). Banking and funding impossible during strike-off.

1.5 — Director Disqualification & Strike-Off

🚨 Section 164(2) — The Disqualification Cascade Explained

Section 164(2) operates as a cascade: when a company fails to file financial statements or annual returns for THREE CONSECUTIVE FINANCIAL YEARS, EVERY DIRECTOR of that company is simultaneously disqualified.

The disqualification means the director cannot be re-appointed in that company AND cannot be appointed as a director in ANY OTHER COMPANY for a period of 5 years from the date of default.

Real-world impact: A promoter-director who sits on boards of 4 companies gets disqualified from ALL FOUR simultaneously if even one company has a 3-year filing gap. This makes the disqualification far more punishing than it initially appears.

Remedy: Apply to NCLT for relief under Section 167, and simultaneously regularise all pending filings. Courts have granted relief in genuine cases but require complete compliance as a precondition.

1.6 — Real-World Cases & Judicial Card

💼 Case 1: Realtime Finlease Ltd. & Ors. — ROC Adjudication Order (ComplianceCalendar [Secondary source — primary ROC order number/date not independently verified])

ROC imposed separate penalties under Sections 92(5) and 137(3) for failure to file annual return (MGT-7) and financial statements (AOC-4) for FY 2018-19.

Total penalty ran into several lakh rupees for the company and its officers combined.

Key takeaway: ROC imposes penalties simultaneously under both sections — non-filing of both AOC-4 and MGT-7 doubles the exposure. Officers cannot escape by arguing they were passive directors.

💼 Case 2: Chennai Region Company — ₹40 Lakh Penalty (IndiaFilings Report)

MCA imposed approximately ₹40 lakh in total penalties for prolonged non-filing of MGT-7 and AOC-4 across multiple years.

The Company Secretary who certified the filings without proper disclosures was separately penalised.

Key takeaway: The professional certifying the filing (CS) shares liability when filings contain material omissions. Compliance is a joint responsibility — directors + CS + CA cannot shift blame entirely to each other.

⚖ ROC Practice Standard (Derived from MCA Adjudication Orders — not a reported judgment) | NCLT (Relevant Bench) | Recent Adjudication

"Principle derived from MCA adjudication orders: Directors cannot escape penalty under Sections 92 and 137 by arguing that they delegated filing responsibility to a Company Secretary or auditor. Personal statutory liability under the Companies Act 2013 rests on individual directors who fail to ensure compliance."

→ **What it means:** Every director must personally verify that annual filings have been made on time. Delegation to a CS is an internal management arrangement — it does not transfer statutory liability under Section 92(5) or Section 137(3).

PART II — RBI INTEGRATED OMBUDSMAN SCHEME 2021

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2.1 — Legal Basis & One Nation One Ombudsman

The Reserve Bank – Integrated Ombudsman Scheme, 2021 (RB-IOS 2021) was notified on 12 November 2021. It unified and replaced three earlier, separately-run schemes into one seamless framework under a single portal.

Replaced Scheme	Operated Since	Why Replaced
Banking Ombudsman Scheme	2006	Territorial fragmentation — customers had to identify the right regional ombudsman before filing
Ombudsman Scheme for NBFCs	2018	Covered only deposit-taking NBFCs; left non-deposit NBFCs without redress
Ombudsman Scheme for Digital Transactions	2019	Separately managed; customers confused about which scheme applied to payment failures

🏦 **One Nation One Ombudsman — What Changed**

Before RB-IOS 2021: A bank customer in Varanasi with a complaint against an NBFC lender HAD to identify the correct regional ombudsman, file at the right office, and worry about jurisdictional bars.

After RB-IOS 2021: All complaints — bank, NBFC, payment system participant, or credit information company — are filed at ONE portal (cms.rbi.org.in) or sent to ONE central address (CRPC, Chandigarh). The system routes the complaint internally. The customer does not need to know which ombudsman has territorial jurisdiction.

Legal basis: RBI Act 1934, Banking Regulation Act 1949, Payment and Settlement Systems Act 2007, and Credit Information Companies (Regulation) Act 2005.

2.2 — Jurisdiction & Entities Covered

Category of Regulated Entity (RE)	Examples	Covered Under RB-IOS?
Scheduled Commercial Banks	SBI, HDFC Bank, ICICI Bank, Axis Bank, Citibank India	YES — fully covered
Regional Rural Banks (RRBs)	Prathama UP Gramin Bank, Baroda UP Gramin Bank	YES — fully covered
Urban Co-operative Banks (UCBs)	Eligible UCBs meeting RBI coverage criteria	YES — eligible UCBs covered
Non-Banking Financial Companies (NBFCs)	Bajaj Finance, Muthoot Finance, HDB Financial Services	YES — specified NBFCs meeting coverage thresholds
Payment System Participants	Paytm Payments Bank, PhonePe, Google Pay (as regulated PSPs)	YES — all RBI-registered payment system participants
Credit Information Companies	CIBIL, Experian, CRIF High Mark, Equifax	YES — complaints about incorrect data / non-updation
Entities NOT covered	Private money lenders, chit funds, cooperative societies not regulated by RBI	NO — cannot file under RB-IOS; must use state consumer forums or civil courts

2.3 — Preconditions & Limitation Period

> ⚠️ **ALL THREE Preconditions Must Be Met Before Filing**
>
> 1. First complaint to the Regulated Entity (RE): The customer must have filed a written complaint directly with the bank/NBFC/PSP AND either (a) received NO reply within 30 days, OR (b) received a reply but is NOT satisfied with it.
>
> 2. Covered Regulated Entity: The complaint must be about a SERVICE DEFICIENCY by an entity covered under RB-IOS. Commercial decisions (e.g., refusal to sanction a loan) are excluded.
>
> 3. Not sub-judice: The SAME complaint must NOT be pending before any court, tribunal, consumer forum, or arbitrator. Parallel proceedings make the complaint non-maintainable under RB-IOS.

Limitation Scenario	Timeline	What Happens If Missed
RE gave a reply (unsatisfactory)	Complaint must be filed with Ombudsman within 1 YEAR of the date of the RE's reply	Complaint barred as time-expired; Ombudsman will reject at scrutiny stage
RE gave NO reply	Complaint must be filed within one year after the expiry of one month from the date of the complaint (i.e., effectively 1 year and 30 days from the date of complaint if no reply received) [RB-IOS 2021, Clause 9] from the date of the original complaint to the RE	The 30-day waiting period plus 1 year = 1 year 30 days total window from your first complaint date
Extension of time	Ombudsman may condone delay in exceptional circumstances	No absolute right to extension; must show sufficient cause

2.4 — Seven-Step Complaint Filing Procedure

Step	Action	Documents / Portal	Key Legal Point
Step 1	File internal complaint with the RE's branch, customer care, or nodal officer	Written complaint; obtain written acknowledgement / reference number; retain all SMS/email evidence	This step is MANDATORY — without it, no RB-IOS complaint can be filed
Step 2	Wait 30 days OR receive RE's reply (if earlier)	Keep the reply (or track the non-reply period)	The 30-day clock starts from the date of your written complaint to the RE, not from any verbal complaint
Step 3	File on CMS portal or send written complaint to CRPC	cms.rbi.org.in | Alternatively: Centralised Receipt and Processing Centre (CRPC), Chandigarh	Required details: personal info, RE details, account/transaction details, copy of earlier complaint, RE's reply (if any), supporting documents, specific relief sought
Step 4	Ombudsman scrutinises for maintainability	Internal screening process	Grounds for rejection at scrutiny: time-barred, non-covered RE, same matter in court, frivolous complaint, commercial decision of RE

Step	Action	Documents / Portal	Key Legal Point
Step 5	Conciliation / Mediation phase	Ombudsman facilitates direct communication between customer and RE	Majority of complaints resolved at this stage — RE typically offers refund, correction, or explanation to avoid adverse award
Step 6	Award (if conciliation fails)	Ombudsman passes reasoned award or rejects on merits	Maximum compensation: ₹20 lakh (actual loss) + up to ₹1 lakh for mental agony, harassment, and time/expense; no compensation for opportunity cost or punitive damages
Step 7	Acceptance, compliance & appeal	Complainant must accept award within 30 days; RE must comply within 30 days of receiving acceptance letter	Appeal against award: available to both customer and RE before the Appellate Authority (RBI Executive Director) within 30 days of award

2.5 — Exclusions — What RB-IOS Cannot Redress

Excluded Category	Why Excluded	Alternative Remedy
Commercial decision to refuse/reduce a loan	RBI cannot second-guess lending decisions; credit assessment is a bank's core function	Approach the bank's internal grievance cell for reconsideration; DRAT/DRT if loan already disbursed
Same matter already in court, tribunal, or arbitration	No parallel adjudication; prevents contradictory orders	Continue the court/tribunal proceeding or withdraw it before approaching Ombudsman
Regulatory / law-enforcement freeze	Bank acting on RBI or government directive; cannot be overturned by Ombudsman	Approach the authority that issued the freeze order; see Part IV of this toolkit
Internal employee disputes	Not customer service; outside RB-IOS scope	Labour courts, employment tribunals
Third-party fraud not involving the RE's deficiency	If fraud was entirely between third parties without the bank's service failure	Cyber crime cell (1930), civil suit against fraudster

2.6 — Client Scenario: UPI Fraud & Ombudsman Filing

📱 **Illustrative Scenario: ₹45,000 Unauthorised UPI Debit (Based on RBI Framework)**

Fact Pattern: A customer's UPI-linked wallet (regulated PSP) debits ₹45,000 without authorisation. The customer files a written complaint to the wallet's nodal officer but receives no resolution for 35 days.

Step 1 ✔: Internal complaint filed with date-stamped reference. 30-day wait expired without satisfactory resolution.

Step 2 ✔: Customer files RB-IOS complaint via cms.rbi.org.in, attaching: complaint copy to wallet company, UPI transaction SMS evidence, wallet statement showing the debit, and requesting refund of ₹45,000 + compensation.

Ombudsman action: Registers complaint; forwards to PSP for comments. PSP at conciliation stage agrees to refund ₹45,000 and pays ₹2,500 as service inconvenience goodwill amount to avoid adverse award.

Key Legal Anchor: RBI's circular on customer liability in unauthorised digital transactions states that where a customer reports fraud within stipulated time and the breach was not due to their own negligence, full reversal of the transaction is the standard outcome.

Lesson: Document everything — the written complaint date is what starts the 30-day clock. Always get a reference number from the bank/PSP when filing an internal complaint.

PART III — CFR TAGGING

Meaning, Legal Basis, Authorities & Removal Protocol

3.1 — What is CFR Tagging? Distinguishing Three Related Concepts

Practitioners and clients frequently conflate three distinct actions that form the fraud identification chain. Misidentifying the stage can mean using the wrong remedy — a critical error in banking litigation.

Concept	What It Means	At What Stage	Legal Consequences
Red-Flagged Account (RFA)	Account flagged through Early Warning System (EWS) showing patterns of potential fraud: diversion of funds, unusual transactions, end-use violations	Investigation stage: no final finding yet; under scrutiny	Bank may impose restrictions on operations; no external reporting yet; CRILC reports RFA status to RBI
Fraud Classification	Formal internal board-level decision that an account / borrower IS fraudulent after natural justice process: SCN issued, reply considered, reasoned order passed	Final determination stage	Reported to RBI (CRILC + Central Fraud Registry/CFR); LEAs notified; credit bureau reporting; civil and criminal consequences triggered
CRILC / CFR Reporting	Uploading of fraud data to RBI's Central Repository of Information on Large Credits (CRILC) and the Central Fraud Registry (CFR)	Consequence of fraud classification	All banks can see CFR data; the borrower effectively blacklisted from institutional lending across India

💡 **Why This Distinction Matters for Your Client**

If your client's account is at the RFA stage: the battle is still winnable — challenge the bank's internal process before formal fraud classification. The right remedy is a strong representation with documentation.

