



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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SUPPLEMENT PROFESSIONAL PROGRAMME

for

June, 2026 Examination

(Amendments covering June 01, 2025 to November 30, 2025)

Banking & Insurance - Laws & Practice

GROUP 2 ELECTIVE PAPER 7.4

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Students appearing in Examination shall note the following:

Students appearing in June, 2026 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by RBI, EFRDA, IFDA & Central Government/ Regulatory Authorities upto November, 2025.

The students are advised to acquaint themselves with the monthly and Regulatory updates published by the Institute.

This supplement is to be read with the Banking & Insurance - Laws & Practice study material (Syllabus 2022) updated up to May, 2025.

LESSON 2 - REGULATORY FRAMEWORK OF BANKS

1. Nomination under the Banking Laws (Amendment) Act, (July 30, 2025)

The Key Provisions relating to Nomination under the Banking Laws (Amendment) Act, 2025 has come into effect from 1st November 2025. The Banking Laws (Amendment) Act, 2025 was notified on 15th April 2025 (Gazette Notification link attached below). It contains a total of 19 amendments across five legislations— the Reserve Bank of India Act, 1934, Banking Regulation Act, 1949, State Bank of India Act, 1955 and Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980. The notification said that the provisions of the Banking Laws (Amendment) Act, 2025 “shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint” and different dates may be appointed for different provisions of the Act. Accordingly, the Central Government has notified that the provisions contained in Sections 10, 11, 12 and 13 of the Banking Laws (Amendment) Act, 2025 shall come into force with effect from 1st November 2025. The Gazette Notification to this effect is available at the link below. The provisions now being brought into effect from 1st November 2025 through Sections 10, 11, 12 and 13 relate to nomination facilities in respect of deposit accounts, articles kept in safe custody, and the contents of safety lockers maintained with banks.

The key features of these provisions are as follows:

- i. Multiple Nominations: Customers may nominate up to four persons, either simultaneously or successively, thereby simplifying claim settlement for depositors and their nominees.
- ii. Nomination for Deposit Accounts: Depositors may opt for either simultaneous or successive nominations, as per their preference.
- iii. Nomination for Articles in Safe Custody and Safety Lockers: For such facilities, only successive nominations are permitted.
- iv. Simultaneous Nomination: Depositors may nominate up to four persons and specify the share or percentage of entitlement for each nominee, ensuring that the total equals 100 percent and enabling transparent distribution amongst all nominees.
- v. Successive Nomination: Individuals maintaining deposits, articles in safe custody, or lockers may specify up to four nominees, where the next nominee becomes operative only upon the death of the nominee placed higher, ensuring continuity in settlement and clarity of succession.

The implementation of these provisions will give depositors the flexibility to make nominations as per their preference, while ensuring uniformity, transparency, and efficiency in claim settlement across the banking system. The Banking Companies (Nomination) Rules, 2025, detailing the procedure and prescribed forms for making, cancelling, or specifying multiple nominations, will be published in due course to operationalise these provisions uniformly across all banks. The Central

Government had earlier appointed 1st August 2025 as the date on which certain provisions of the said Amendment Act, namely Sections 3, 4, 5, 15, 16, 17, 18, 19 and 20, came into force vide Gazette Notification S.O. 3494(E) dated 29th July 2025. The Gazette Notification to this effect is available at the link below. The Banking Laws (Amendment) Act, 2025 aims, inter-alia, to strengthen governance standards in the banking sector, ensure uniformity in reporting by banks to the Reserve Bank of India, enhance depositor and investor protection, improve audit quality in public sector banks, and promote customer convenience through improved nomination facilities. The Act also provides for rationalisation of the tenure of directors, other than the Chairman and whole-time directors, in co-operative banks

For Details: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2150371>

LESSON 4 – BANKING OPERATIONS

1. Reserve Bank of India (Know Your Customer (KYC)) (Amendment) Directions, 2025- (June 12, 2025)

“As per the RBI notification dated June 12, 2025, “38(a)(iia) Use of Business Correspondent (BC) by banks for Updation/ Periodic Updation of KYC.

Self-declaration from the customer in case of no change in KYC information or change only in the address details may be obtained through an authorized BC of the bank. The bank shall enable its BC systems for recording these self-declarations and supporting documents thereof in electronic form in the bank’s systems.

The bank shall obtain the self-declaration including the supporting documents, if required, in the electronic mode from the customer through the BC, after successful biometric based e-KYC authentication. Until an option is made available in the electronic mode, such declaration may be submitted in physical form by the customer. The BC shall authenticate the self-declaration and supporting documents submitted in person by the customer, and promptly forward the same to the concerned bank branch. The BC shall provide the customer an acknowledgment of receipt of such declaration /submission of documents.

