

Statement on the feedback received on draft Directions

Subject: Reserve Bank of India (Transaction Account) Directions, 2025

The Reserve Bank had, on October 1, 2025, issued the [draft Transaction Account Directions](#) to seven Regulated Entities viz., Commercial Banks, Small Finance Banks, Payments Banks, Local Area Banks, Regional Rural Banks, Urban Co-operative Banks, and Rural Co-operative Banks. Major feedback received and the comments thereon are summarised below.¹

1. Para 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.

Feedback:

(i) Stakeholders have suggested that the restrictions on cash credit accounts may be reviewed to ensure that availability of working capital finance is not constrained.

RBI Comments: Accepted. It has been decided to remove the restrictions on cash credit facilities as these accounts are operationally different from current accounts and overdraft accounts.

(ii) Stakeholders have suggested that the limit of two banks for maintaining transaction accounts be reconsidered, as accounts may be required for a range of operational needs. Suggestion has been made that any bank having a minimum specified share of exposure be permitted to maintain transaction accounts.

RBI Comments: Accepted. It has been decided to permit any lending bank with exposure greater than 10 per cent to maintain a current account or overdraft account.

¹ Paragraph references correspond to the draft Directions issued for Commercial Banks, and the equivalent provisions may be located in the Directions applicable to other regulated entities.

Further, in cases where no bank or only one bank meets this criteria, two banks with largest exposure shall be permitted to maintain such accounts.

2. Para 10: Funds credited into collection accounts shall be remitted within two working days of receipt of such funds to a designated transaction account.

Feedback:

Stakeholders have requested additional time for effecting such transfers.

RBI Comments: Not Accepted. As timely transfer of funds to the lending bank is an important consideration, the suggestion has not been agreed to.

3. Para 14: In case it is observed that a bank is no longer eligible to maintain a transaction account ...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).

Feedback:

(i) Stakeholders have requested exemption in cases involving specific instructions from law enforcement agencies.

RBI Comments: Not Accepted. Application of any regulatory instruction is always without prejudice to any judicial direction or order that a bank is legally required to comply with. Therefore, no specific provision is required for this purpose.

4. Monitoring transactions and ensuring compliance (para 11, 13, 15, 17, 18, 19)

The draft Directions required banks to ensure adequate monitoring and due diligence in the operation of transaction accounts, including flagging and monitoring of all transaction accounts in CBS; ensuring that transactions accounts are used only for the intended / authorised purposes, particularly the exempted accounts and those involving third party payments; and ensuring that the transactions accounts are not used as proxy channels for restricted activities such as providing payment services, unless specifically authorised.

Feedback:

Stakeholder comments have flagged operational challenges in implementing the above monitoring mandates, stating that banks will largely have to rely on customer

undertakings, and that some responsibility must also be put on the account holders. In this context, some comments have also sought for detailed guidelines by the Reserve Bank.

RBI Comments: Not accepted. These are operational matters and banks are expected to have suitable systems in place for monitoring of transactions.

5. Other Feedback:

General requests have been received for exempting specific borrowers or specific categories of exposure, along with requests for additional dispensations.

RBI Comments: Not Accepted. The guidelines are principle based and have been significantly simplified to facilitate easier compliance, with sufficient leeway already provided.