If fraud has been classified and reported to CFR: you need both (a) a legal challenge to undo the fraud classification, AND (b) a separate process to get the CFR/CRILC report corrected.

If only CRILC shows 'NPA' or 'stressed' but no fraud classification: that is a separate credit information issue — do not confuse it with CFR tagging.

3.2 — Legal Basis: RBI Fraud Risk Management Directions 2024

📜 **RBI Master Directions on Fraud Risk Management — 15 July 2024 [Note: These Directions mandate separate frameworks for (i) Commercial Banks, (ii) NBFCs, and (iii) Co-operative Banks.]**

On 15 July 2024, RBI issued revised Master Directions on Fraud Risk Management for commercial banks (including RRBs), All India Financial Institutions (AIFIs), NBFCs, and co-operative banks.

These Directions consolidated and replaced all earlier RBI circulars on fraud prevention, detection, and reporting. They are issued under RBI's powers under the RBI Act 1934 and Banking Regulation Act 1949.

Key mandates: (1) Board-approved Fraud Risk Policy with Early Warning System/RFA framework; (2) integration of EWS with core banking and analytics; (3) MANDATORY natural justice before fraud classification — notice, opportunity to respond, reasoned order; (4) Special Committee of Board for Monitoring and Follow-up (SCBMF) for all fraud cases; (5) defined timelines for RFA closure and reporting.

3.3 — The 180-Day RFA Timeline Principle

Stage	What Should Happen	Consequence of Non-Compliance
Day 1: RFA reported to CRILC	Account flagged in CRILC as Red-Flagged Account; internal investigation begins	Bank must follow a time-bound investigation protocol
Day 1 to Day 180	Bank investigates: reviews transactions, end-use, borrower's response, forensic evidence	If no resolution by Day 180, case MUST be escalated to SCBMF; continued RFA without closure is subject to RBI supervisory scrutiny
Day 180: Resolution Point	Either: (a) fraud formally classified + reported to CFR + LEAs notified, OR (b) red-flag removed + account declassified	A bank that keeps an account as RFA indefinitely beyond 180 days is in breach of the Directions' intent; this becomes a potent procedural argument for the borrower
Post-180 days (if no action)	RBI may raise supervisory concerns; borrower's legal argument: prolonged RFA without decision is procedurally improper	High Courts have shown sympathy to borrowers where banks allowed RFAs to drift indefinitely without following the natural justice process required for fraud classification

3.4 — Natural Justice Requirement & Judicial Anchor

⚖ **State Bank of India v. Jah Developers Pvt. Ltd. (& Connected Cases) | Supreme Court of India | (2019)**

"Principle derived from this ruling [Principle derived from this judgment — not a verbatim quotation]: Borrowers facing serious adverse classification — whether as wilful defaulters or fraud accounts — must receive: (a) a show-cause notice with specific allegations; (b) a genuine opportunity to represent their case with access to material relied upon; and (c) a reasoned, speaking order that deals with their reply. These requirements flow from natural justice and cannot be bypassed even in cases of perceived financial urgency."

→ **What it means:** Although Jah Developers concerned the wilful defaulter framework, RBI's 2024 Fraud Risk Management Directions explicitly incorporated the same natural justice requirements for fraud classification. This ruling is the strongest judicial foundation for challenging fraud classifications made without proper process.

3.5 — Authorities Involved in CFR / Fraud Tagging

Authority	Role	Applicable Directions / Statute
Board of Directors (bank)	Overall accountability for the bank's fraud risk policy; must approve the Fraud Risk Policy annually	RBI Fraud Risk Management Directions 2024
Special Committee of Board for Monitoring and Follow-up (SCBMF)	Reviews all fraud cases; escalation point for RFA cases beyond 180 days; approves final fraud classification for large-value cases	RBI Fraud Risk Management Directions 2024
Risk Management Committee (RMC)	Oversees the Early Warning System / RFA framework; receives MIS on flagged accounts	RBI Fraud Risk Management Directions 2024
Bank's Fraud Risk Unit / Analytics Team	Operationally runs EWS; identifies accounts showing fraud indicators; prepares SCN and investigation summary	Internal bank policy + RBI Directions

Authority	Role	Applicable Directions / Statute
RBI (Supervisor)	Receives CRILC/CFR reports from banks; supervises compliance with the Directions; can initiate action against banks that do not follow process	RBI Act 1934; Fraud Risk Management Directions 2024
Law Enforcement Agencies (LEAs: CBI, Police, SFIO, ED)	Notified for frauds above ₹1 lakh; may register FIR; investigate criminal aspects of the fraud	IPC / BNS 2023; PMLA 2002; CBI Special Police Establishment Act
High Courts	Judicial review of fraud classification decisions that violate natural justice or RBI's own procedural framework	Article 226, Constitution of India

3.6 — Six-Step CFR Challenge Protocol

Step	Action Required	What to Look For / Argue
Step 1: Obtain All Base Documents	Request the Show-Cause Notice (SCN), list of specific allegedly fraudulent transactions, the bank's internal investigation report summary, and the final (or proposed) fraud classification order	Absence of a detailed, specific SCN is a standalone procedural ground for challenge. A vague notice ('your account shows fraud indicators') without specifying which transactions and why is legally insufficient.
Step 2: Check the RFA Timeline	Identify the exact date of CRILC RFA reporting and trace whether the bank followed the 180-day closure principle	If the account has been RFA for more than 180 days without either (a) formal fraud classification or (b) removal of RFA, this is a regulatory non-compliance by the bank that courts have viewed sympathetically.
Step 3: Respond Within Notice Period	File a detailed, transaction-by-transaction representation with the bank	Most bank policies (aligned with RBI Directions) provide at least 21 days to respond. The response must map each alleged fraudulent transaction to its lawful purpose (invoice, contract, GST return, bank statement, end-use certificate).
Step 4: Attack Procedural Violations	Identify specific gaps in the bank's process	Common grounds: no SCN issued / vague SCN; inadequate response time; material relied upon not shared; no independent analysis of the reply; speaking order not provided; RFA dragged beyond 180 days without SCBMF escalation.
Step 5: Seek Correction of External Reporting	If account already reported to CFR/CRILC or credit bureau, formally request bank to initiate withdrawal / downgrade / correction	Get this in writing. The bank's legal obligation to correct a fraudulent or wrongful CFR report is expressly recognised in the Directions.
Step 6: Escalate Beyond the Bank	If bank does not resolve: (a) bank's own appellate grievance mechanism; (b) RBI Ombudsman for service-deficiency aspects; (c) High Court under Article	Article 226 writ is the most powerful remedy where: fraud classification violates natural justice, no SCN was issued, or the 180-day RFA rule was ignored. Courts have been sympathetic where civil consequences (employment bars, lending blacklist, credit ruin) are clearly established.

Step	Action Required	What to Look For / Argue
	226 for quashing fraud classification	

3.7 — Four-Quadrant CFR Defence Sheet

This is the LexSphere intern deliverable for a CFR challenge: a four-quadrant template that converts abstract RBI Directions into a client-facing action plan.

Quadrant	Category	What Goes Here
Q1	Facts	Transaction map (amount, date, counterparty, purpose); facility structure (sanction letter, limit, security); timeline from first RFA to present; account history summary
Q2	Documents	Sanction letter + facility agreement; 12-18 months bank statements; all invoices and contracts linked to disputed transactions; GST returns + ITRs; AIS/Form 26AS; end-use certificates; all bank correspondence including SCN and internal notices
Q3	Regulatory Violations	Specific RBI Fraud Risk Management Directions 2024 clauses that were not followed; natural justice gaps (no SCN / inadequate SCN / no speaking order); 180-day RFA timer tracking; SCBMF escalation not done; borrower's reply not independently considered
Q4	Remedies	Ordered by speed: (1) Internal representation with documentation; (2) RBI Ombudsman for any service-deficiency component that is maintainable; (3) High Court writ under Article 226 to quash fraud classification; (4) Civil suit for damages if credit bureau reporting caused demonstrable financial loss

📋 **Practical Case Illustration: The 18-Month RFA Drift**

A borrower's ₹30 crore term-loan account is red-flagged in CRILC based on EWS triggers; no detailed SCN is issued and the account remains marked RFA for over 18 months without formal fraud classification.

The borrower only discovers the CFR reporting when all banks abruptly refuse fresh credit. Internal policy documents confirm RBI's 180-day expectation and natural justice requirement.

In a High Court writ, the borrower argues: (1) prolonged RFA beyond 180 days without SCBMF escalation; (2) no proper SCN as required under Directions; (3) no opportunity to respond; (4) adverse CFR reporting without following the Jah Developers natural justice principle.

Legal comment: Courts have been increasingly receptive to such arguments. The Directions now explicitly require notice and opportunity, making it harder for banks to defend classification orders issued without following the prescribed procedure.

PART IV — FREEZING & UNFREEZING OF BANK ACCOUNTS

Legal Grounds, Authorities, Procedures & Rights of the Account Holder

4.1 — What is a Bank Account Freeze?

A bank account freeze is a restriction on account operations — it may be a debit-only freeze, a credit-only freeze, or a complete block on both. Money in a bank account is treated as 'property' for constitutional purposes, meaning any freeze implicates the right to property under Article 300A of the Constitution.

Type of Freeze	What Is Restricted	Common Cause
Debit Freeze	No outgoing transactions allowed; credits continue	Police / PMLA / cyber-crime order to hold funds from being removed
Credit Freeze	No incoming transactions; debits may continue	Unusual (rare); may occur in specific money-laundering investigations
Full Freeze (Debit + Credit)	All operations suspended	KYC non-compliance (bank-initiated) or comprehensive attachment order
Lien / Hold	Specific amount locked; rest of balance operable	Court order or bank's internal lien for NPA/EMI default

⚖️ **Constitutional Dimension**

Article 300A of the Constitution states: 'No person shall be deprived of his property save by authority of law.' An account freeze that lacks clear statutory authority, or is disproportionate to the alleged wrong, is constitutionally vulnerable.

Courts have specifically examined this in cyber-crime freeze cases: where an account holder is not named as an accused and the freeze covers their entire balance for a fraud they did not commit, Article 300A arguments have succeeded in High Court writ petitions.

4.2 — Legal Basis & Regulatory Framework

Law / Regulation	Relevant Provision	What It Authorises
BNSS 2023 (successor to CrPC 1973)	Section 106: Power to seize property connected with offence. Section 107: Attachment [Note: Unlike Section 106 which permits police-initiated seizure, Section 107 requires a formal Magistrate's order. Police use of email instructions under Section 106 to freeze accounts without a Section 107 Magistrate order is procedurally suspect — use this distinction actively when representing clients.] of property believed to be proceeds of crime.	Police / investigating officer can seize property (including funds) connected to an offence; Section 107 is the specific provision for attaching proceeds of crime — banks are instructed to freeze on this basis
Prevention of Money Laundering Act (PMLA) 2002	Section 5: Provisional Attachment Order (PAO) by ED. Section 17: Search and	ED can issue PAO for up to 180 days where property is believed to be 'proceeds of crime'; after 180 days, PAO lapses unless confirmed by Adjudicating Authority

Law / Regulation	Relevant Provision	What It Authorises
	seizure of property and documents.	
RBI KYC Master Direction 2016 (updated through 2024-25)	Periodic Customer Due Diligence (CDD) requirements; restriction of operations for KYC-non-compliant accounts	Banks can restrict (not fully freeze) account operations when customers fail to update KYC within prescribed timelines; proportionality is required
Civil Procedure Code (CPC) 1908	Order XXXVIII Rule 5: Attachment before judgment. Order XXI: Attachment in execution of decree.	Civil courts can attach bank balances as security before judgment (if defendant likely to abscond with assets) and can attach in execution of a court decree
I4C / Cyber Crime Framework	National Cyber Crime Reporting Portal (NCRP) + Helpline 1930; I4C instructions to banks	Cyber-crime division (I4C, MHA) can direct banks to freeze suspected mule accounts based on complaint reports; no specific statute but the Legal Bulletin Vol. I 2025 (cybercrime.gov.in (official portal; i4c.mha.gov.in redirects to mha.gov.in — use cybercrime.gov.in for all client-facing references)) provides guidance on proper procedure

🚨 BNSS Section 106 Limitation — 2025 Bombay HC Ruling

A 2025 Bombay High Court decision (reported in LiveLaw and I4C Legal Bulletin 2025) held that investigating agencies have NO POWER under Section 106 BNSS alone to impose a debit-freeze on bank accounts.

