



RBI/2020-21/20

DOR.No.BP.BC/7/21.04.048/2020-21

August 6, 2020

All Scheduled Commercial Banks
All Payments Banks

Madam/Dear Sir,

Opening of Current Accounts by Banks - Need for Discipline

Please refer to the [circular DBR.Leg.BC.25./09.07.005/2015-16 dated July 2, 2015](#) on the subject. The instructions on opening of current accounts by banks have been reviewed and the revised instructions are as under:

- i. No bank shall open current accounts for customers who have availed credit facilities in the form of cash credit (CC)/ overdraft (OD) from the banking system and all transactions shall be routed through the CC/OD account.
- ii. Where a bank's exposure¹ 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. Further, the credit balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. In case there is more than one bank having 10 per cent or more of the exposure of the banking system to that borrower, the bank to which the funds are to be remitted may be decided mutually between the borrower and the banks. It may be noted that banks with exposure to the borrower of less than 10 per cent of the exposure of the banking system can offer working capital demand loan (WC DL) / working capital term loan (WCTL) facility to the borrower.

¹ 'Exposure' for the purpose of these instructions shall mean sum of sanctioned fund based and non-fund based credit facilities

- iii. Where a bank has a share of 10 per cent or more in the total exposure of the banking system to the borrower, it can provide CC/OD facility as hitherto.
- iv. In case of borrowers covered under guidelines on loan system for delivery of bank credit issued vide [circular DBR.BP.BC.No.12/21.04.048/2018-19 dated December 5, 2018](#), bifurcation of working capital facility into loan component and cash credit component shall henceforth be maintained at individual bank level in all cases, including consortium lending.
- v. In case of customers who have not availed CC/OD facility from any bank, banks may open current accounts as under:
 - a) In case of borrowers where exposure of the banking system is ₹50 crore or more, banks shall be required to put in place an escrow mechanism. Accordingly, current accounts of such borrowers can only be opened/maintained by the escrow managing bank. However, there is no restriction on opening of 'collection accounts' by lending banks 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. Further, the balances in such accounts shall not be used as margin for availing any non-fund based credit facilities. While there is no prohibition on amount or number of credits in 'collection accounts', debits in these accounts shall be limited to the purpose of remitting the proceeds to the said escrow account. Non-lending banks shall not open any current account for such borrowers.
 - b) In case of borrowers where exposure of the banking system is ₹5 crore or more but less than ₹50 crore, there is no restriction on opening of current accounts by the lending banks. However, non-lending banks may open only collection accounts as defined at (v) (a) above.
 - c) In case of borrowers where exposure of the banking system is less than ₹5 crore, banks may open current accounts subject to obtaining an undertaking from such customers to the effect that customers shall inform the bank(s), if and when the credit facilities availed by them from the banking system becomes ₹5 crore or more. The current account of such customers, as and when the exposure of the banking system becomes ₹5 crore or more and ₹50 crore or more, will be governed by the provisions of para (v) (b) and (v) (a) respectively.

