



भारतीय रिजर्व बैंक  
**RESERVE BANK OF INDIA**

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DOR.No.BP.BC.30/21.04.048/2020-21

December 14, 2020

All Scheduled Commercial Banks  
All Payments Banks

Madam / Dear Sir,

**Opening of Current Accounts by Banks - Need for Discipline**

Please refer to the [circulars DOR.No.BP.BC/7/21.04.048/2020-21 dated August 6, 2020](#) and [DOR.No.BP.BC.27/21.04.048/2020-21 dated November 2, 2020](#) on the captioned subject. On a review, it has been decided to permit banks to open specific accounts which are stipulated under various statutes and instructions of other regulators/ regulatory departments, without any restrictions placed in terms of the above-mentioned [circular dated August 6, 2020](#). An indicative list of such accounts is as given below:

- i. Accounts for real estate projects mandated under Section 4 (2) I (D) of the Real Estate (Regulation and Development) Act, 2016 for the purpose of maintaining 70% of advance payments collected from the home buyers.
- ii. Nodal or escrow accounts of payment aggregators/prepaid payment instrument issuers for specific activities as permitted by Department of Payments and Settlement Systems (DPSS), Reserve Bank of India under Payment and Settlement Systems Act, 2007.
- iii. Accounts for settlement of dues related to debit card/ATM card/credit card issuers/acquirers.
- iv. Accounts permitted under FEMA, 1999.
- v. Accounts for the purpose of IPO / NFO /FPO/ share buyback /dividend payment / issuance of commercial papers/allotment of debentures/gratuity, etc. which are mandated by respective statutes or regulators and are meant for specific/limited transactions only.

- vi. Accounts for payment of taxes, duties, statutory dues, etc. opened with banks authorized to collect the same, for borrowers of such banks which are not authorized to collect such taxes, duties, statutory dues, etc.
- vii. Accounts of White Label ATM Operators and their agents for sourcing of currency.

2. The above permission is subject to the condition that the banks shall ensure that these accounts are used for permitted/specified transactions only. Further, banks shall flag these accounts in the CBS for easy monitoring. Lenders to such borrowers may also enter into agreements/arrangements with the borrowers for monitoring of cash flows/periodic transfer of funds (if permissible) in these current accounts.

3. Banks shall monitor all current accounts and CC/ODs regularly, at least on a half-yearly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with instructions contained in [circular dated August 6, 2020](#) *ibid*.

4. A set of frequently asked questions (FAQs) providing clarifications related to implementation of the circulars *ibid* are provided in the [Annex](#).

5. All other instructions contained in the circulars *ibid* remain unchanged.

Yours faithfully,

(Prakash Baliarsingh)  
Chief General Manager

## Frequently Asked Questions

**1. Whether banks are required to obtain No Objection Certificate (NOC) before opening current accounts as per the revised guidelines?**

The previous guidelines which required banks to obtain NOC before opening current accounts have been replaced by the revised guidelines issued vide [circular dated August 6, 2020](#). The requirement of obtaining NOC is no more applicable.

**2. How shall banks identify the aggregate exposure of the banking system to a customer/borrower for the purpose of opening current accounts and/or CC/OD accounts under these guidelines?**

Banks may compute the aggregate exposure for the purpose of these guidelines based on the information available from Central Repository of Information on Large Credits (CRILC), Credit Information Companies (CICs), National E-Governance Services Ltd. (NeSL), etc. and by obtaining customers' declaration, if required.

**3. For the purpose of this circular, whether exposure of non-banking financial companies (NBFCs) and other financial institutions like National Housing Bank (NHB) shall be included in computing aggregate exposure of the banking system.**

The instructions are applicable to Scheduled Commercial Banks and Payments Banks. Accordingly, the aggregate exposure for the purpose shall include exposures of these banks only.

**4. Whether aggregate exposure shall include Day Light Over Draft (DLOD)/ intra-day facilities and irrevocable payment commitments, limits set up for transacting in FX and interest rate derivatives, CPs, etc.**

All fund based and non-fund based credit facilities sanctioned by the banks and carried in their Indian books shall be included for the purpose of aggregate exposure.

**5. The previous guidelines on obtaining NOC were applicable only for entities. Whether the revised guidelines are also applicable to entities only?**

The revised guidelines are applicable to all borrowers.

**6. Whether current accounts can be opened for borrowers who have availed agricultural/personal ODs or ODs against deposits?**

Banks are not permitted to open current accounts for borrowers who have availed any fund or non-fund-based credit in the form of overdraft facilities.

**7. In respect of proprietorship firms, whether credit facilities availed by the proprietor in his/her personal capacity like home loan, loan against property, etc shall be included in the aggregate exposure of the banking system for the purpose of this circular.**

In case of proprietary firms, the aggregate exposure shall include all the credit facilities availed by him/her, for business purpose or otherwise.

**8. As per paragraph 1 (ii) of the circular, where a bank's exposure to a borrower is less than 10 per cent of the exposure of the banking system to that borrower, while credits are freely permitted, debits to the CC/OD account can only be for credit to the CC/OD account of that borrower with a bank that has 10 per cent or more of the exposure of the banking system to that borrower. Funds will be remitted from these accounts to the said transferee CC/OD account at the frequency agreed between the bank and the borrower. Where shall the funds be credited in cases where none of the lenders have at least 10% exposure to a borrower.**

In such cases, funds may be remitted to the account maintained with the bank having the highest share in the exposure of the banking system to the borrower. Credits and debits will be freely permitted in the said account.