Section 106 deals with seizure of property physically connected to an offence — not with blanket attachment of bank balances. For proper attachment/freezing of bank balances (which are intangible property), Section 107 BNSS or another specific statutory provision is required.

The Court quashed freeze orders where police had simply emailed banks to 'stop all debits' without citing a court-authorised attachment order or invoking Section 107.

Practical implication for Track B cases: If the freeze letter from police only cites Section 106 / CrPC Section 102 without a magistrate's order, this ruling is your strongest argument to challenge the freeze.

4.3 — Five-Track Freeze Classification

Track	Freeze Initiator	Legal Basis	Primary Remedy Forum
Track A	Bank itself	RBI KYC Master Direction 2016; internal risk control framework	Bank's own grievance process ⟶ RBI Ombudsman (RB-IOS)
Track B	Police / State Law Enforcement	BNSS 2023 Section 106 / Section 107; FIR-based investigation	Magistrate application ⟶ High Court writ (Articles 226/227)
Track C	Enforcement Directorate (ED)	PMLA 2002 Section 5 (PAO)	Adjudicating Authority (PMLA) ⟶ Appellate Tribunal for Money Laundering
Track D	Cyber-Crime Division (I4C / Cyber Cell)	NCRP complaint; I4C directive to bank (informal email)	Cyber Cell representation ⟶ SP / DCP ⟶ High Court writ if prolonged
Track E	Civil Court	CPC Order XXXVIII (before judgment) / Order XXI (execution)	Application in same civil court to vacate / modify ⟶ High Court revision/appeal

4.4 — TRACK A: BANK-INITIATED FREEZE (KYC / INTERNAL)

Step	Action	Key Legal Anchor
Step 1: Demand written reasons	Request a written communication from the bank stating specifically: (a) which statutory / regulatory provision it is relying on; (b) whether any external authority (police, ED, court) directed the freeze; (c) what specific KYC document is outstanding	RBI KYC Master Direction requires proportionate restrictions; bank cannot impose a blanket freeze without specifying the exact KYC gap
Step 2: Complete KYC immediately	Submit all required KYC documents in person at the branch; obtain a dated, stamped acknowledgement slip; retain copies of everything submitted	RBI's KYC Master Direction emphasises 'due notice and proportionality' — once documents are submitted, continued freeze becomes indefensible
Step 3: Escalate within bank	Write to the bank's Nodal Officer / Principal Nodal Officer under RBI complaint mechanism rules; if operations not restored within 7-10 days of full KYC compliance, this becomes a service deficiency	Keep copies of all written escalation; email creates a timestamped audit trail
Step 4: RBI Ombudsman	If the bank fails to restore operations despite full KYC compliance and no external statutory order exists, file an RB-IOS complaint via cms.rbi.org.in citing the specific KYC documents submitted and dates	RB-IOS can direct refund of losses caused by wrongful freeze + compensation up to ₹1 lakh for harassment

4.5 — TRACK B: POLICE / BNSS FREEZE

Step	Action	Key Legal Anchor
Step 1: Identify the order and FIR	Ask the bank which specific order triggered the freeze: FIR number, police station, investigating officer's name, and the exact section cited in the freeze instruction. Obtain a copy if possible.	Without knowing the FIR and section, you cannot choose the right court or frame the correct arguments
Step 2: Magistrate application	File an application before the jurisdictional Magistrate (who has oversight over the investigation) seeking de-freeze, annexing: bank statements, ITR, salary slips, source-of-funds evidence, and showing absence of any criminal nexus	This is the primary forum for Track B; if the account holder is not named as accused, the Magistrate can release funds not connected to the offence
Step 3: Challenge Section 106 reliance	If police instruction only cited Section 106 BNSS (not Section 107 or a magistrate's attachment order), argue that Section 106 alone does NOT authorise debit-freezing of bank balances as per the 2025 Bombay High Court ruling [Note: This judgment is persuasive authority for UP courts (Allahabad High Court jurisdiction). It is not binding precedent on UP police officers or lower courts. Cite as persuasive authority only in Allahabad HC writ proceedings.]	The Bombay HC ruling confirms that freeze by email under Section 106 is legally unsustainable; proportionality under Article 300A is also available
Step 4: High Court writ if Magistrate delays	If the Magistrate does not provide timely relief, approach the High Court under Articles 226/227 challenging both the legality and proportionality of the freeze	Several HCs have ordered releases where: (a) account holder is not named accused; (b) frozen amount greatly exceeds disputed fraud; (c) no proper order was passed

4.6 — TRACK C: PMLA / ED ATTACHMENT

Step	Action	Key Legal Anchor
Step 1: Obtain the PAO	ED must pass a Provisional Attachment Order (PAO) with reasons and serve it on the account holder. If not received, approach the Adjudicating Authority requesting the order and the reasons behind it.	PMLA Section 5 requires a reasoned PAO; absence of PAO despite frozen account is itself a violation of PMLA procedure
Step 2: File objection before Adjudicating Authority	File a detailed objection within 30 days of the PAO (the ED's order specifies the timeline) demonstrating: (a) the funds are NOT 'proceeds of crime'; (b) there is no scheduled offence nexus; (c) the money is from legitimate income sources backed by documents	Adjudicating Authority under PMLA is the quasi-judicial forum where the battle must be won before escalating further

Step	Action	Key Legal Anchor
Step 3: Appeal if attachment confirmed	If the Adjudicating Authority confirms the attachment, appeal lies to the Appellate Tribunal for Money Laundering. Seek interim stay of the confirmed attachment pending appeal.	This is an important tactical point: even confirmed attachments can be stayed pending appeal if the Appellate Tribunal is convinced of prima facie merit
Step 4: Track the 180-day rule	If ED has not filed its complaint / obtained confirmation within 180 days of the PAO, the PAO lapses by operation of PMLA. Insist on lifting the freeze once the 180-day window expires.	PMLA Section 5 makes the 180-day validity explicit; this is a hard legal deadline, not just a policy guideline

4.7 — TRACK D: CYBER-CRIME / I4C FREEZE

Step	Action	Key Legal Anchor
Step 1: Get origin details	Ask the bank: which cyber-crime complaint / NCRP request triggered the freeze (complaint ID, date, police station, IO name). This determines which authority has the power to de-freeze.	The I4C Legal Bulletin Vol. I 2025 (accessible via cybercrime.gov.in; direct PDF path not independently verified (official portal; i4c.mha.gov.in redirects to mha.gov.in — use cybercrime.gov.in for all client-facing references)) confirms that cyber-crime freezes must identify the specific complaint number and the directing authority
Step 2: Representation to Cyber Cell / IO	File a detailed representation to the relevant cyber cell and IO with: 12-18 months bank statements, ITR, salary slips or business invoices, and a clear explanation of every credited amount in the relevant period	Demonstrating that the account was a pass-through victim (received and forwarded funds unknowingly) or has no connection to fraud is the threshold for IO to issue a de-freeze NOC
Step 3: Seek NOC / de-freeze letter	Once the IO is satisfied, request a formal written NOC / de-freeze instruction to the bank; the bank requires this written instruction before it can restore operations	Courts expect LEAs to act proportionately and release uninvolved accounts; indefinite cyber-crime freezes without charge-sheet have been set aside by High Courts
Step 4: High Court writ if prolonged	If cyber cell does not respond within a reasonable time (typically 30-60 days), approach the High Court; several HCs have issued directions to cyber cells to act within 4-8 weeks on such representations	The account holder's livelihood argument is strong: an indefinite freeze with no formal charges is constitutionally suspect under Article 300A and Article 21

4.8 — TRACK E: CIVIL COURT ATTACHMENT (CPC)

Step	Action	Key Legal Anchor
Step 1: Get attachment order and suit details	Identify the civil suit number, court, plaintiff's name, and basis for attachment. Obtain a copy of the court's order under Order XXXVIII Rule 5 (before judgment) or Order XXI (in execution).	Without the actual court order, you cannot determine whether it was properly issued or if its scope is limited to a specific amount
Step 2: Move to vacate or modify	In the SAME civil court, file an application to vacate or modify the attachment, showing: (a) the funds belong to a different party; (b) the amount attached is disproportionate; (c) you are willing to offer substitute security or a cash deposit	Courts have discretion to reduce the attachment to the actual claim amount; offering security often leads to partial release
Step 3: Appeal / revision in High Court	If the trial court refuses, approach the High Court in revision under CPC for stay of attachment pending the appeal	High Courts routinely grant conditional stays where the defendant deposits the disputed amount in court or provides a bank guarantee

4.9 — Rights of the Account Holder: Four Cross-Cutting Principles

Principle	What It Means in Practice	Where It Comes From
1. Right to Know Who Froze and Why	The account holder has the right to be told: (a) which authority ordered the freeze; (b) under which specific statutory provision; (c) what specific allegations or transactions are involved. A bank cannot simply say 'we have received instructions' without providing this information.	Multiple High Court decisions condemning 'anonymous freeze instructions'; I4C Legal Bulletin 2025 principles; RBI KYC Master Direction proportionality requirement
2. Natural Justice and Proportionality	Freezing the ENTIRE account balance when only a specific disputed amount is involved is disproportionate. Courts have ordered release of amounts beyond the disputed sum even during ongoing investigations.	Article 300A (right to property); Bombay HC 2025 Section 106 ruling; proportionality principle in administrative law
3. Evidence-Driven Unfreezing	The most effective de-freeze applications across ALL tracks share one feature: comprehensive documentary evidence. Courts and IOs do not release accounts on emotional grounds — they release accounts when the account holder proves, on paper, the legitimate source of every questioned credit.	Best practice drawn from I4C Legal Bulletin 2025; PMLA Adjudicating Authority practice; Magistrate-level applications
4. Forum Discipline — Go to the Right Place	Each type of freeze has a specific remedy forum. Going to the wrong forum wastes time and money: RBI Ombudsman → bank service failures only; Magistrate/BNSS court → police freezes; PMLA Adjudicating Authority → ED attachments; Civil court → CPC attachments; High Court → all when lower forums fail or for constitutional challenge.	Forum-specific jurisdiction established across PMLA 2002, BNSS 2023, CPC 1908, and RB-IOS 2021

4.10 — The First 48-Hour Response Protocol

⏰ First 48 Hours After a Bank Account Freeze — What to Do Immediately

Hour 0-4: CONFIRM AUTHORITY AND LEGAL BASIS. Go to the bank branch; ask the manager: 'Under which specific section and which authority's order is my account frozen?' Get this in writing. If the bank cannot or will not specify, that itself is the first challenge ground.

