

New RBI Guidelines for Current Accounts.



The Reserve Bank of India, on August 6th, 2020, released a new set of guidelines for the opening and operating of Current Accounts. While these guidelines may affect operations in your accounts held with multiple banks, you can stay stress free by consolidating your banking. Read on to find out about the new guidelines and how Equitas Small Finance Bank can cater to your business needs in changing times.

Summary of new guidelines:

A customer who has not availed of any loan from any Scheduled Commercial or Payment Bank (Banking System) can open and operate a Current Account with any bank of his choice.

However, a customer who has availed of a loan or credit limit/s from the Banking System, norms for new account opening (Current Account, Overdraft or Cash Credit (OD/CC) Account) will depend on the following criteria:



A. Aggregate exposure from the Banking System



B. Nature of credit facility availed of from banks

The RBI has defined 'exposure' as the aggregate of sanctioned limits or outstanding, whichever is higher.

Customer with NO existing CC or OD facility.

Customer can open a new Current Account if he is not enjoying Cash Credit or Overdraft facility and total exposure to Banking System is less than Rs. 5 crores. As and when the exposure goes beyond Rs. 5 crores, the customer has to inform the bank and, thereafter, operation in the account will be governed differently.

Customers with an aggregate exposure of Rs 5. crores to less than Rs. 50 crores with the Banking System can open a Current Account with any lender bank and also can open a Collection Account* with non-lending banks.

Customers with an aggregate exposure of Rs. 50 crore or more with the Banking System can open a Current Account with Escrow Managing bank (customer to mandate one of the lender banks to act as Escrow Managing bank). Customers also have the option to open a Collection Account* with other lender banks.

*Collection Account – A Current Account where there is no prohibition on the amount or the number of credits coming in, however outward debits will be limited to the purpose of remitting the proceeds to the Current Account with Escrow Managing bank account or with other lender bank.

B. Customer with an existing CC or OD facility with any bank:

Customers availing of CC or OD or both with any other bank/s cannot open a new Current Account.

All transactions need to be routed through the existing Cash Credit or Overdraft Account.

However, customers can avail of new CC or OD facility from any bank to meet their business requirements.

Conditions to avail of CC or OD facility:

Customers can avail of a new CC/OD facility from any bank. However, operations permitted in such accounts will depend on the share of the bank's exposure to customer's total exposure to with the Banking System.

If bank's exposure to a borrower is more than 10% of the aggregate Banking System exposure, operations in CC/OD Accounts are permitted freely as hitherto

When a bank's exposure to a borrower is less than 10% of the aggregate Banking System exposure, CC/OD Accounts can only be used for inward credits. Outward debit transactions will be limited to remitting funds to the borrower's CC or OD Account, as per customer's standing instructions, held with a bank which has an exposure of 10% or more

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