

RBI/2004/200

DBOD.No.Leg.BC.84 /09.07.005/2003-04

May 15, 2004

All Scheduled Commercial Banks  
(Excluding RRBs)

Dear Sir,

**Opening of Current Accounts by banks - Need for discipline**

Please refer to our Circular DBOD.No.BC.136/09.08.001/99-2000 dated January 25, 2000 wherein we had advised banks that at the time of opening of current accounts, they should insist on a declaration from the account-holder to the effect that he is not enjoying any credit facility with any other bank or obtain a declaration giving particulars of credit facilities enjoyed by the intending customer with any other bank(s). Besides, in the latter case, the concerned lending bank(s) were required to be duly informed so that suitable precautionary measures, where necessary could be taken by them.

2. The above procedure which is considered essential in the interests of overall credit discipline is reportedly not being adopted by some banks and consequently facilitates diversion of funds by borrowers to the detriment of the banking system. Banks are therefore once again instructed to scrupulously ensure that their branches do not open current accounts of entities which enjoy credit facilities (fund based or non-fund based) from the banking system without specifically obtaining a No-Objection Certificate from the lending bank(s). Banks are also advised to note that non-adherence to the above discipline could be perceived to be abetting the siphoning of funds and such violations which are either reported to RBI or noticed during our inspection would make the concerned banks liable for penalty under Banking Regulation Act, 1949.

3. Please acknowledge receipt

Yours faithfully

(C.R.Muralidharan)  
Chief General Manager-in-Charge