

8<sup>th</sup> October, 2020/16318

**Smt. Nirmala Sitaraman**  
Hon'ble Minister of Finance  
Govt. of India  
A wing Shastri Bhavan,  
Rajendra Prasad Road  
New Delhi -110001

**Sub: Opening of Current accounts by Banks - Needs Discipline.**  
**Circular Ref no DOR.NO. BP.BC/7/21.04.048/2020-21**

Respected Madam,

Greetings from Gujarat Chamber of Commerce & Industry.

We wish to draw your kind attention to the above circular in which The Reserve Bank of India (RBI) recently issued the circular dated 6th August, 2020 vide reference no. DOR. No. BP.BC/7/21.04.048/2020-21 ("Opening of Current Accounts by Banks - Need for Discipline") where it has mandated that borrowers who have availed the CC/OD facilities, shall not get other current accounts opened from any non-lending banks. Also, it has mandated for closure of existing current accounts opened by CC/OD borrowers from any non-lending banks. The above-mentioned circular also mentions that banks shall ensure compliance with the instructions within a period of three months from the date of this circular, i.e. by 6<sup>th</sup> November, 2020. Hence the bankers are forcing their existing customers to comply with these provisions even if that results in loss of business to the customer / logistic issues in this tough economic downtime.

We have illustrated below hardships being faced by the borrowers, due to the issuance of the said circular and which requires immediate attention.

### **1. Relevant Point of Circular -**

No bank shall open the Current Account for borrowers who have availed credit facilities in the form of CC/OD from other banks.

### **Problems being faced by the borrowers**

a. The circular restricts opening of current accounts from non-lender banks. The new current accounts shall not be opened however as per Point No. 4 of circular binds to close the existing current accounts as well. In such scenarios, businesses who have already operated their day to day transactions from other current accounts, will badly be affected. Some examples of hardship being faced by businesses are as under:

**Natubhai Patel**  
President

**Hemant N. Shah**  
Sr. Vice President

**K. I. Patel**  
Vice President

**Pathik S. Patwari**  
Hon. Secretary

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Hon. Secretary (R)

**Sachin K. Patel**  
Hon. Treasurer



b. The branch network of the lender bank is not so widely spread / strong, so the customer had opened a current account with another bank at locations where the lender bank doesn't have a branch - for smooth and speedy functioning of their collection activity. If they would be compelled to close the existing current account, business shall adversely be affected due to this action and there will be huge business loss. Already the businessmen are facing severe cash flow issues due to COVID-19 pandemic and this will act as the last nail in the coffin.

c. We have observed such instances where borrowers have availed the credit facilities from a particular bank and other retail loans such as Business Loans, Car Loans and Machinery Loans from other institutions. Apart from this, it has current account/s with other banks for specialized banking services and all such repayment of retail loans are paid from current accounts. If customers will have to close the current accounts, existing repayments of said loans will be affected and shifting of ECS/ NACH payments from CC/OD accounts will itself a tedious task and time consuming. As mentioned above, in these stressful times where businessmen are trying to recover and restart post the lockdown, unnecessary time of theirs would be wasted in such matters which don't have any urgency at the moment.

d. Many of the banks do not have the Direct – Indirect Tax payment gateways on their internet banking platforms. Due to which many borrowers look for accounts with other banks for timely statutory compliances. If borrowers will be imposed to close their current accounts, they will not be able to honor their tax payments on specified timelines. For example, since IDFC doesn't have GST or Income tax payment facility, the borrower will then be compelled to open a current account with let's say SBI, IOB or any other bank to make the tax payments timely.

## 2. Relevant point of circular

Multiple Banking - Exposure with Subordinate Bank. (Exposure up to 10% of total bank) Restriction – Where customer is into multiple banking and having working capital CC/OD accounts for more than a bank, bifurcation is done basis exposure i.e up to 10% of total banking exposure and more than 10% of total banking exposure. Customers aren't allowed to freely use the credit collection of subordinate banks. The debit to those accounts are only allowed to transfer to the CC/OD accounts held with lead bank (Exposure more than 10%) at regular intervals. Also to note that said credits are not even used for making margin money as FD/TD to avail the non-fund based facilities

Note:-

Lead Bank:- Exposure 10% of total banking exposure to customer Subordinate

Bank:- Exposure 10% of total banking exposure to customer

## Problems being faced by the borrowers .

e. Referring to the clause (ii) of circular, in case of multiple banking, RBI has mandated the borrowers to transfer the entire funds to the CC/OD held with Lead bank at regular intervals. In practical scenarios, it would be very difficult for borrowers to operate their payment cycles where they will have to transfer the balance kept in the CC/OD account of the subordinate bank and from the main account, they will have to make the suppliers payment.

f. Further said clause restricts the borrowers to use the balance of CC/OD as margin money for non-fund-based facilities. In such a scenario, borrowers shall have to make necessary arrangements for extra funds for margin money despite the balance available in the CC/OD account of the subordinate bank. This restriction will even bring more hardship for borrowers who have only non-fund-based facilities from subordinate bank/ banks.

As far as we understand the purpose of this circular is to monitor the business cash flows/ credit churning of CC/OD borrowers where they have more than one account. So as to facilitate the CC/OD lenders for better monitoring of business cash flows, all CC/OD borrowers shall be compelled to submit the account statements at regular intervals. If any borrower doesn't comply with the stipulations, penal provisions shall be imposed. **However not allowing them to operate the banking services from any other banks shall affect the business operations which is not advisable and definitely not a step to be taken in such tough times where businesses are facing survival issues due to COVID-19 global pandemic.**

We look forward to your favorable consideration.

With Regards,

Yours sincerely,



**Natubhai Patel**  
President

c.c. to

**Shri Shaktikanta Das**, Governor, Reserve Bank of India, Mumbai-400001