

RBI extends deadline for shifting of current accounts till Oct 31



The [Reserve Bank of India](#) (RBI) on Wednesday gave banks time till October 31 to comply with its guidelines on current account and overdraft facilities, by which time banks must come to a resolution on the issue.

The central [bank](#) again reiterated its stance on the issue, indicating that it was in no mood to change the proposed rules, but only would allow for stretching the timeline for smoother implementation.

The deadline had ended on July 31, leading to thousands of current accounts being closed by banks. The lenders had requested the [RBI](#) for some more time to resolve the operational issues while implementing the provisions of the August 2020 circular in letter and spirit.

Pushing the deadline to October 31, the [RBI](#) said, "This extended timeline shall be utilised by banks to engage with their borrowers to arrive at mutually satisfactory resolutions within the ambit of the circular."

"Banks shall ensure that the contents of the circular are implemented in letter and spirit without causing undue inconvenience to their borrowers," the RBI said in its notification.

Cases that banks are unable to resolve themselves will have to be escalated to Indian Banks' Association (IBA) for appropriate guidance. The banking industry lobby, would flag any regulatory considerations required to the RBI by September 30. This may indicate that the October 31 deadline is flexible, provided banks sort out the issue with their customers and come to a solution.

In the original circular, the RBI had said that a customer can open a current account with any bank if she has not availed overdraft facility from any bank, and the exposure to the banking system is less than Rs 5 crore. If the exposure is between Rs 5 crore and Rs 50 crore, the lending bank can allow the customer to open a current account as well.

However, for large borrowers above Rs 50 crore exposure and having multiple bank exposures, current account and cash credit/ overdraft facility has to be with a single bank. In essence, a customer has to have a single current account, and that too with the bank with which it has a loan facility running. In case of multiple banks, the borrower and the banks can decide mutually where to keep the current account.

The current account has to be run through an escrow mechanism, and “current accounts of such borrowers can only be opened/maintained by the escrow managing bank,” the RBI had said in its August circular.

The RBI’s proposed rules gave rise to problems in many cases, as firms generally take loans from public sector banks, but run current accounts with private and foreign banks that offer better services. The RBI wanted to stem this, saying the core banking system (CBS) connects all the banks and the firms should not have any problem integrating accounts.

The idea was to make sure that funds are not routed through multiple check-in accounts, and that by limiting such accounts within one bank, the firms are better monitored.

[Reserve Bank of India](#)