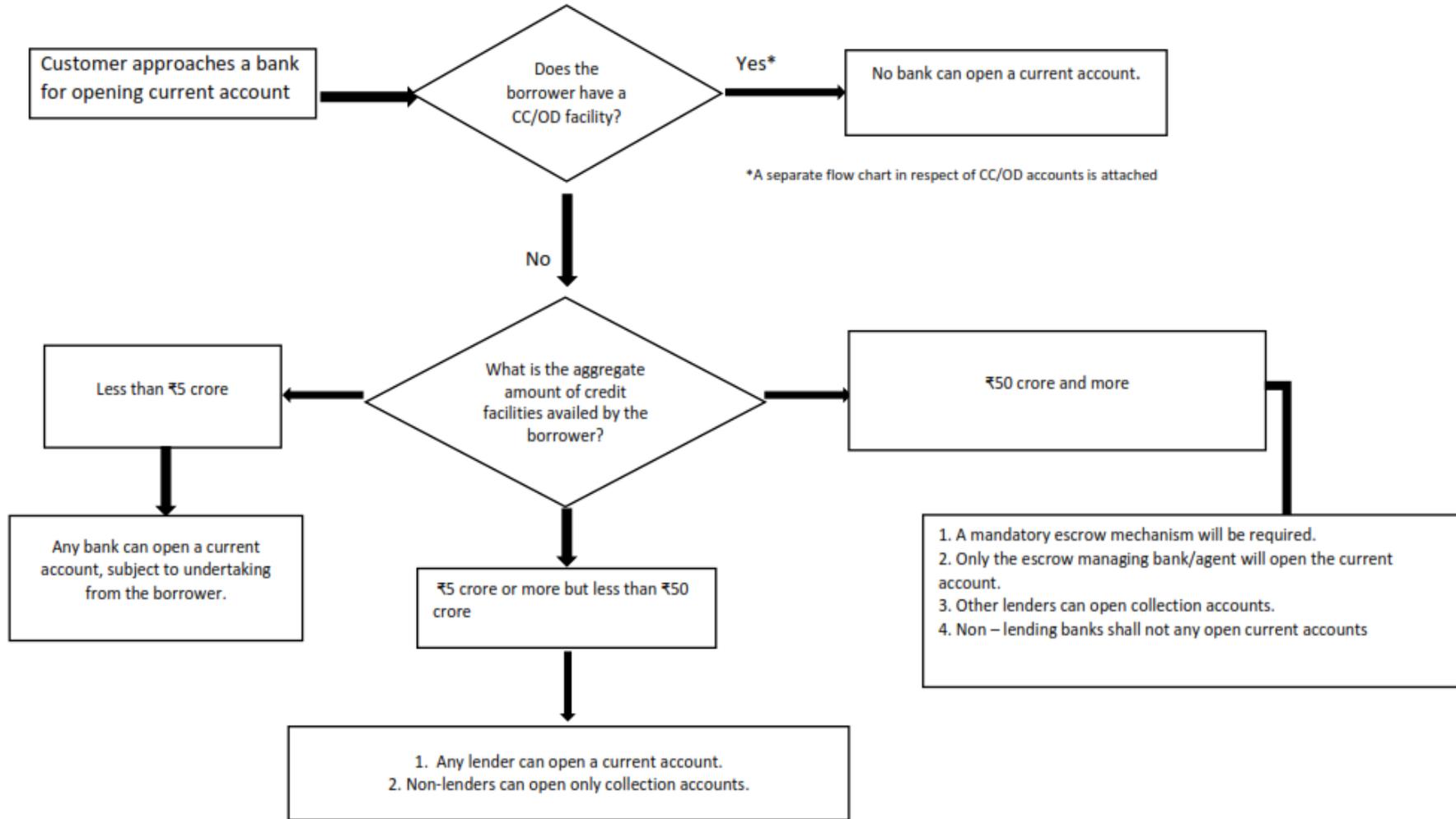
- d) Banks are free to open current accounts of prospective customers who have not availed any credit facilities from the banking system, subject to necessary due diligence as per their Board approved policies.
2. Banks shall monitor all current accounts and CC/ODs regularly, at least on a quarterly basis, specifically with respect to the exposure of the banking system to the borrower, to ensure compliance with these instructions.
 3. Banks should not route drawal from term loans through current accounts. Since term loans are meant for specific purposes, the funds should be remitted directly to the supplier of goods and services. Expenses incurred by the borrower for day to day operations should be routed through CC/OD account, if the borrower has a CC/OD account, else through a current account.
 4. As regards existing current and CC/OD accounts, banks shall ensure compliance with the above instructions within a period of three months from the date of this circular.

Yours faithfully,

(Saurav Sinha)
Chief General Manager-in-Charge

Encl: Flowcharts

Flow chart for opening of current accounts



Flow chart for availing CC/OD facility