Alternatively, the borrower is free to avail working capital only in the form of WCDL/WCTL and open current accounts as per the provisions of paragraph 1 (v) of the circular based on the aggregate exposure.

**9. Whether banks with less than 10% of aggregate exposure can debit their dues such as fees and charges and maturity obligations around cross border services like letter of credit/ bank guarantees, derivatives, factoring transactions, other loan instalments, etc. from the CC/OD accounts of their borrowers before transferring the funds to the CC/OD account of the borrower with bank(s) having 10% or more of the aggregate exposure of the banking system to that borrower.**

In such cases, banks are permitted to debit interest/charges pertaining to the said CC/OD (not any other facilities granted by the same bank) account as well as fee/charges for opening of LC/ BG, issue of DDs, etc. before transferring the funds to the CC/OD account of the borrower with bank(s) having 10% or more of the aggregate exposure of the banking system to that borrower.

**10. Whether banks with less than 10 per cent of the aggregate exposure of the banking system to a borrower can offer only working capital demand loan (WCDL) / working capital term loan (WCTL) facility to the borrower or existing CC/OD facility can be enhanced.**

Banks are free to enhance existing CC/OD/WCTL/WCDL facilities or sanction new facilities in these forms subject to provisions of the [circular on 'Guidelines on Loan System for Delivery of Bank Credit' dated December 5, 2018](#) as well as the [circular dated August 6, 2020](#) on opening of current accounts.

**11. Whether banks can open current accounts for project specific facilities like Term Loan/ Lease Rental Discounting (LRD) term loan against a specific project where cash flows/rent receivables are directed to a specific bank.**

Banks may open a current account for receiving/monitoring cash flows of a specific project, provided the borrower has not availed any CC/OD facility for that specific project. Banks opening project specific current/escrow account shall ensure that cash flows coming in the account are from that project only.

**12. Whether banks are allowed to open current/escrow accounts of customers availing credit facility from an NBFC/Non-bank financial institution for a project.**

Banks are free to open current accounts for borrowers having credit facilities only from NBFCs/FIs/ /co-operative banks/non-bank institutions. However, if such borrowers avail facilities from the banks covered under the guidelines, all the provisions of the circular shall be applicable.

**13. As per para 1 (v) (a) of the circular, in case of customers who have not availed CC/OD facility from any bank, banks are required to put in place an escrow mechanism for borrowers where exposure of the banking system is ₹50 crore or more. Further, lending banks can open 'collection accounts' for such borrowers subject to the condition that funds will be remitted from these accounts to the said escrow account at the frequency agreed between the bank and the borrower. Whether multiple escrow accounts can be opened for large corporates with multiple business units (BU) / multiple projects.**

For borrowers with multiple projects/ multiple business units, banks may open multiple escrow accounts for monitoring of project-wise / unit-wise cash flows. Banks opening project specific current/escrow account shall ensure that cash flows coming in the account are from that project/unit only.

**14. Whether all lending banks are required to be part of the same escrow agreement? Whether non-lending banks can open such escrow accounts as mandated under para 1 (v) of the circular. Who will decide as to which bank will act as escrow agent?**

All lending banks should be part of the escrow agreement. The terms and conditions may be decided mutually by lending banks and the borrower. Borrowers shall be free to choose their escrow managing banks. Non-lender banks are not permitted to escrow accounts

**15. As per para 3 of the circular, term loans should be disbursed directly to the suppliers of goods and services. Whether term loans towards refinancing of existing term debt of borrowers, for general corporate purpose / long term working capital, reimbursement of expenses, etc. can be disbursed to the CC/OD or current accounts of the borrowers.**

In cases where term loans are meant for purposes other than for supply of goods and services and where the payment destination is unidentifiable, banks may route such term loans through CC/OD or current accounts of the borrower opened as per the provisions of the circular. Banks shall ensure that where the payment destination is identifiable (i.e.

refinance of existing debt, etc.), payment is made directly, without routing it through CC/OD accounts.

**16. Whether only banks maintaining CC/OD or collection accounts are obligated to monitor the exposure of a customer on half yearly basis.**

All banks, whether lending banks or other account holding banks, are required to monitor the accounts on regular basis as prescribed in the circular.

**17. At the time of periodical monitoring, if there is a change in exposure of banks/aggregate exposure of the banking system to the borrower, who will decide about the accounts to which funds from collection accounts or CC/OD accounts with banks less than 10% of the exposure are to be credited. Further, what will be timeline within which the new arrangements will have to be implemented.**

Borrowers shall be free to choose the bank(s) for the purpose of maintaining their operating current account/escrow account/CC/OD accounts within the overall framework of the circular. Further, banks will have to implement the new arrangements within a period of three months from the date of change in exposure.

**18. Whether banks maintaining collection accounts can debit the collection accounts for liquidating their own dues of WCDL/Bills/ Derivatives/loan instalments, etc.**

Collections accounts can be debited only for transferring the funds to the escrow account of the borrower.