



भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA

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December 11, 2025

Reserve Bank of India (Urban Co-operative Banks – Credit Risk Management) – Amendment Directions, 2025

Please refer to [Reserve Bank of India \(Urban Co-operative Banks – Credit Risk Management\) Directions, 2025 dated November 28, 2025](#) (hereinafter referred to as 'the Directions').

2. On a review, in exercise of the powers conferred by the Sections 21 and 35A read with Section 56 of the Banking Regulation Act, 1949 and all other provisions / laws enabling the Reserve Bank of India (hereinafter called the Reserve Bank) in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. The Amendment Directions modifies the Directions as under:

(1) In Chapter V, Section B, and paragraphs 19, 20, and 21 shall be deleted.

(2) After Chapter VIII of the Directions, a new Chapter shall be added as under:

Chapter VIIIA - Maintenance of Cash Credit Accounts, Current Accounts and Overdraft Accounts by Banks

51A. Current Accounts, Cash Credit Accounts (CC), and Overdraft Accounts (OD) may all be used as transaction accounts by the customers, which raises concerns relating to credit monitoring by the lenders. With a view to strengthening credit discipline and facilitating better monitoring of transactions and utilisation of funds, this Chapter provides a framework for maintaining such accounts banks.

A. Cash Credit Accounts

51B. CC account is operationally different from a current account or OD account, given its primary nature as a working capital facility linked to the value of the borrower's current assets. A bank may provide such



cash credit facilities as per the needs of the customer, without any restriction under this Chapter.

B. Current Accounts and OD Accounts

51C. A bank may maintain current account or OD account without any restriction in case of customers where the aggregate exposure of the banking system to the customer is less than ₹10 crore.

Explanation (1): 'Banking System' for the purpose of this Chapter shall include Commercial Banks (including Small Finance Banks, Local Area Banks, and Regional Rural Banks, but excluding Payments Banks), Urban Co-operative Banks and Rural Co-operative Banks (State Co-operative Banks and Central Co-operative Banks).

Explanation (2): 'Exposure' for the purpose of this Chapter means the sum of all sanctioned fund-based credit facilities and non-fund-based facilities availed by the borrower from the banking system.

51D. In case of customers to whom the exposure of the banking system is ₹10 crore or more:

(1) A bank may maintain current accounts or OD accounts as per the needs of the customer provided that the bank has either:

- (i) A minimum 10 per cent share in banking system's aggregate exposure to the borrower; or
- (ii) A minimum 10 per cent share in banking system's aggregate fund-based exposure to the borrower.

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

Provided further that, in case where only one bank within the banking system has any exposure to the borrower, one more bank of the customer's choice within the banking system may maintain current



accounts, subject to furnishing of a no-objection certificate (NOC) from the bank that has the exposure to the borrower.

- (2) A bank, not meeting the eligibility criteria at paragraph (1) above , may maintain only collection accounts.

Explanation: ‘Collection Account’ for the purpose of this Chapter means a current account or OD account used primarily for receipts of cash inflows of the accountholder. Restricted payments / cash outflows from such account shall be subject to the conditions outlined in paragraph 51F of these Directions.

- 51E. With a view to ensuring credit discipline, lenders may include additional covenants as per their policies in their loan agreements in mutual agreement with borrowers.

C. Collection Accounts

- 51F. Funds credited into a collection account shall be remitted within two working days of receipt of such funds to a CC account, current account, or OD account maintained with any bank in the banking system and designated by the borrower for this purpose (hereinafter referred to as ‘designated account’ in this Chapter). Any disbursement of overdraft limit from an OD account, which is in the nature of a collection account, shall be through the designated account only.

Provided that statutory dues such as taxes, and dues, if any, to the bank maintaining the collection account may be debited before remitting the funds.

D. Exemptions

- 51G. The restrictions placed in terms of paragraph 51D(1) of these Directions shall not be applicable to the accounts mentioned below:

- (1) 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.



- (2) 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.

Explanation: 'Financial sector regulator' for the purpose of this Chapter 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).

- (3) 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 the designated account.

E. Compliance Monitoring

51H. For the purpose of ensuring ongoing compliance with this Chapter, all banks shall monitor accounts maintained with them on a regular basis, and in any case at least once every half-year.

51I. In case it is observed that a bank is no longer eligible to maintain a current account or OD account opened in terms of:

- (1) paragraph 51C due to increase in exposure of banking system to the borrower up to or beyond the specified threshold of ₹10 crore; or
- (2) paragraph 51D(1), due to changes in the bank's share in banking system's aggregate exposure or in aggregate fund-based exposure to the borrower; or due to non-availability of NOC from the bank that has 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 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 three months of observing such ineligibility.

51J. 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 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.

F. Other Provisions

51K. A bank shall ensure that an accountholder utilise their account 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 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.

51L. A bank shall ensure that an accountholder, who is not licensed or authorised by the Reserve Bank to accept deposits or to provide payment services, do not engage in such activities through accounts maintained with them.

51M. 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.

51N. 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 account.

4. The above amendments shall come into force from April 1, 2026. Banks may however decide to implement the amendments in entirety from an earlier date.

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