



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Reserve Bank of India (Rural Co-operative Banks – Transaction Accounts)
Directions, 2025 – Draft for Comments

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A. Introduction

1. Current Accounts, Cash Credit Accounts (CC), and Overdraft Accounts (OD) (collectively referred to as “**transactions accounts**”), while differing in their underlying structure, share a key operational characteristic that these accounts may be used by customers to route their receipt and payment transactions. Towards facilitating better credit monitoring by the lenders, the Reserve Bank of India has, over time, issued several guidelines regarding opening or maintenance of such accounts by a bank, depending on its lending relationship with the customer.
2. A comprehensive review of the existing instructions has now been undertaken with a view to rationalising and harmonising the applicable guidelines. Based on this review, the *Reserve Bank of India (Rural Co-operative Banks – Transaction Accounts) Directions, 2025* are being issued.

B. Powers Exercised and Commencement

3. In exercise of the powers conferred by the sections 21, 35A and 56 of the Banking Regulation Act, 1949, the Reserve Bank of India (hereinafter called the “Reserve Bank”) being satisfied that it is necessary and expedient in the public interest and in the interest of depositors to do so, hereby, issues these instructions hereinafter specified.
4. Banks shall take necessary steps to ensure compliance with these Directions at the earliest, but no later than April 1, 2026.

C. Scope

5. These Directions shall apply to transaction accounts offered by Rural Co-operative Banks (State Co-operative Banks and Central Co-operative Banks).

D. Definitions

6. In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:
 - (i) “Banking System” includes Commercial Banks (including Small Finance Banks, Local Area Banks, Regional Rural Banks, and Payments Banks), Urban Co-operative Banks and Rural Co-operative Banks.



- (ii) “Collection Account” means a transaction account used exclusively for receipts of cash inflows of the accountholder. Restricted payments/ cash outflows from such account shall be subject to the conditions outlined in paragraph 10 of these Directions.
 - (iii) “Exposure” means the sum of all sanctioned fund-based credit facilities and non-fund-based facilities availed by the borrower from the banking system.
 - (iv) “Financial sector regulator” refers to the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA).
 - (v) “Lending Bank” means a bank that has an exposure to the borrower.
7. All other expressions unless defined herein shall have the same meanings as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934, or any statutory modification or re-enactment thereto or in other relevant regulations issued by the Reserve Bank or as used in commercial parlance, as the case may be.

E. Restrictions on Maintaining Transaction Accounts

8. In cases of borrowers to whom the aggregate exposure of the banking system is less than ₹10 crore, banks (lending or non-lending) shall be free to maintain transaction accounts as per the needs of the borrower.
9. In cases of borrowers to whom the exposure of the banking system is ₹10 crore or more:
- (i) Any two lending banks within the banking system, as per the choice of the borrower, can maintain transaction accounts, provided that each of such banks has either a minimum 10% share in banking system’s aggregate exposure to the borrower, or a minimum 10% share in banking system’s aggregate fund-based exposure to the borrower.

Provided that in cases where no bank within the banking system meets the above criteria, or only one bank meets the above criteria, the two lending banks from the banking system having the largest exposures to the borrower may maintain transaction accounts.



Provided further that in cases where no Scheduled Commercial Bank (SCB) meets the above criteria, but the borrower nevertheless desires to have transaction accounts with an SCB, such borrowers can maintain transaction accounts with any one SCB of their choice, subject to furnishing of no-objection certificates (NOCs) from all lending banks within the banking system.

(ii) Any bank, whether lending or non-lending, shall be free to maintain collection accounts.