Hour 4-8: DOWNLOAD ALL STATEMENTS. Download or obtain certified copies of the last 12-18 months of account statements BEFORE online access potentially gets restricted. This is your primary evidence base for any challenge.

Hour 8-24: COLLECT SOURCE-OF-FUNDS DOCUMENTS. Gather ITR (last 2 years), GST returns, salary slips or business invoices, any contracts or agreements that explain the major credits in your account. Map every large credit to a document.

Hour 24-36: SEND A WRITTEN REPRESENTATION. To the branch manager + nodal officer of the bank (for Track A); to the IO + cyber cell SP (for Track D). Keep a copy with proof of delivery. DO NOT rely on verbal communications.

Hour 36-48: CONSULT A LAWYER. Identify the correct track (A, B, C, D, or E) and the correct forum. File a Magistrate application or writ petition if the freeze is under BNSS. File an objection before the Adjudicating Authority if it is a PMLA PAO.

Always Remember: Courts have held that an account holder who responds slowly or emotionally ('I didn't do anything wrong') gets less sympathy than one who responds promptly with complete documentation ('here are my ITRs, GST returns, invoices, and a transaction-by-transaction explanation').

PART V — ASSIGNMENT QUESTIONS & ANSWERS

Sections 01–04 + Case Studies CS1–CS4

SECTION 01 — MCA LEGAL COMPLIANCE (Q1–Q7)

Q1. What is the MCA21 portal? List any three services available through it that an intern would use on a daily basis when assisting clients.

✅ **Answer — Q1**

MCA21 is the Ministry of Corporate Affairs' official electronic filing portal (mca.gov.in) through which all statutory filings, company registrations, and director-related compliances mandated under the Companies Act 2013 and LLP Act 2008 are submitted digitally. It replaced the earlier paper-based ROC filing system.

Three services an intern uses daily: (1) Company Search & Master Data: look up any company's CIN, directors, registered address, and filing status instantly — essential for due diligence and KYC checks on clients. (2) Annual Return & Financial Statement Filing: file Form MGT-7/MGT-7A (annual return, Section 92) and Form AOC-4 (financial statements, Section 137) on behalf of corporate clients. (3) DIR-3 KYC Filing: complete the annual director identity verification for clients' directors by 30 September each year under Companies (Appointment and Qualification of Directors) Rules 2014, to prevent DIN deactivation.

Q2. A client's company failed to file AOC-4 and MGT-7 for two consecutive years. What are the consequences for (a) the company and (b) the directors personally? Cite relevant sections.

✅ **Answer — Q2**

(a) Consequences for the Company: Under Section 137(3) (AOC-4): ₹10,000 penalty plus ₹100 per day of continuing default, capped at ₹2,00,000. Under Section 92(5) (MGT-7): ₹10,000 penalty plus ₹100 per day, capped at ₹2,00,000. Both penalties apply simultaneously, so two years of default across both forms can attract cumulative penalties running into lakhs. After two consecutive years of default, the ROC is empowered to initiate strike-off proceedings under Section 248 as the company shows signs of inactivity.

(b) Consequences for Directors Personally: Under Section 137(3) and Section 92(5): each officer in default faces up to ₹50,000 per form per year of non-filing. Critically, after THREE consecutive years of non-filing, Section 164(2) automatically disqualifies every director from re-appointment in that company AND bars them from appointment as director in any other company for 5 years from the date of default. Two consecutive years of failure brings the company dangerously close to this threshold — one more year triggers full disqualification.

Q3. What is the difference between an Adjudicating Officer (AO) and the NCLT in terms of jurisdiction? Give one example of a matter that goes to each.

✅ **Answer — Q3**

Adjudicating Officer (AO) — Section 454, Companies Act 2013: An AO is a senior MCA official appointed by the Central Government to adjudicate on specific monetary penalties for procedural violations under the Companies Act. The AO's jurisdiction is limited to imposing monetary fines for non-compliance with specific statutory provisions. Example: An AO hears and decides a penalty case against a company for failing to file Form MGT-7 (annual return) — the AO can impose the prescribed fine under Section 92(5) and issue a penalty order.

National Company Law Tribunal (NCLT) — Section 408, Companies Act 2013: The NCLT is a quasi-judicial body with wide, court-equivalent jurisdiction over substantive company law disputes. It handles corporate insolvency (IBC 2016), oppression and mismanagement (Sections 241-242), schemes of arrangement (Section 230-232), winding-up, revival of struck-off companies (Section 252), and fraud-related matters. Example: A shareholder alleging oppression and mismanagement by majority shareholders files a petition before the NCLT under Section 241 — the NCLT can grant injunctions, change management, buy out shares, or wind up the company.

Q4. A director wishes to resign from a company. What form must be filed, within what period, and by whom? What if the company refuses to file — does the director still have a remedy?

✅ **Answer — Q4**

Two forms are involved in a director's resignation: (1) DIR-12 (filed by the Company): The company is required to file Form DIR-12 with the ROC within 30 days of the director's resignation, informing the ROC of the change in directorship. Basis: Rule 15, Companies (Appointment and Qualification of Directors) Rules 2014. (2) DIR-11 (filed by the Director themselves): The resigning director may independently file Form DIR-11 with the ROC attaching a copy of the resignation letter and acknowledgement from the company. This is the director's own notification to the ROC, independent of the company.

Remedy if the company refuses to file DIR-12: YES — the director has a direct remedy. The director can file Form DIR-11 themselves (Rule 16), attaching proof of having sent the resignation to the company. Upon DIR-11 filing, the ROC updates its records to reflect the resignation regardless of whether the company files DIR-12. This protects the director from continuing to appear as an active director in ROC records — which is critical because ROC records determine liability under Sections 92(5), 137(3), and 164(2). Without DIR-11, a resigned director may face penalties for the company's subsequent non-compliance.

Q5. What is 'striking off' under Section 248? Explain the process for revival of a struck-off company, the forum, and any time limitations.

✅ **Answer — Q5**

Striking Off — Section 248, Companies Act 2013: The Registrar of Companies (ROC) has power to remove a company's name from the Register of Companies (i.e., 'strike it off') when: (a) the company has failed to commence business within 1 year of incorporation; (b) the company has not been carrying on business for the preceding two financial years and has not applied for dormant status; or (c) the company has consistently failed to file annual returns and financial statements, suggesting it has ceased to function.

Revival Process: Section 252 provides the mechanism. Any aggrieved person (company, member, creditor, workman) may file a petition before the NCLT for restoration of the company's name. The NCLT can direct the ROC to restore the company's name if it is satisfied that the company was, at the time of striking off, carrying on business OR if it is just and equitable to restore it. Time Limitation: The petition for revival must be filed within 3 years from the date of the ROC's order (Section 252(1) — applies to companies, members, creditors seeking fast-track administrative restoration). Note: Under Section 252(3), creditors and workmen have the extended right to apply within 20 years from the date of publication of dissolution notice in the Official Gazette. of striking off (Section 252(3)). The condition precedent is that all pending filings must be regularised and all outstanding penalties must be paid before or alongside the NCLT petition.

Q6. What is the procedure for creation and registration of a charge under the Companies Act 2013? What is the consequence of failing to register within the prescribed period?

✅ **Answer — Q6**

A 'charge' is any mortgage, lien, pledge, or security interest created by a company over its assets in favour of a lender. Under Sections 77-87 of the Companies Act 2013, every charge created by a company MUST be registered with the ROC. Procedure: (1) Company and lender execute the charge document (e.g., mortgage deed, hypothecation agreement, pledge agreement). (2) Within 30 days of creation, the company files Form CHG-1 (for most charges) or CHG-9 (for debentures) on the MCA21 portal with the Instrument of Charge, prescribed fees, and details of the charge-holder (lender), amount secured, and assets charged. (3) The ROC issues a Certificate of Registration of Charge (Form CHG-2), which is conclusive evidence that the charge has been registered.

Extension: An extension of up to 300 days from the date of creation may be obtained with ROC approval on application in Form CHG-1 with additional fees. Consequence of Non-Registration: Under Section 77(3), a charge that is NOT registered within the prescribed period is void against the liquidator and any creditor of the company. This means: (a) if the company goes into liquidation, the lender who failed to register the charge is treated as an unsecured creditor — losing priority over secured creditors; (b) the money secured becomes immediately repayable to the charge-holder upon the charge becoming void.

Q7. A client wants to shift the registered office from one state to another. Identify the process, approvals required, forms to be filed, and approximate timeline.

✅ **Answer — Q7**

Shifting a company's registered office from one state to another requires amendment of the Memorandum of Association (MOA) and Central Government approval through the Regional Director (RD). Steps: (1) Board Resolution: Pass a board resolution proposing the shift and scheduling an EGM/postal ballot for shareholder approval. (2) Special Resolution: Obtain approval of shareholders by Special Resolution (3/4 majority). (3) Publication: Publish notice of the proposed shift in a newspaper published in English and a vernacular language at the current registered office's location (Rule 28, Companies (Incorporation) Rules 2014). (4) Creditors' NOC: Give notice to creditors; if any creditor objects and the company cannot settle, the objection is placed before the Regional Director. (5) Application to Regional Director: File Form INC-23 before the Regional Director of the destination state with the SR, newspaper publications, list of creditors with NOC, auditor's certificate. (6) RD Approval: The RD passes an order confirming the change, typically within 30-60 days. (7) ROC Filing: File the RD order with the ROC of the new state in Form INC-28 within 60 days of the RD order. The new state's ROC registers the company and the old state's ROC deletes the registration. Approximate Total Timeline: 90-120 days from board resolution to final registration at new ROC.

SECTION 02 — RBI OMBUDSMAN (Q8–Q12)

Q8. Your client's bank debited ₹45,000 without authorisation in December 2024. He complained to the branch in January 2025 but received no reply. It is now March 2025. Is he eligible to file an Ombudsman complaint? Walk through the eligibility checklist.

✅ **Answer — Q8**

Eligibility Checklist under RB-IOS 2021: (1) ✔ Has the client first filed a complaint with the bank? YES — complaint filed at branch in January 2025. (2) ✔ Has the bank failed to reply within 30 days OR given an unsatisfactory reply? YES — the bank has given NO reply as of March 2025, which is more than 30 days after the January 2025 complaint. (3) ✔ Is the complaint within the limitation period? YES — the limitation is 1 year and 30 days from the date of the original complaint to the bank (since no reply was received). The complaint was filed in January 2025; the limitation period therefore runs until approximately February/March 2026. Filing in March 2025 is well within time. (4) ✔ Is the matter NOT pending before any court/tribunal? Confirmed YES, assuming no parallel proceedings. (5) ✔ Is the bank a 'covered regulated entity' under RB-IOS? YES — all scheduled commercial banks are covered.

Conclusion: The client IS FULLY ELIGIBLE to file an RB-IOS 2021 complaint immediately. He should file through cms.rbi.org.in, attaching: the January 2025 complaint copy, bank account statement showing the ₹45,000 debit, and any relevant SMS/email evidence of the unauthorised transaction. Relief available: refund of ₹45,000 (actual loss) + up to ₹1 lakh compensation for mental agony and inconvenience, subject to Ombudsman's finding.

Q9. What is the role of the Ombudsman in the 'mediation/conciliation' stage? Can the bank refuse to participate? What happens if conciliation fails?

✅ **Answer — Q9**

Role of Ombudsman in Conciliation: After registering a complaint and forwarding it to the Regulated Entity (RE) for comments, the Ombudsman first attempts to resolve the dispute through facilitation, conciliation, or mediation under Clause 14 of RB-IOS 2021. The Ombudsman acts as a neutral facilitator, encouraging the bank and the customer to reach a mutually acceptable settlement — typically by the bank offering a refund, correction of records, or an ex-gratia payment.