The bank shall update the customer’s KYC records and intimate the customer once the records get updated in the system, as required under paragraph 38(c) of the Master Direction *ibid*. It is, however, reiterated that the ultimate responsibility for periodic updation of KYC remains with the bank concerned.”. (iii) After paragraph 38(d), the following paragraph 38(e) shall be inserted, namely: -

“38(e) Due Notices for Periodic Updation of KYC

i. The RE shall intimate its customers, in advance, to update their KYC. Prior to the due date of periodic updation of KYC, the RE shall give at least three advance intimations, including at least one intimation by letter, at appropriate intervals to its customers through available communication options/ channels for complying with the requirement of periodic updation of KYC. Subsequent to the due date, the RE shall give at least three reminders, including at least one reminder by letter, at appropriate intervals, to such customers who have still not complied with the requirements, despite advance intimations. The letter of intimation/ reminder may, *inter alia*, contain easy to understand instructions for updating KYC, escalation mechanism for seeking help, if required, and the consequences, if any, of failure to update their KYC in time. Issue of such advance intimation/ reminder shall be duly recorded in the RE’s system against each customer for audit trail. The RE shall expeditiously implement the same but not later than January 01, 2026.”.

For details: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12866&Mode=0>

2. Reserve Bank of India (Know Your Customer (KYC)) (2nd Amendment) Directions, 2025(August 14, 2025)

Reserve Bank had issued Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016 (hereinafter referred to as Master Direction) in compliance of the provisions of the PML Act, 2002 and the Rules made thereunder. There is a need to further amend the same based on a review of the extant instructions. Accordingly, in exercise of the powers conferred by sections 35A of the Banking Regulation Act, 1949, read with section 56 of the Act *ibid*, sections 45JA, 45K and 45L of the Reserve Bank of India Act, 1934, section 10(2) read with section 18 of Payment and Settlement Systems Act, 2007, section 11(1) of the Foreign Exchange Management Act, 1999, Rule 9(14) of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 and all other laws enabling the Reserve Bank in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest to do so, hereby Reserve Bank of India (Know Your Customer (KYC)) (2nd Amendment).

Directions, 2025 *inter alia* provides that: "Prevention of Money laundering Act, 2002 – Obligations of NBFCs in terms of Rules notified thereunder' Preservation Period of Records. The Prevention of Money Laundering (Amendment) Act, 2009 (No. 21 of 2009) has come into force with effect from June 01, 2009 as notified by the Government. In terms of Sub-Section 2(a) of Section 12 of The Prevention of Money Laundering (Amendment) Act, 2009 (PMLA, 2009), the records referred to in clause (a) of Sub Section (1) of Section 12 shall be maintained for a period of ten years from the date of transaction between the clients and the banking company and in terms of Sub-Section 2(b) of Section 12 of the Act *ibid*, the records referred to in clause (c) of Sub Section (1) of Section 12 shall be maintained for a period of ten years from the date of cessation of transaction between the clients and the banking company.

Accordingly, in modification of paragraph 4 of the Master Circular No.152/03.10.42/2009- 10 dated July 1, 2009, NBFCs (including RNBCs) are advised to maintain for at least ten years from the date of transaction between the NBFC (including RNBC) and the client, all necessary records of transactions referred to a Rule 3 of the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (PMLA Rules), both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

For details: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12893&Mode=0>

3. The National Bank for Financing Infrastructure and Development General (Amendment) Rules, 2025. (July 30, 2025)

The National Bank for Financing Infrastructure and Development General (Amendment) Rules, 2025, officially notified by the Ministry of Finance on July 30, 2025, introduced Rule 10 to establish a concessional government guarantee fee for the institution. Under this new provision, the institution is eligible for a reduced guarantee fee of 0.1 per cent on borrowings sourced from multilateral institutions, sovereign wealth funds, and other specified foreign entities. The Central Government retains the authority to further decrease this rate for funds intended for specifically mandated purposes, provided the institution submits a formal request detailing the loan terms and intended use. This fee is payable at the time the guarantee is secured and annually thereafter on April 1. By lowering the cost of offshore capital, this amendment aims to strengthen the institution's ability to provide competitive, long-term financing for India's critical infrastructure projects.