10. Funds credited into collection accounts shall be remitted within two working days of receipt of such funds to a designated transaction account opened in terms of paragraphs 8 or 9(i) above, or in terms of any of the following provisions:

- (a) paragraphs 8 or 9(i) of [Reserve Bank of India \(Commercial Banks – Transaction Accounts\) Directions, 2025](#);
- (b) paragraphs 8 or 9(i) of [Reserve Bank of India \(Small Finance Banks – Transaction Accounts\) Directions, 2025](#);
- (c) paragraphs 8 or 9(i) of [Reserve Bank of India \(Local Area Banks – Transaction Accounts\) Directions, 2025](#);
- (d) paragraphs 8 or 9(i) of [Reserve Bank of India \(Regional Rural Banks – Transaction Accounts\) Directions, 2025](#);
- (e) paragraphs 8 or 9(i) of [Reserve Bank of India \(Urban Co-operative Banks – Transaction Accounts\) Directions, 2025](#);
- (f) paragraph 8 of [Reserve Bank of India \(Payments Banks – Transaction Accounts\) Directions, 2025](#).

However, statutory dues such as taxes, and dues, if any, to the bank maintaining the collection account can be debited before remitting the funds to the designated transaction account.

F. Exemptions

11. The restrictions placed in terms of Section E of these Directions shall not be applicable to the accounts mentioned below:

- (i) Accounts opened as per the provisions of Foreign Exchange Management Act, 1999 (FEMA) and notifications issued thereunder, including accounts mandated for ensuring compliance under the FEMA framework.



- (ii) Specific accounts or transactions which are stipulated under a statute or a specific instruction of a financial sector regulator, or the Central Government or a State Government.
- (iii) Transaction accounts of entities regulated by a financial sector regulator, used for the purpose of carrying out their regulated activities.

Provided that banks operating the above-mentioned exempted accounts shall ensure that transactions in such accounts are used only for the permitted/ specified purposes. Surplus funds, if any, in such accounts shall be remitted to a designated transaction account specified in paragraph 10 above.

G. Compliance Monitoring

12. For the purpose of ensuring ongoing compliance with these Directions, all banks shall monitor transaction accounts maintained with them on a regular basis, and in any case at least once every half-year.
13. In case it is observed that a bank is no longer eligible to maintain a transaction account opened in terms of:
 - a) paragraph 8, due to increase in exposure of banking system to the borrower up to or beyond the specified threshold of ₹10 crore;
 - b) paragraph 9(i), due to changes in the bank's share in banking system's aggregate exposure or aggregate fund-based exposure to the borrower,then the bank shall notify the customer(s) concerned promptly, and in any case within one month from the date of observing such ineligibility, that the transaction account must either be converted to a collection account or closed. The conversion or closure process, as the case may be, shall be completed within two months of such notification to the customer(s).
14. Transaction accounts opened in terms of these Directions shall be appropriately flagged in the bank's core banking solution (CBS) to ensure clear identification and to facilitate effective monitoring. Banks maintaining multiple transaction accounts for a borrower shall ensure that such accounts and transactions and cashflows therein are monitored at the borrower level as also at the account level.



H. Other Restrictions

15. These Directions are without prejudice to restrictions, if any, which a lending bank within the banking system may impose on the borrower as part of its lending agreement, provided such restrictions are in compliance with applicable statutory and regulatory requirements.
16. Banks shall ensure that accountholders utilise their transaction accounts solely for transactions related to their authorised business or activities. These accounts shall not, under any circumstances, be used as pass-through channels for facilitating third-party transactions.

Provided that, entities expressly licensed or authorised by a financial sector regulator to facilitate third-party transactions may continue to do so. However, such activities shall strictly be limited to the specific transactions they are authorised to do and shall not extend beyond that scope. Any transaction account that has been permitted to carry out such third-party transactions shall be appropriately flagged in the bank's CBS to ensure clear identification and to facilitate effective monitoring.
17. Banks shall ensure that accountholders, who are not licensed or authorised by the Reserve Bank to accept deposits or to provide payment services, do not engage in such activities through their transaction accounts.
18. Robust monitoring systems shall be implemented to detect the above prohibited usage, including mechanisms to flag accounts exhibiting unusually high transaction volumes, frequent pass-through activities, or inconsistencies between the accountholder's stated line of business and transactions carried out through the account.
19. Term loans sanctioned by the bank shall preferably be remitted directly to the intended beneficiary's account(s) or for the specified end-use, where such beneficiary is identifiable, rather than routing the funds through the borrower's transaction account.

(Vaibhav Chaturvedi)
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