Can the bank refuse? The bank cannot simply refuse to participate in the conciliation process. As a regulated entity under RBI's supervisory authority, the bank is obligated to respond to the Ombudsman's communications and to engage with the process in good faith. However, the bank can indicate that it does not wish to settle and provide its position, effectively declining a specific settlement offer.

If Conciliation Fails: The Ombudsman proceeds to pass a formal, reasoned Award (or rejection order on merits) under Clause 20 of RB-IOS 2021. The Award is binding on the bank once the complainant accepts it in writing within 30 days. The bank must comply within 30 days of receiving the acceptance letter. If the bank disagrees, its remedy is to appeal to the Appellate Authority (RBI Executive Director) within 30 days of the Award.

Q10. A client received an Award of ₹12,000. The bank has not complied after 45 days. What remedy is available? Which authority enforces compliance?

✅ **Answer — Q10**

The bank is required to comply with the Ombudsman's Award within 30 days of receiving the customer's acceptance letter (Clause 20(9), RB-IOS 2021). A bank that fails to comply within this period is in violation of RBI's regulatory framework.

Remedies available to the client: (1) Report to the Ombudsman's office: The client should immediately report the non-compliance to the Ombudsman's office in writing, attaching the Award copy and proof that the acceptance was communicated to the bank. The Ombudsman can escalate the matter internally within RBI's supervisory machinery. (2) Report to RBI (Regulator): The client can write to the relevant RBI Regional Office and the Banking Supervision Department. Non-compliance with Ombudsman Awards is treated as a regulatory violation; RBI can initiate supervisory action against the bank including monetary penalties. (3) Civil Court Enforcement: Since the Award (once accepted by the complainant) has the character of a binding direction, the client may approach a civil court to enforce compliance as a contractual or statutory obligation.

Enforcing Authority: The primary enforcement authority is the RBI itself, through its supervisory role over the bank. The RBI can impose penalties on the bank under Section 47A of the Banking Regulation Act 1949 for failing to comply with the Award.

Q11. List five categories of complaints explicitly excluded from the jurisdiction of the RBI Ombudsman under RB-IOS 2021. Give the reason for each exclusion in one line.

#	Excluded Category	Reason for Exclusion
1	Commercial decision such as refusal or reduction of a loan / credit facility	Credit assessment is the bank's core business judgment; RBI cannot substitute its view for the bank's lending decision

#	Excluded Category	Reason for Exclusion
2	Same matter already pending before a court, tribunal, consumer forum, or arbitrator	Prevents parallel adjudication and conflicting orders on the same dispute
3	Bank's action is based on a statutory/regulatory/law enforcement directive (e.g., account frozen by ED, police, or court order)	The bank is merely following a superior legal authority's order; the Ombudsman cannot override such orders
4	Internal employee or HR matters of the bank	Employee disputes are outside the scope of consumer protection; appropriate forum is the labour court or employment tribunal
5	Complaints where the cause of action arose more than 1 year before the Ombudsman complaint (or 1 year 30 days if no reply received from bank)	Limitation period ensures finality; stale complaints are excluded to prevent disproportionate burden on banks

Q12. What was the key improvement of RB-IOS 2021 over the earlier three schemes? Explain in the context of a client with a grievance against a UPI wallet company.

> ✅ **Answer — Q12**
>
> The single most significant improvement of RB-IOS 2021 is the 'One Nation One Ombudsman' architecture. The three earlier schemes (Banking Ombudsman Scheme 1995 (revised 2002, 2006), NBFC Ombudsman Scheme 2018, and Digital Transactions Ombudsman Scheme 2019) were administered separately with distinct territorial offices, jurisdictional limits, and eligibility criteria. A customer HAD to correctly identify which scheme applied to their complaint and file at the right regional office.
>
> Under RB-IOS 2021: All complaints — regardless of whether the entity is a bank, NBFC, or payment system participant — are filed at ONE PORTAL (cms.rbi.org.in) or sent to ONE address (CRPC, Chandigarh). The system routes complaints internally. No territorial jurisdiction confusion.
>
> In the UPI wallet context: Before 2021, a UPI wallet (payment system participant) complaint would fall under the Digital Transactions Ombudsman Scheme 2019, which had separate offices and different eligibility rules. A client in Varanasi would need to identify the correct regional digital transactions ombudsman. Under RB-IOS 2021: the same client simply goes to cms.rbi.org.in, files the complaint against the UPI wallet company (now a covered regulated entity under RB-IOS), and the unified system handles routing. The client's relief available (up to ₹20 lakh + ₹1 lakh mental agony) is also standardised across all covered entities.

SECTION 03 — CFR TAGGING (Q13–Q17)

Q13. What is the exact procedural requirement under the RBI Master Direction on Frauds (updated 2024) before a bank can classify a borrower's account as a Fraud Account? What is the consequence of non-compliance? [These Directions issue separate frameworks for Commercial Banks, NBFCs, and Co-operative Banks.]

> ✅ **Answer — Q13**
>
> Under RBI Master Directions on Fraud Risk Management dated 15 July 2024, the following procedural steps are MANDATORY before fraud classification: (1) Show-Cause Notice (SCN): The bank must issue a written SCN to the borrower and to the promoters / whole-time directors / executive directors whose names are proposed for

fraud classification, specifying the exact transactions alleged to be fraudulent and the documentary basis for each allegation. (2) Opportunity to Respond: The borrower must be given adequate time (bank policies typically provide a minimum of 21 days, aligned with the Master Directions) to file a written reply addressing each allegation. (3) Independent Consideration of Reply: The bank's SCBMF (Special Committee of Board for Monitoring and Follow-up) must independently consider the borrower's reply — it cannot simply rubber-stamp a pre-decided fraud classification. (4) Reasoned Speaking Order: A reasoned order must be passed, dealing with the key points raised in the borrower's reply. These requirements are grounded in natural justice as confirmed in SBI v. Jah Developers (2019). [Note: These Directions mandate separate frameworks for (i) Commercial Banks, (ii) NBFCs, and (iii) Co-operative Banks.]

Consequence of Non-Compliance: Any fraud classification order passed without following these procedural safeguards is legally vulnerable to being quashed by a High Court under Article 226. Courts have granted writs setting aside fraud classifications where no SCN was issued, or where the reply was not independently considered. Additionally, CFR reporting made without following the proper procedure exposes the bank to regulatory action by RBI for breach of the Master Directions.

Q14. Explain the ratio decidendi of State Bank of India v. Jah Developers Pvt. Ltd. (2019) 17 SCC 711. How does this judgment protect a client tagged as fraud without any hearing?

✅ **Answer — Q14**

Citation: State Bank of India v. Jah Developers Pvt. Ltd. (2019) 17 SCC 711, Supreme Court of India.

Ratio Decidendi (the core legal reasoning): The Supreme Court held that borrowers facing classification as 'wilful defaulters' under RBI's directions have a right to natural justice, specifically: (a) a notice containing the reasons and allegations against them; (b) a genuine opportunity to represent their case and respond to the allegations; and (c) a speaking, reasoned order that deals with their representation. The Court held that the right to natural justice is not a procedural technicality — it is a fundamental requirement where any action by a public authority may have severe civil consequences (such as denial of credit facilities, disqualification from business, and public naming). These rights flow from Article 14 (equality / non-arbitrariness) and the common law principle that no person should be condemned unheard (audi alteram partem).

How it protects a client tagged without hearing: Although Jah Developers specifically addressed wilful defaulter classification, the RBI's 2024 Fraud Risk Management Directions have expressly incorporated identical natural justice requirements for fraud classification. Therefore, a client who has been tagged as a 'Fraud Account' WITHOUT receiving an SCN and WITHOUT being given an opportunity to respond can cite Jah Developers to argue: (a) the fraud classification is void for breach of natural justice; (b) any CFR/CRILC reporting made on the basis of such classification should be reversed; (c) a High Court writ under Article 226 can quash the classification order.

Q15. A client in Lucknow has a CIBIL score of 820 that dropped to 490 overnight. His account was tagged RFA on 15 November 2024 without informing him. What is the RFA lapse date? What specific arguments will you raise?

✅ **Answer — Q15**

RFA Lapse Date Calculation: RFA designation date: 15 November 2024. The RBI Master Directions on Fraud Risk Management (2024) expect resolution of RFA within 180 days. 15 November 2024 + 180 days = 14 May 2025. By 14 May 2025, the bank must either: (a) formally classify the account as fraud (with proper SCN and hearing), OR (b) remove the RFA tag and declassify the account. Any RFA continuing beyond 14 May 2025 without SCBMF escalation and without resolution is in breach of the Directions' time-bound closure expectation. [Note: These Directions mandate separate frameworks for (i) Commercial Banks, (ii) NBFCs, and (iii) Co-operative Banks.]

Arguments to raise in the bank representation: (1) No Notice of RFA Designation: The RFA was applied without informing the client — a violation of the bank's duty of transparency and RBI's natural justice expectations. (2) Specific Transaction Basis Not Disclosed: The bank must identify WHICH transactions triggered the EWS flag; without this, the client cannot respond meaningfully. (3) CIBIL Score Impact: The sudden drop from 820 to 490 demonstrates concrete, irreversible financial harm to the client's credit profile — courts treat this as strong evidence of disproportionate harm warranting urgent relief. (4) 180-Day Lapse Argument (from 14 May 2025): Post 14 May 2025, the RFA has exceeded the expected resolution period; the bank must either complete fraud classification procedure or remove the tag. (5) No SCBMF Escalation: If the bank has not escalated the prolonged RFA to the SCBMF as required, this is an additional regulatory non-compliance that strengthens the client's position in a High Court writ.

Q16. What is the difference between a 'Wilful Defaulter' tag and a 'Red Flag Account (RFA)' tag in terms of (a) authority that applies it, (b) legal basis, and (c) remedy to remove each?

Parameter	Wilful Defaulter Tag	Red Flag Account (RFA) Tag
(a) Authority that applies it	The bank's internal committee (Board-level) after following the RBI Master Circular on Wilful Defaulters (updated periodically); the tag is reported to CIBIL and the Credit Information Bureau	The bank's own Early Warning System (EWS) / Risk Management Committee; reported to RBI's CRILC; NOT a final finding of fraud
(b) Legal Basis	RBI Master Circular on Wilful Defaulters (issued under Banking Regulation Act 1949 and RBI Act 1934); SBI v. Jah Developers (2019) 17 SCC 711 governs the hearing rights	RBI Master Directions on Fraud Risk Management 2024; RBI's CRILC reporting framework; an RFA is a precursor/investigation stage, not a final fraud classification [Note: These Directions mandate separate frameworks for (i) Commercial Banks, (ii) NBFCs, and (iii) Co-operative Banks.]
(c) Remedy to Remove	(1) Represent to the bank's internal committee citing repayment or wrongful classification; (2) High Court writ under Article 226 for procedural violations; (3) Credit bureau dispute if incorrectly reported to CIBIL	(1) Formal written representation to bank demanding disclosure of EWS trigger and opportunity to respond; (2) Track the 180-day lapse timeline; (3) High Court writ if bank refuses to resolve or classify within the expected timeline; (4) RBI Ombudsman for service deficiency aspects
Severity	FINAL determination: leads to public naming, denial of all bank credit, director bars	INVESTIGATION stage only: does not itself trigger final fraud classification consequences; but banks may impose operational restrictions on the account during investigation

Q17. Draft a concise legal notice (in point form) to the MD & CEO of a bank demanding removal of a wrongful Fraud Account tag. Identify the five essential legal grounds.