For Details: [https://egazette.gov.in/\(S\(xngdill1mgm0la22aewtxizk\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(xngdill1mgm0la22aewtxizk))/ViewPDF.aspx)

4. Banking Laws (Amendment) Act, 2025 (August 01, 2025)

The Central Government, utilizing powers granted under the Banking Laws (Amendment) Act, 2025, has officially designated August 1, 2025, as the commencement date for several key legislative provisions. Specifically, the enforcement of Sections 3, 4, 5, and 15 through 20 introduces significant structural updates to India's financial regulatory framework. These changes include a substantial increase in the threshold for defining "substantial interest" in banks—raising it from ₹5 lakh to ₹2 crore—and reforms to the governance of cooperative banks, such as extending director tenures to ten years. Furthermore, the notified sections grant Public Sector Banks greater autonomy in determining auditor remuneration and mandate the transfer of unclaimed assets to the Investor Education and Protection Fund (IEPF), aligning banking operations with modern corporate standards.

For Details: [https://egazette.gov.in/\(S\(xngdill1mgm0la22aewtxizk\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(xngdill1mgm0la22aewtxizk))/ViewPDF.aspx)

LESSON 5 – DIGITAL BANKING

1. Reserve Bank of India (Digital Lending) Directions, 2025 (RBI/2025-26/36 DOR.STR.REC.19/21.07.001/2025-26 dated May 8, 2025

Chapter I: Preliminary

1. Preamble

Reserve Bank is statutorily mandated to operate the credit system of the country to its advantage. In this endeavour, Reserve Bank encourages innovation in the financial systems, products and credit delivery methods while ensuring orderly growth, financial stability and protection of depositors' and borrowers' interest. Certain concerns had emerged around the methods of designing, delivering and servicing digital credit products, which if not mitigated, may impact the borrower's confidence in the digital lending ecosystem. The concerns primarily relate to unbridled engagement of third parties, mis-selling, breach of data privacy, unfair business conduct, charging of exorbitant interest rates, and unethical recovery practices. To address these concerns, pursuant to the recommendations made by the "Working Group on Digital Lending", the Reserve Bank has, from time to time, issued guidelines to its regulated entities on digital lending. These Directions consolidate the earlier instructions along with certain new measures for arrangements involving Lending Service Providers partnering with multiple regulated entities as mentioned under para 6, and for creation of a directory of digital lending apps as mentioned under para 17 of these Directions.

Accordingly, in exercise of powers conferred by sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, sections 30A and 32 of the National Housing Bank Act, 1987, section 6 of the Factoring Regulation Act, 2011 and section 11 of the Credit Information Companies (Regulation) Act, 2005, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues these Directions hereinafter specified.

2. Short title and commencement

- i. These Directions shall be called the Reserve Bank of India (Digital Lending) Directions, 2025.
- ii. These Directions shall come into force immediately except for para 6, which shall come into effect from November 1, 2025, and para 17, which shall come into effect from June 15, 2025.

3. Applicability

These Directions shall be applicable to all digital lending activities of the following entities, hereinafter referred to as a Regulated Entity (RE) and collectively as Regulated Entities (REs), as the context may require:

- i. All Commercial Banks,
- ii. All Primary (Urban) Co-operative Banks, State Co-operative Banks, Central Co-operative Banks,
- iii. All Non-Banking Financial Companies (including Housing Finance Companies), and
- iv. All All-India Financial Institutions.

4. Definitions

For the purpose of these Directions, unless the context otherwise requires, the terms herein shall bear the meaning assigned to them below:

i. **Annual Percentage Rate (APR):** APR as defined under Circular No. DOR.STR.REC.13/13.03.00/2024-25 on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024, as amended from time to time.

ii. **Default Loss Guarantee (DLG):** A contractual arrangement, called by whatever name, between the RE and another entity, under which the latter guarantees to compensate the RE, for the loss due to default up to a certain percentage of the loan portfolio of the RE, specified upfront. Any other implicit guarantee of similar nature, linked to the performance of the loan portfolio of the RE and specified upfront, shall also be covered under the definition of DLG.

iii. **Digital Lending:** A remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.

iv. **Digital Lending Apps/ Platforms (DLAs):** Mobile and/or web-based applications, on a standalone basis or as a part of suite of functions of an application with user interface that facilitate digital lending services. DLAs shall include applications of the RE as well as those operated by Lending Service Provider (LSP) engaged by RE for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the Reserve Bank.

v. **Lending Service Provider (LSP):** An agent of a RE (including another RE) who carries out one or more of RE's digital lending functions, or part thereof, in customer acquisition, services incidental to underwriting and pricing, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of RE in conformity with extant outsourcing guidelines issued by the Reserve Bank.

