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The Reserve Bank of India, through its circular on “opening of current accounts and Cash credit/ overdraft accounts”, has broadened the scope of exemptions by allowing the banks to operate inter-bank accounts and accounts of All India Financial Institutions (AIFIs).

The Reserve Bank has also exempted accounts under the scrutiny by order of the Central/ State government, courts, regulatory bodies and investigating agencies. In such cases, the customer won't be able to take discretionary debits.

The Consolidated circular has mentioned four AIFIs: EXIM, NABARD, NHB and SIDBI.

If there are any discrepancies in the exposure of a particular bank or aggregate exposure of the banking system, then there would be a need to implement new banking arrangements. Banks will implement these arrangements within three months from the date of monitoring.

RBI has stated that banks must not route the withdrawal money from CC/OD/Current accounts of the borrower for term loans. Term loans are meant for a specific purpose, and they should be directly remitted to the supplier's account.

However, if the payment destination is unidentifiable, the banks are permitted to route loans through an account of the borrower opened as directed by the circular. Even the expenses incurred by the borrower for day-to-day operations can be routed through the account of the borrower.

The banks have also been directed to develop a monitoring mechanism at the head and regional offices to ensure that the circular is implemented properly and no inconvenience is caused to the customer.



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