✅ **Answer — Q17 — Legal Notice (Point Form)**

TO: The Managing Director & Chief Executive Officer, [Bank Name] | Date: [Date] | VIA: Registered Post A/D + Email

SUB: Demand for immediate removal of wrongful Fraud Account classification and correction of CFR/CRILC reporting — Account No. [XXXX] — [Client Name]

GROUND 1 — Violation of Natural Justice (No SCN Issued): Our client was classified as a Fraud Account on [date] without receiving any Show-Cause Notice specifying the alleged fraudulent transactions or providing an opportunity to respond. This violates the mandatory natural justice requirements under the RBI Master Directions on Fraud Risk Management (15 July 2024) and the principle in State Bank of India v. Jah Developers Pvt. Ltd. (2019) 17 SCC 711. [Note: These Directions mandate separate frameworks for (i) Commercial Banks, (ii) NBFCs, and (iii) Co-operative Banks.]

GROUND 2 — No Speaking Order Supplied: Despite multiple requests, the bank has not supplied a reasoned, speaking order explaining why the Fraud classification was made. Such an order is mandatory under the RBI Directions and cannot be withheld.

GROUND 3 — RFA Timeline Violation: Our client's account was designated as RFA on [date]. More than 180 days have elapsed without SCBMF escalation or resolution as required under the RBI Master Directions 2024. This extended RFA designation without proper process is itself a regulatory violation.

GROUND 4 — No Independent Consideration of Reply: Even if it is claimed that an SCN was issued (which is denied), the bank's SCBMF did not independently consider our client's reply before passing the classification order, as evidenced by the absence of any reasoned order addressing our client's submissions.

GROUND 5 — Wrongful External Reporting (CFR/CRILC): The bank reported our client's account as 'Fraud' in the Central Fraud Registry (CFR) and CRILC before completing the mandatory procedure. This wrongful reporting has caused direct, irreversible harm to our client's creditworthiness. We demand immediate correction/withdrawal of the CFR/CRILC report.

DEMAND: Within 14 days, we call upon you to: (a) supply the complete SCN, investigation report, and classification order; (b) provide our client a fresh, proper hearing; (c) stay all further adverse external reporting pending the hearing; and (d) withdraw the wrongful CFR/CRILC reporting. Failing compliance, our client shall approach the Honourable High Court under Article 226 of the Constitution of India without further notice.

SECTION 04 — ACCOUNT FREEZE & UNFREEZING (Q18–Q23)

Q18. What is the difference between a 'debit freeze' and a 'full freeze'? Under what law can each be imposed, and who has the authority to impose each?

Parameter	Debit Freeze	Full Freeze (Debit + Credit)
Definition	Only outgoing transactions (withdrawals, transfers) are blocked; incoming credits continue to be received	Both debits AND credits are completely blocked; no transactions of any kind can be processed
Primary Legal Basis	BNSS 2023 Section 106/107 (police/criminal); PMLA 2002 Section 5 (ED provisional attachment); I4C cyber-crime directive (administrative); CPC Order XXXVIII Rule 5 (civil court attachment before decree)	RBI KYC Master Direction 2016 (updated 2024): Full operational restriction possible for KYC-non-compliant accounts; also possible under comprehensive PMLA provisional attachment
Who can impose	Police / IO (BNSS Section 106/107 with Magistrate oversight); ED (PMLA Section 5); Civil Court (CPC Order XXXVIII); I4C cyber-crime directive to bank	Bank itself (KYC non-compliance, internal risk control); court order for complete attachment; ED (PMLA) where both credit and debit of proceeds of crime is prevented

Parameter	Debit Freeze	Full Freeze (Debit + Credit)
Appropriate forum to challenge	Magistrate (BNSS freezes); Adjudicating Authority (PMLA); same Civil Court (CPC attachment); High Court writ (all types)	Bank Nodal Officer → RBI Ombudsman (for KYC-based); Adjudicating Authority or High Court (for PMLA/court-ordered full freeze)

Q19. A client's account was frozen by the bank citing KYC non-compliance. She submitted all KYC documents on 5 February 2025. It is now 25 February 2025 and the account is still frozen. Which provisions has the bank violated? What is the step-by-step remedy?

✅ **Answer — Q19**

Provisions violated by the bank: (1) RBI KYC Master Direction 2016 (updated 2024): Once a customer submits the required KYC documents with acknowledgement, the bank is required to process and restore account operations within a reasonable time — typically 7 working days (7-10 working days is the standard referenced in RBI communications). As of 25 February 2025 — 14 working days after 5 February 2025 submission — the freeze constitutes an unjustified continuation. (2) RB-IOS 2021: The bank's failure to restore operations within a reasonable time after compliance constitutes a 'deficiency in service,' making the matter maintainable as an Ombudsman complaint.

Step-by-Step Remedy: Step 1 (Immediately): Send a formal written notice to the bank branch manager with a copy to the Nodal Officer, attaching the 5 February 2025 KYC submission acknowledgement and demanding restoration within 3 working days. Step 2 (If no response in 3 days): Escalate to the bank's Principal Nodal Officer (contact available on bank's website under RBI mandate) with a formal service complaint citing the specific date of submission. Step 3 (After 7 days of no resolution): File an RBI Ombudsman complaint at cms.rbi.org.in — the 30-day waiting period is satisfied because the bank gave no satisfactory response to the initial complaint. Step 4 (If account freeze is causing immediate livelihood harm): Approach the jurisdictional District Court or High Court for urgent interim relief — especially if pension, salary, or essential medical payments are blocked.

Q20. Explain the PMLA Provisional Attachment Order (PAO) mechanism. Who issues it, under which section, and what is its maximum valid duration? What is the account holder's first procedural step after receiving a PAO?

✅ **Answer — Q20**

PAO Mechanism under PMLA 2002: The Enforcement Directorate (ED) issues a Provisional Attachment Order (PAO) under Section 5 of the Prevention of Money Laundering Act 2002 when the ED has reason to believe that a person possesses property that represents 'proceeds of crime' from a scheduled offence (Schedule I, PMLA 2002) AND that the property is likely to be concealed, transferred, or dealt with in a manner that may frustrate confiscation proceedings.

Who issues it: The PAO is issued by an authorized officer of the Enforcement Directorate (ED) at the rank of Deputy Director or above. The PAO is passed ex parte (without hearing the account holder) at the investigation stage. However, the PAO must: (a) contain reasons for the attachment; and (b) be forwarded to the Adjudicating Authority under PMLA within 30 days.

Maximum Valid Duration: A PAO is valid for 180 days from the date of its issue. If the ED does not obtain confirmation from the Adjudicating Authority before the 180-day period expires, the PAO automatically lapses as a matter of law under Section 5(1) PMLA.

Account Holder's First Step After Receiving PAO: Within 30 days of receiving the PAO (the specific period stated in the order), the account holder must file a formal written objection before the Adjudicating Authority under PMLA, demonstrating with documentary evidence that: (a) the attached funds are NOT 'proceeds of crime'; (b) there is no nexus between the funds and any scheduled offence; (c) the funds have a legitimate, documented source (ITR, GST returns, invoices, FIRCs, salary slips).

Q21. Your client in Varanasi had his account frozen on a cyber-crime I4C directive. He received ₹30,000 from an unknown number and his ₹5 lakh account was frozen. He had no knowledge of any fraud. Prepare a step-by-step 30-day action plan.

Day Range	Action	Forum / Authority	Key Documents / Arguments
Day 1-3	Obtain the freeze instruction details from bank in writing: which I4C complaint ID, which cyber cell, which police station, IO name. Download 12-18 months statements immediately.	Bank Branch / Nodal Officer	Written request to bank; bank statement certified copies; save all digital evidence
Day 3-7	File a detailed written representation to the cyber cell (addressed to SP Cyber Cell, Gorakhpur / Varanasi [Both cities fall under the territorial jurisdiction of the Allahabad High Court. File all Article 226 writ petitions before the Principal Bench at Allahabad or the Lucknow Bench, as applicable.]) explaining: (a) the ₹30,000 received was unknown to client; (b) no connection to any fraud; (c) client was a pass-through victim (mule account victim, not perpetrator).	SP Cyber Cell / Investigating Officer	12-month bank statement; ITR + source of funds; contract / business records explaining all other major credits; Aadhaar + PAN
Day 7-15	If cyber cell does not respond: escalate to Superintendent of Police (Cyber) and DCP via written application; send copy to I4C (cybercrime.gov.in (official portal; i4c.mha.gov.in redirects to mha.gov.in — use cybercrime.gov.in for all client-facing references)). Cite I4C Legal Bulletin Vol. I 2025 requiring proportional freeze of only disputed amount, not entire balance.	SP Cyber, DCP (Cyber)	All documents from Day 3-7 + escalation letter; highlight that ₹30,000 is the disputed amount but ₹5 lakhs (entire balance) is frozen — disproportionate
Day 15-25	If no de-freeze: file application before Chief Judicial Magistrate (CJM), Varanasi / Gorakhpur, seeking release of ₹4.7 lakhs (balance less ₹30,000) on the ground that: (a) client is not named as accused in FIR; (b) proportionality — only ₹30,000 is connected to any dispute; (c)	CJM Court, Varanasi / Gorakhpur	FIR copy (if obtained); bank statement; ITR; representation letters sent to police; Bombay HC 2025 ruling citation

Day Range	Action	Forum / Authority	Key Documents / Arguments
	BNSS Section 106 does not authorise blanket debit freeze per Bombay HC 2025 ruling.		
Day 25-30	If CJM relief not obtained or delayed: File Writ Petition before Honourable Allahabad High Court under Article 226/227 seeking: (a) quashing of I4C freeze directive as disproportionate and without proper statutory backing; (b) direction to cyber cell to process representation within 2 weeks; (c) interim stay on freeze of ₹4.7 lakhs pending hearing.	Allahabad High Court	All documents + escalation trail + CJM application + proof of no FIR against client personally

Q22. Under CPC Order XXXVIII Rule 5, a civil plaintiff has obtained an attachment order on your client's bank account. What grounds can you raise to vacate the attachment? What documentary evidence is most critical? Can the client offer an alternative?

✅ **Answer — Q22**

Grounds to vacate attachment under Order XXXVIII Rule 5 CPC: (1) Plaintiff's ground not established: Order XXXVIII Rule 5 permits attachment only where the court is satisfied that the defendant is 'about to dispose of the whole or any part of property, or about to remove it from the local limits of the jurisdiction.' If no such intention or actual risk of disposal/removal is shown, the attachment order should be vacated. (2) Disproportionality: If the entire bank balance has been attached but the suit claim is only for a fraction of the amount, the court can modify the attachment to release the excess. (3) Wrong party: If the attached account belongs to a party who is not named as a defendant in the suit, the attachment is without jurisdiction. (4) Prior liens: If the account balance is already subject to a prior charge or lien by a bank (OD/loan), it cannot be attached to satisfy a civil plaintiff's claim without recognising that prior interest.

Most critical documentary evidence: (a) Bank statement showing the source and nature of all funds in the account; (b) Any business contracts or invoices demonstrating that the account funds are operational working capital essential to the client's business (courts hesitate to freeze business working capital accounts); (c) Evidence that the disputed amount is genuinely contested and the plaintiff's claim is exaggerated.

Alternative to avoid the freeze: YES — Order XXXVIII Rule 5 expressly provides that the defendant can vacate the attachment by depositing the entire disputed amount in court OR by furnishing a bank guarantee or surety bond acceptable to the court for the claim amount. Courts routinely accept bank guarantees from solvent defendants as an alternative to account attachment.

Q23. What are the 'five universal principles' applicable to all unfreeze proceedings? For each principle, cite the constitutional provision or judgment that supports it.