Chapter II: General Requirements for RE-LSP Arrangements

5. Due diligence requirements with respect to LSPs

- i. Digital lending by a RE involving a LSP, shall be carried out under a contractual agreement between the RE and the LSP, which clearly defines the respective roles, rights, and obligations of each party thereto.
- ii. RE shall conduct enhanced due diligence before they enter into an agreement with a LSP for digital lending, taking into account LSP's technical capabilities, robustness of data privacy policies and storage systems, fairness in conduct with borrowers, past records of conduct and ability to comply with all applicable regulations and statutes.
- iii. RE shall carry out periodic review of the conduct of the LSP vis-à-vis the terms of the contractual agreement and shall take appropriate action in the event of any deviation therefrom.
- iv. RE shall lay down, as part of its policy, suitable monitoring mechanisms for the loan portfolios originated with the support of LSPs.
- v. RE shall impart necessary guidance to LSP acting as a recovery agent, to discharge their duties responsibly and ensure that LSP complies with the applicable instructions in this regard.
- vi. RE shall continue to conform to the extant guidelines on outsourcing and shall ensure that the LSPs engaged by them and the DLAs (either of the RE or of the LSPs engaged by the RE) comply with these Directions.
- vii. As an overarching principle, any outsourcing agreement entered into by the RE with an LSP shall in no manner dilute or absolve the RE of its obligations under any statutory or regulatory provision, and the RE shall remain fully responsible and liable for all acts and omissions of the LSP.

6. RE-LSP arrangements involving multiple lenders

In cases where a LSP has agreements with multiple REs for digital lending, each RE shall ensure the following:

- i. LSP shall provide a digital view of all the loan offers matching the borrower's request on the DLA which meets the requirement of the borrower. The name of the unmatched lenders shall also be disclosed in the digital view.
- ii. While the LSP may adopt any mechanism to match the request of borrowers with the lender (s) to offer a loan, it shall follow a consistent approach for similarly placed borrowers and products. The mechanism adopted by the LSP and any subsequent changes to this mechanism shall be properly documented.

iii. The digital view of loan offers from matching lenders shall include the name (s) of the RE (s) extending the loan offer, amount and tenor of loan, APR, monthly repayment obligation and penal charges (if applicable), in a way which enables the borrower to make a fair comparison between various offers. A link to the KFS shall also be provided in respect of each of the RE.

iv. The content displayed by the LSP shall be unbiased, objective and shall not directly/ indirectly promote or push a product of a particular RE, including the use of dark patterns/deceptive patterns designed to mislead borrowers into choosing a particular loan offer. However, ranking of loan offers based on a publicly pre-disclosed metric for such ranking shall not be construed as promoting a particular product.

Chapter III: Conduct and Customer Protection Requirements

7. Assessing the borrower's creditworthiness

i. RE shall obtain the necessary information relating to economic profile of the borrower with a view to assessing the borrower's creditworthiness before extending any loan, including, at a minimum, age, occupation and income details. The same shall be kept on record for audit purposes.

ii. RE shall ensure that there is no automatic increase in credit limit unless an explicit request is received, evaluated and kept on record from the borrower for such increase.

8. Disclosures to borrowers

i. RE shall provide a Key Fact Statement (KFS), as per instructions contained in circular no. DOR.STR.REC.13/13.03.00/2024-25 on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024, as amended from time to time.

ii. As regards penal charges, RE shall be guided by circular no. DoR.MCS.REC.28/01.01.001/2023-24 on 'Fair Lending Practice - Penal Charges in Loan Accounts' dated August 18, 2023, as amended from time to time.

iii. RE shall ensure that digitally signed documents (on the letter head of the RE) viz., KFS, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the RE / LSP with respect to storage and usage of borrowers' data, etc. shall automatically flow to the borrower on the registered and verified email/ SMS upon execution of the loan contract/ transactions.

iv. RE shall maintain a website of their own in public domain, which shall be kept up to date, inter-alia, with the following details at a prominent single place on the website for ease of accessibility:

- a. Details of all of its digital lending products and its DLAs;
- b. Details of LSPs and the DLAs of the LSPs along with the details of the activities for which they have been engaged for;

- c. Particulars of RE's customer care and internal grievance redressal mechanism;
- d. Link to RBI's Complaint Management System (CMS) and Sachet Portal;
- e. Privacy policies and other details as required under extant guidelines of the Reserve Bank.

RE shall ensure that DLAs / LSPs have links to the above website of the RE.

v. In case of a loan default, when a recovery agent is assigned for recovery or there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery shall be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery.