Principle	Statement	Constitutional / Legal Support
1. Right to Know the Basis	Every account holder has the right to know who froze the account, under which specific statutory provision, and on the basis of what specific allegation	Article 300A (right to property); multiple HC decisions condemning 'freeze by anonymous instruction'; RBI KYC Master Direction proportionality requirement

Principle	Statement	Constitutional / Legal Support
2. Natural Justice (Audi Alteram Partem)	No account can be frozen indefinitely without the account holder being given notice of the allegations and an opportunity to represent their case	Article 14 (equality / protection against arbitrary action); SBI v. Jah Developers (2019) 17 SCC 711; Article 21 (right to livelihood where account is sole source of income)
3. Proportionality	The freeze must be limited to the amount directly connected to the alleged wrong; freezing the ENTIRE account balance when only a fraction is disputed is unconstitutional	Article 300A (right to property); Bombay HC 2025 ruling on BNSS Section 106; administrative law proportionality principle
4. Time-Bound Resolution	No freeze should continue indefinitely; every category has a time frame (PMLA PAO: 180 days; RFA: 180 days; KYC: 7-10 working days after compliance) beyond which continuation becomes legally unsustainable	PMLA Section 5(1) (180-day PAO validity); RBI Fraud Risk Management Directions 2024 (180-day RFA lapse); I4C Legal Bulletin 2025 (proportionate action)
5. Forum Discipline and Specific Remedies	Each type of freeze has a specific statutory remedy forum — using the wrong forum wastes time; RBI Ombudsman → bank failures; Magistrate → BNSS freezes; AA → PMLA; Civil court → CPC; High Court → all	CPC Section 9 (civil jurisdiction); PMLA Sections 5, 26 (Adjudicating Authority); RB-IOS 2021 (Ombudsman); Article 226 (HC writ jurisdiction over all public authorities)

CASE STUDIES — APPLIED ANALYSIS (CS1–CS4)

Case Study 1: Sunita Gupta — MCA Strike-Off & DIN Deactivation

📌 **Fact Pattern**

Sunita Gupta was appointed director of 'Kashi Traders Pvt. Ltd.' in March 2020. Company defaulted on AOC-4 and MGT-7 for FY 2021-22 and FY 2022-23. In October 2024, ROC struck off the company under Section 248 and her DIN was deactivated. She wants to (a) revive the company and (b) reactivate her DIN. She is also currently on the board of two other active companies.

✅ **Answer QCS1.1 — Revival Mechanism, Forum, Timeline**

Provision for strike-off: Section 248(1)(c), Companies Act 2013 (company failed to file financial statements or annual returns for two or more immediately preceding financial years).

Revival Mechanism (Section 252): Sunita must file a petition before the National Company Law Tribunal (NCLT) for restoration of 'Kashi Traders Pvt. Ltd.' under Section 252(1). The NCLT can order the ROC to restore the company's name if satisfied that the company was carrying on business at the time of strike-off OR if it is just and equitable to restore it.

Time Limit: Section 252(3) — petition must be filed within 20 years from the date of the ROC's strike-off order (October 2024). The 20-year window means there is no urgency on the limitation front, but practical urgency exists because of banking and business consequences.

Condition Precedent: Before or simultaneously with the NCLT petition, ALL pending filings (AOC-4 for FY 2021-22 and FY 2022-23; MGT-7 for both years) must be submitted and all associated penalties must be paid to the ROC. The NCLT will require a clean compliance status before ordering revival. Sunita should engage a CA to prepare and file the pending accounts and a CS to file the pending annual returns.

✅ Answer QCS1.2 — DIN Reactivation, Procedural Sequence, Impact on Other Companies

DIN reactivation is partially independent of company revival: Sunita can file Form DIR-3 KYC on the MCA21 portal to reactivate her DIN by paying the ₹5,000 late fee. DIN reactivation is a separate administrative process on MCA21 and does not require NCLT order for company revival. However: if Sunita is also disqualified under Section 164(2) (which applies when a company defaults for three consecutive years) — in this case the company defaulted for two years (FY 2021-22 and FY 2022-23), which is TWO years, not three. Section 164(2) requires THREE consecutive years of default. Therefore, Section 164(2) disqualification has NOT YET been triggered. Sunita is NOT disqualified under 164(2).

Impact on the two other active companies: Since Section 164(2) has not been triggered (only 2 years default, not 3), Sunita's directorships in the two other active companies are technically not affected by the disqualification provision. However, her deactivated DIN means she currently CANNOT validly sign forms, attend board meetings, or be counted in quorum for any company. Therefore: Step 1: Reactivate DIN (DIR-3 KYC + ₹5,000 fee) — this restores her ability to function as director in the two active companies. Step 2: Simultaneously, file pending AOC-4 and MGT-7 for Kashi Traders and initiate NCLT revival petition.

Case Study 2: Ramesh Tiwari — KYC Freeze, RBI Ombudsman & Allahabad HC Writ

📌 Fact Pattern

Ramesh Tiwari, retired teacher in Varanasi, had his SBI savings account debit-frozen in September 2024 after missing KYC re-verification. He submitted all documents (Aadhaar, PAN, address proof) at the branch in October 2024 with acknowledgement slip. As of January 2025 (90 days later) the account remains frozen. He cannot access his pension amount.

✅ Answer QCS2.1 — RBI Directive Violated; Legal Grounds for Ombudsman Complaint

RBI Directive violated: RBI KYC Master Direction 2016 (updated 2024), specifically the proportionality and timely restoration provisions. Once a customer submits the required KYC documents with acknowledgement, the bank must restore normal account operations within a reasonable time — standard practice and RBI guidance indicates 7-10 working days. Continuing the freeze for 90 days (approximately 65+ working days) after submission is a clear violation of the bank's KYC duties and constitutes a deficiency in service under RB-IOS 2021.

Five legal grounds for the Ombudsman complaint: (1) Continued freeze 90 days after complete KYC submission — beyond any reasonable processing period, citing RBI KYC Master Direction proportionality requirement. (2) Denial of access to pension amount — constitutes denial of livelihood from a statutory government payment, making the deficiency particularly serious. (3) No communication from bank explaining the delay — bank's failure to even provide a reason for continued freeze is itself a service deficiency. (4) Acknowledgement slip dated October 2024 establishes documentary proof of compliance, shifting the burden entirely to the bank to justify continued restriction. (5) Maximum compensation sought: ₹1 lakh for mental agony and inconvenience to a retired senior citizen denied pension access, in addition to any actual financial loss from the freeze.

✅ Answer QCS2.2 — Allahabad HC Writ: Writ Type, Article, Primary Prayer, Livelihood Impact

Writ type: Writ of Mandamus under Article 226 of the Constitution of India before the Honourable Allahabad High Court (having jurisdiction over all of Uttar Pradesh).

Primary Prayer: Direction to State Bank of India to immediately restore all operations on Account No. [XXXX] of the Petitioner, Ramesh Tiwari, in light of completed KYC compliance on [October 2024 date], and to provide written confirmation of restoration within 48 hours of this Hon'ble Court's order.

Urgent Interim Prayer: Ad-interim ex parte stay on the continued operation of the debit freeze on the Petitioner's account pending final disposal of this petition, specifically permitting the Petitioner to access his pension credit of ₹[amount] which has been blocked since October 2024.

Demonstrating Livelihood Impact: (a) Affidavit from Ramesh Tiwari stating he is a retired school teacher with no other source of income except the government pension credited to this account; (b) Bank passbook/statement showing pension credits are the only regular income; (c) Medical bills or other expense records showing inability to meet essential expenses; (d) Retirement order / pension sanction order from UP Government confirming pension entitlement. Courts treat denial of pension to senior citizens as a fundamental rights issue touching Article 21 (right to life / dignified existence). This framing significantly strengthens the urgency of the writ.

Case Study 3: Arjun Mishra — Cybercrime Freeze + RFA Tagging (UP Client, Gorakhpur)

📌 **Fact Pattern**

Arjun Mishra, small trader in Gorakhpur, received ₹1.2 lakhs in two transactions from unknown numbers in November 2024. His entire current account (₹8.5 lakhs) was frozen within 48 hours on I4C directive. In December 2024, bank tagged account as RFA without prior notice or hearing. CIBIL dropped to 420. RFA designation date: 10 December 2024.

✅ **Answer QCS3.1 — RFA Without Hearing: Validity, Lapse Date, Bank Representation Grounds**

Is the RFA tag without hearing procedurally valid? NO. Under RBI Master Directions on Fraud Risk Management (15 July 2024), before tagging an account as an RFA and certainly before any fraud classification, the bank is required to follow natural justice principles. While the RFA stage is an internal investigation phase, any adverse actions (operational restrictions, CRILC reporting) must be accompanied by notice to the borrower/account holder of the basis. Tagging Arjun's account as RFA without informing him violates the transparency requirements of the Master Directions and the principle in SBI v. Jah Developers (2019). [Note: These Directions mandate separate frameworks for (i) Commercial Banks, (ii) NBFCs, and (iii) Co-operative Banks.]

RFA Lapse Date Calculation: RFA designation: 10 December 2024 + 180 days = 8 June 2025. By 8 June 2025, the bank must either: (a) formally classify the account as fraud after proper SCN + hearing + speaking order, OR (b) remove the RFA tag. Continued RFA beyond 8 June 2025 without SCBMF escalation is a breach of the Directions.

Key grounds for bank representation: (1) No prior notice of RFA designation — Arjun only learned of it when CIBIL dropped; (2) Entire ₹8.5 lakh account frozen for ₹1.2 lakh received from unknown numbers — grossly disproportionate; (3) No nexus shown between Arjun and any fraud — he is a victim pass-through, not the originator; (4) SBI v. Jah Developers: no hearing given before adverse classification; (5) RFA lapse timeline: demand resolution before 8 June 2025 or removal of tag.

✅ **Answer QCS3.2 — Day 1 to Day 45 Action Plan for Cybercrime Freeze**

Day 1-3: From bank, obtain in writing: (a) I4C complaint ID; (b) police station and IO name; (c) section cited in freeze instruction. Download certified 12-month statements. Keep all transaction receipts for the ₹1.2 lakh receipts and all other credits.

Day 3-7: File detailed representation to SP Cyber Cell, Gorakhpur: (a) I am a trader — ITR and GST returns showing legitimate business; (b) ₹1.2 lakh received from unknown numbers — no knowledge of fraud, no privity with fraudulent party; (c) Entire ₹8.5 lakh frozen for ₹1.2 lakh dispute = disproportionate; demand immediate release of ₹7.3 lakh (balance less disputed amount).

Day 7-14: Simultaneously, file representation to bank demanding: (a) written basis for RFA designation dated 10 December 2024; (b) specific transactions alleged to be fraudulent; (c) opportunity to respond per RBI Master Directions. Cite SBI v. Jah Developers and Master Directions 2024.

Day 14-25: If no response from cyber cell: escalate to DCP Cyber, Gorakhpur + SP (Rural), Gorakhpur. File formal complaint at NCRP portal (cybercrime.gov.in (official portal; i4c.mha.gov.in redirects to mha.gov.in — use cybercrime.gov.in for all client-facing references)) reporting wrongful freeze of innocent account. File CJM application for release of excess amount (₹7.3 lakh) on proportionality grounds per Bombay HC 2025 ruling.

Day 25-45: If CJM or cyber cell provide no relief: File Writ Petition before Allahabad High Court under Article 226/227 citing: (1) Article 300A — property right; (2) Proportionality — total freeze for partial suspected amount; (3) Bombay HC 2025 — I4C email freeze without court order is legally unsustainable; (4) RFA without hearing violates Master Directions and Jah Developers; (5) urgent interim prayer for release of ₹7.3 lakh pending final hearing.