9. Loan disbursement, servicing and repayment

i. Disbursement of loan by the RE shall always be made into the bank account of the borrower except for disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between REs for co-lending transactions and disbursements for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary. RE shall ensure that in no case, disbursement is made to a third-party account, including the accounts of LSP, except as provided for in these Directions.

ii. RE shall ensure that all loan servicing, repayment, etc. is executed by the borrower directly in the RE's bank account without any pass-through account/ pool account of any third party, including the accounts of LSP.

iii. The flow of funds between the bank accounts of the borrower and the RE shall not be controlled either directly or indirectly by a third-party, including the LSP.

iv. RE shall ensure that any fees, charges, reimbursements, etc. payable to LSP are paid directly by the RE and are not charged to or collected from the borrowers separately by LSP.

v. In case of delinquent loans, RE may deploy physical interface to recover loans in cash, wherever necessary. In order to afford operational flexibility to RE, such transactions are exempted from the requirement of direct repayment of loan in the RE's bank account. However, any recovery by cash shall be duly reflected in full in the borrower's account on the same day and RE shall ensure that any fees, charges, etc., payable to LSPs for such recovery are paid directly by the RE and are not charged by LSP to the borrower either directly or indirectly from the recovery proceeds.

10. Cooling-off period

i. The borrower shall be given an explicit option to exit a digital loan by paying the principal and the proportionate APR without any penalty during an initial "cooling-off period". The cooling off period shall be determined by the Board of the RE as laid down in their loan policy, subject to the period so determined not being less than one day. For borrower continuing with the loan even after cooling-off period, pre-payment shall continue to be allowed as per applicable RBI guidelines.

ii. RE may retain a reasonable one-time processing fee, if the customer exits the loan during the cooling-off period. This, if applicable, shall be disclosed to the customer upfront in KFS.

11. Grievance redressal

i. The RE, and the LSP which has an interface with the borrower, shall designate nodal grievance redressal officers to deal with digital lending related complaints/ issues raised by the borrower.

ii. Contact details of the nodal grievance redressal officers shall be prominently displayed on the websites of the RE, its LSP and on the DLA, as well as in the KFS provided to the borrower.

iii. The facility of lodging complaint shall also be made available on the DLA and on the website as stated above. It is reiterated that responsibility of grievance redressal shall continue to remain with the RE.

iv. If any complaint lodged by the borrower against the RE or the LSP engaged by the RE is rejected wholly or partly by the RE, or the borrower is not satisfied with the reply; or the borrower has not received any reply within 30 days of receipt of complaint by the RE, the said borrower can lodge a complaint over the Complaint Management System (CMS) portal under the Reserve Bank-Integrated Ombudsman Scheme (RB-IOS) or send a physical complaint to “Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector-17, Central Vista, Chandigarh - 160017” as per the grievance redressal mechanism prescribed by the Reserve Bank. This information shall be suitably conveyed to the borrower.

For details: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12848&Mode=0>

2. Interlinking of Unified Payments Interface (UPI) with the TARGET Instant Payment Settlement (TIPS) of the Eurosystem (November 21, 2025)

Reserve Bank of India has been actively pursuing interlinking of Unified Payments Interface (UPI) with fast payment systems of other jurisdictions to promote cross-border payments. These initiatives are aligned with the G20 Roadmap for enhancing crossborder payments, with a focus on cheaper, efficient, more transparent and more accessible remittances. Reserve Bank of India and NPCI International Payments Limited (NIPL) have been engaging with European Central Bank on the initiative to connect UPI with the TARGET Instant Payment Settlement (TIPS), the instant payment system operated by the Eurosystem. Following constructive and sustained engagement, both sides have agreed to start the realisation phase for the UPI- TIPS link.

For details: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=61665

3. Amendments to Directions - Compounding of Contraventions under FEMA, 1999 (November 24, 2025)

Attention of Authorised Persons is invited to Master Directions on compounding of contraventions under FEMA, 1999, dated April 22, 2025.

1. In order to streamline the receipt of compounding application fee and 'sum for which a contravention is compounded' ('compounding amount'), it has been decided to change the account details of account where compounding application fee and compounding amount will be received through National Electronic Fund Transfer (NEFT), Real Time Gross Settlement (RTGS). Accordingly, Annexure I of the aforesaid Master Directions has been modified to include the revised account details.
2. All Authorised Persons may bring the guidelines contained in this circular to the notice of their constituents.
3. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 and are without prejudice to permissions/approval, if any, required under any other law.

For details: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12924&Mode=0>