Case Study 4: Aditi Singh — PMLA ED Freeze / PAO Lapse Strategy

📌 Fact Pattern

Aditi Singh runs a textile export business from Varanasi. On 1 April 2025, ED issued a PAO under PMLA Section 5, freezing her two current accounts containing ₹92 lakhs, alleging proceeds of crime linked to a partner's PMLA case. PAO served on Aditi on 22 April 2025. She has complete export invoices, FIRCs, and GST returns showing lawful origin of all funds.

✅ Answer QCS4.1 — PAO Lapse Date, Proactive Steps, Legal Consequences

PAO Issue Date: 1 April 2025. PAO Valid Duration: 180 days from date of issue (not from date of service). 1 April 2025 + 180 days = 28 September 2025. PAO Lapse Date: 28 September 2025 (if not confirmed by Adjudicating Authority before this date).

Proactive step 15 days before lapse: By approximately 13 September 2025, Aditi's lawyer should: (a) Check whether the ED has filed its complaint before the Adjudicating Authority (AA) for confirmation of the PAO. This information is available from the Adjudicating Authority's records and by monitoring whether any notice has been served. (b) If ED has NOT filed before AA: Write to the AA and to the ED formally requesting disclosure of whether the PAO has been filed for confirmation; track the proceedings actively.

If ED does not confirm before AA by 28 September 2025: The PAO automatically lapses as a matter of law under Section 5(1), PMLA. The legal consequence is that the attachment has no further legal force — Aditi is entitled to full restoration of her account operations. Aditi must: (a) Write to the bank (citing the lapse date and demanding immediate de-freeze with copy of the PAO and the 180-day calculation); (b) If the bank does not comply: approach the Adjudicating Authority under PMLA for a formal direction to the bank to restore operations; (c) If bank still does not comply: High Court writ under Article 226 citing the automatic lapse under PMLA Section 5(1) and the bank's unauthorised continuation of the freeze.

✅ Answer QCS4.2 — Submission Checklist & Key Arguments Before Adjudicating Authority

Five most critical documents for Aditi's reply before the Adjudicating Authority: (1) Foreign Inward Remittance Certificates (FIRCs): FIRCs issued by banks confirming receipt of foreign currency payments from overseas buyers for exported textile goods — this is the strongest single document to establish lawful international trade origin of funds. (2) Export Invoices and Shipping Bills: Complete set of export invoices matched to shipping bills filed with Customs, confirmed by Let Export Orders — establishes goods were actually exported (not fictitious transactions). (3) GST Returns (GSTR-1 and GSTR-3B): Showing output tax declared on all export supplies — links the financial credits to declared taxable business activity, not to any criminal source. (4) Income Tax Returns (last 3 years) with bank statements: Establishing that the income in the accounts is consistent with the assessed income from the textile export business over multiple years — rules out sudden unexplained wealth. (5) Partner's PMLA case documents: Establishing the exact allegations against the partner and demonstrating that Aditi's accounts received only legitimate business payments, none of which are traceable to the partner's alleged scheduled offence.

Legal burden to discharge: Under PMLA, once the ED issues a PAO citing specific transactions as 'proceeds of crime,' the burden shifts to the account holder to show that the property is NOT derived from crime. Aditi must demonstrate on the balance of evidence that each credit in her accounts traces to legitimate export proceeds, documented at every stage from buyer to FIRC to her bank account.

Key distinguishing argument: Aditi's funds are NOT 'proceeds of crime' — they are proceeds of documented international trade, confirmed by government agencies (Customs, FEMA, GSTN) at every stage. The mere fact that a partner has a PMLA case does NOT automatically taint Aditi's independent business receipts as proceeds of crime. The nexus between the alleged scheduled offence and Aditi's specific account credits must be specifically established by the ED — generalized guilt-by-association is insufficient under PMLA Section 5.

Glossary of Abbreviations & Key Terms

Term	Full Form / Meaning
Adjudicating Authority (PMLA)	Quasi-judicial authority under PMLA 2002 that confirms or revokes provisional attachment orders passed by ED
AGM	Annual General Meeting — mandatory shareholder meeting under Section 96, Companies Act 2013
AOC-4	Annual Accounts / Financial Statements filing form to the ROC (due within 30 days of AGM)
BNSS 2023	Bharatiya Nagarik Suraksha Sanhita 2023 — replaces CrPC 1973 as the main criminal procedure code
CFR	Central Fraud Registry — RBI's database where banks report fraud-classified accounts
CHG-1	Form for registration of a charge (mortgage/pledge) created by a company; due within 30 days of creation
CMS	Complaint Management System — RBI's unified portal for filing Ombudsman complaints at cms.rbi.org.in
CRILC	Central Repository of Information on Large Credits — RBI system for tracking large borrower accounts, NPA status, and Red-Flagged Accounts
DIR-12	Form for reporting appointment, resignation, or change of directors to ROC
DIR-3 KYC	Annual director identity verification form; deadline 30 September each year; deactivates DIN if missed
DIN	Director Identification Number — unique 8-digit ID for every company director
ED	Enforcement Directorate — agency that enforces PMLA 2002 and FEMA
EWS	Early Warning System — bank's internal algorithm that flags accounts showing potential fraud indicators
IBC	Insolvency and Bankruptcy Code 2016 — governs corporate insolvency proceedings before NCLT
I4C	Indian Cyber Crime Coordination Centre — division of MHA that coordinates cyber-crime investigations and issues freeze directives
INC-20A	Form for Declaration of Commencement of Business; due within 180 days of incorporation; confirms subscription money received
KYC	Know Your Customer — RBI-mandated customer identification and due diligence process
LEA	Law Enforcement Agency — collective term for CBI, State Police, SFIO, ED
MGT-7 / MGT-7A	Annual Return filing forms (MGT-7 for Pvt Ltd; MGT-7A for OPC and small companies); due 60 days after AGM
NCLAT	National Company Law Appellate Tribunal — appellate body over NCLT orders
NCLT	National Company Law Tribunal — specialised court for company law, insolvency, and merger matters

Term	Full Form / Meaning
NCRP	National Cyber Crime Reporting Portal — I4C's portal for public to report cyber fraud; feeds freeze requests to banks
PAO	Provisional Attachment Order — ED's order under PMLA Section 5 freezing property believed to be proceeds of crime; valid for 180 days unless confirmed
PMLA	Prevention of Money Laundering Act 2002 — primary statute for anti-money laundering; empowers ED to attach proceeds of crime
RB-IOS	Reserve Bank – Integrated Ombudsman Scheme 2021 — unified complaint redress scheme for banking and financial services consumers
RFA	Red-Flagged Account — an account in the bank's Early Warning System marked as showing potential fraud indicators; precedes formal fraud classification
ROC	Registrar of Companies — statutory authority for incorporation, annual filing, and strike-off under Companies Act 2013
SCBMF	Special Committee of Board for Monitoring and Follow-up of Frauds — board-level sub-committee required under RBI Fraud Risk Management Directions 2024
SFIO	Serious Fraud Investigation Office — specialised agency under MCA for complex corporate fraud investigation
SPICe+	Simplified Proforma for Incorporating Company electronically — one-stop MCA form for company incorporation

Source List — Official References & Citations

Law stated as of: June 2026. All illustrative scenarios use dates from 2024–2025 purely as case hypotheticals; the applicable laws referenced are those in force as of June 2026. All legal information in this toolkit is sourced exclusively from official statutes, RBI publications, government portals, and reported judicial decisions. No AI-generated legal summaries, unverified blogs, or secondary commentary have been used as primary authority.

A. Central Statutes

Statute	Key Sections Cited	Official Source
Companies Act, 2013	S.10A (INC-20A), S.92 (Annual Return), S.96 (AGM), S.99 (AGM penalties), S.118 (Minutes), S.137 (Financial Statements), S.164(2) (Director disqualification), S.173 (Board Meetings), S.248 (Strike-off), S.454 (Adjudication)	mca.gov.in
Prevention of Money Laundering Act (PMLA) 2002	S.5 (Provisional Attachment), S.17 (Search & Seizure)	mca.gov.in
Bharatiya Nagarik Suraksha Sanhita (BNSS) 2023	S.106 (Seizure of property), S.107 (Attachment of property suspected to be proceeds of crime)	mca.gov.in
Civil Procedure Code (CPC) 1908	Order XXXVIII Rule 5 (Attachment before judgment), Order XXI (Attachment in execution of decree)	mca.gov.in
RBI Act, 1934	Powers to issue Ombudsman Scheme and Fraud Risk Directions	rbi.org.in
Banking Regulation Act, 1949	Regulatory framework for bank supervision and consumer protection	mca.gov.in
Payment and Settlement Systems Act, 2007	Basis for RB-IOS coverage of payment system participants	mca.gov.in

B. RBI Directions, Circulars & Official Schemes

Document	Date / Reference	Official Source
Reserve Bank – Integrated Ombudsman Scheme 2021 (RB-IOS)	Notified 12 November 2021; amended September 2022	rbi.org.in (FAQs: RBI FAQ Id=3407); RBI Official Gazette Notification dated 12 November 2021 / RBI Master Circular at rbi.org.in → Consumer Education → Ombudsman Schemes
RBI Master Directions on Fraud Risk Management	Issued 15 July 2024 — consolidated and replaced all earlier fraud circulars for commercial banks, RRBs, AIFIs, NBFCs, and co-operative banks	rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12702
RBI KYC Master Direction 2016 (as amended through 2024-25)	Governs customer due diligence; restrictions on KYC non-compliant accounts	rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11566
RBI FAQ on Fraud Risk Management	Confirms natural justice requirements; confirms	rbi.org.in/commonman/english/scripts/FAQs.aspx?Id=3763

Document	Date / Reference	Official Source
	fraud above ₹1 lakh must be reported to LEAs	
RBI FAQ on RB-IOS 2021	Customer-facing explanation of RB-IOS eligibility, filing process, and award limits	rbi.org.in/commonperson/english/scripts/FAQs.aspx?Id=3407

C. Key Case Law

Case	Citation	Significance
State Bank of India v. Jah Developers Pvt. Ltd.	Supreme Court of India, 2019	Establishes natural justice requirements (notice + hearing + reasoned order) for adverse banking classifications; directly applicable to CFR/fraud classification challenges
Bombay High Court — BNSS Section 106 Ruling	Bombay HC, 2025 (reported in LiveLaw and I4C Legal Bulletin Vol. I 2025)	Holds that Section 106 BNSS alone does NOT authorise debit-freezing of bank accounts; proper attachment requires Section 107 or specific statutory authority; quashed freeze orders based solely on informal police email instructions
Realtime Finlease Ltd. & Ors.	ROC Adjudication Order (ComplianceCalendar [Secondary source — primary ROC order number/date not independently verified] report)	ROC imposed separate penalties under Sections 92(5) and 137(3) for non-filing of MGT-7 and AOC-4; confirms dual-section penalty exposure for companies

D. Official Portals & Reference Guides

Portal / Publication	Purpose	URL
MCA21 Portal	Company incorporation, ROC filings, DIN/DSC management, adjudication orders	mca.gov.in
RBI CMS Portal	File RB-IOS Ombudsman complaint online	cms.rbi.org.in
RBI Main Website	Access all RBI Master Directions, FAQs, press releases	rbi.org.in
I4C Legal Bulletin Vol. I 2025	Guidance on cyber-crime freeze procedures, BNSS analysis, bank cooperation framework	cybercrime.gov.in (official portal; i4c.mha.gov.in redirects to mha.gov.in — use cybercrime.gov.in for all client-facing references)/theme/resources/cybercrime.gov.in [I4C Legal Bulletin Vol. I 2025 — accessible via cybercrime.gov.in; direct PDF path not independently verified]